

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

**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 (the “Company”), you should at once hand this circular to the purchaser or to the stockbroker, registered dealer in securities 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**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 754)**

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

**CONTINUING CONNECTED TRANSACTIONS**

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



A letter from the Board of Hopson Development Holdings Limited is set out on pages 4 to 31 of this circular. A letter from the independent board committee to the Independent Shareholders is set out on pages 32 to 33 of this circular. A letter from Celestial Capital Limited containing its advice to the independent board committee and the independent shareholders is set out on pages 34 to 97 of this circular.

A notice convening the special general meeting of Hopson Development Holdings Limited (the “SGM”) to be held at Alexandra Room, 2/F, Mandarin Oriental, 5 Connaught Road Central, Hong Kong on Friday, 13 July 2012 at 3:00 p.m. is set out on pages 102 to 103 of this circular.

A form of proxy for the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and to return it to the principal office of the Company at Suites 3305–3309, 33rd 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 the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

\* for identification purposes only

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## DEFINITIONS

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

“Annual Caps”	the maximum aggregate annual contract value of the Continuing Connected Transactions for each of the three financial years ending 31 December 2014
“associate(s)”	the meaning given to this term in the Listing Rules
“Board”	board of Directors
“Celestial Capital”	Celestial Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps
“Company”	Hopson Development Holdings Limited
“connected person(s)”	the meaning given to this term in the Listing Rules
“Continuing Connected Transactions”	the New Transactions and the Old Transaction
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Guangdong Zhujiang Construction Decoration”	廣東珠江建築裝飾工程有限公司 (Guangdong Zhujiang Construction Decoration Project Limited), a company established in the PRC and a wholly owned subsidiary of the Company
“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 and a connected person of the Company
“Hanjiang Group”	Hanjiang, its subsidiaries and its associates
“He Dao”	廣東合道信息科技有限公司 (Guangdong He Dao Information Technology Company Limited), a company established in the PRC and a connected person of the Company
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## DEFINITIONS

“Hopson Education Funds”	Hopson Education Charitable Funds Limited, a company incorporated in Hong Kong and a holder of 68,640,000 Shares, representing approximately 3.95% of the issued share capital of the Company, as at the Latest Practicable Date
“Independent Board Committee”	an independent committee of the Board comprising Messrs. Lee Tsung Hei, David, Wong Shing Kay, Oliver and Tan Leng Cheng, Aaron, established to review and consider the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps
“Independent Shareholders”	the shareholders of the Company other than Mr. Chu and Ms. Chu and their respective associates, including Sounda and Hopson Education Funds
“Independent Third Parties”	persons who are independent of and not connected with the Company or any of its connected persons
“Latest Practicable Date”	19 June 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chu”	Mr. Chu Mang Yee, the chairman of the Board and an executive Director
“Ms. Chu”	Ms. Chu Kut Yung, an executive Director and daughter of Mr. Chu
“New Framework Agreement”	the conditional framework agreement dated 11 May 2012 entered into between the Company and Hanjiang in relation to the New Transactions
“New Transactions”	the New Transaction 1 to the New Transaction 10 as described in the sub-section headed “A. Particulars of the New Transactions” under the section headed “The Continuing Connected Transactions” of the letter from the Board contained in this circular to be entered into between the Group and the Hanjiang Group pursuant to the New Framework Agreement
“Old Transaction”	the Old Transaction as described in the sub-section headed “B. Particulars of the Old Transaction” under the section headed “The Continuing Connected Transactions” of the letter from the Board contained in this circular
“PRC”	the People’s Republic of China

## DEFINITIONS

“Previous Framework Agreement”	the agreement dated 30 April 2009 entered into between the Company and Hanjiang in relation to certain continuing connected transactions of the Company between the Group and the Hanjiang Group for the three financial years ended 31 December 2011
“RMB”	Renminbi
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“SGM”	special general meeting of the Company to be held on Friday, 13 July 2012 to consider, and if thought fit, to approve, among other things, the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps
“Shares”	the ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of Shares
“Sounda”	Sounda Properties Limited, a company incorporated in the British Virgin Islands and a holder of 1,032,363,809 Shares, representing approximately 59.47% of the issued share capital of the Company, as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



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**HOPSON DEVELOPMENT HOLDINGS LIMITED**

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*Executive Directors:*

CHU Mang Yee (*Chairman*)

ZHANG Yi

*(Deputy Chairman, Chief Financial Officer)*

XIANG Bin (*Deputy Chairman*)

AU Wai Kin

LIAO Ruo Qing (*Vice President*)

CHU Kut Yung (*Executive Vice President*)

*Independent Non-Executive Directors:*

LEE Tsung Hei, David

WONG Shing Kay, Oliver

TAN Leng Cheng, Aaron

*Principal Office:*

Suites 3305–3309

33rd Floor, Jardine House

1 Connaught Place

Central

Hong Kong

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

26 June 2012

*To the Shareholders*

Dear Sir and Madam,

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 11 May 2012 of relating to, among other things, certain proposed continuing connected transactions of the Company under the Listing Rules.

The Previous Framework Agreement, the continuing connected transactions of the Company contemplated under the Previous Framework Agreement and the annual caps of each of such continuing connected transactions for the three financial years ended 31 December 2011 were approved by the then independent shareholders of the Company on 16 June 2009. The Previous Framework Agreement expired on 31 December 2011. Since the Group intends to continue most of the recurring transactions contemplated under the Previous Framework Agreement and to enter into certain new recurring transactions with the Hanjiang Group in the three financial years ending 31 December 2014, the Company entered into the New Framework Agreement with Hanjiang for the purpose of governing the New Transactions on 11 May 2012.

\* for identification purposes only

## LETTER FROM THE BOARD

Prior to 31 December 2011, the Group and the Hanjiang Group had entered into certain service contracts pursuant to which the Hanjiang Group will be required to carry out construction design works for certain property projects of the Group in 2012 and 2013. Such construction design contracts were entered into between the Group and the Hanjiang Group pursuant to certain framework agreements relating to continuing connected transactions then in force including the Previous Framework Agreement. According to the terms of such contracts, it is expected that the Group will have to pay RMB34,690,000 and RMB2,408,000 to the Hanjiang Group for its design services in the two financial years ending 31 December 2013. Having considered that the member of the Group engaging in construction design business has gained higher capability than the Hanjiang Group in performing construction design work, the Group expects that it will not engage the Hanjiang Group to carry out construction design work in the three years ending 31 December 2014 except for completion of the existing construction design contracts entered into prior to 31 December 2011, therefore, the New Framework Agreement does not include design services provided by the Hanjiang Group to the Group. The change in the Group's policy in relation to performance of construction design works involved in its property projects will not cause any breach of the construction design contracts entered into between the Group and the Hanjiang Group as those contracts were entered into on project basis but not long term service contracts.

As Hanjiang is wholly owned by the brother-in-law of Mr. Chu who is also an uncle of Ms. Chu, it is a connected person of the Company under the Listing Rules, the New Transactions contemplated under the New Framework Agreement and the Old Transaction constitute continuing connected transactions under the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) in respect of the Continuing Connected Transactions on an annual basis, when aggregated pursuant to Rule 14A.25 of the Listing Rules, exceed 5%, the Continuing Connected Transactions constitute non-exempt continuing connected transactions of the Company and are subject to reporting, announcement, independent shareholders' approval and annual review requirements under Rule 14A.17 of the Listing Rules. Accordingly, the Company proposes to seek the Independent Shareholders' approval of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2014 at the SGM. To the best knowledge of the Directors after having made all reasonable enquiries, none of Hanjiang, the ultimate beneficial owners of its equity interest and their respective associates has any interest in the issued share capital of the Company as at the Latest Practicable Date. Mr. Chu, Ms. Chu and their respective associates, including Sounda and Hopson Education Funds which were wholly owned by Mr. Chu and collectively hold Shares representing approximately 63.42% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting at the SGM and votes of the Independent Shareholders at the SGM will be taken by poll.

The Independent Board Committee has been formed to advise the Independent Shareholders and Celestial Capital has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps.

The purpose of this circular is to provide you with information on the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps, the letter from the Independent Board Committee, the letter of advice from Celestial Capital and the notice to convene the SGM.

## LETTER FROM THE BOARD

### 2. THE CONTINUING CONNECTED TRANSACTIONS

#### A. Particulars of the New Transactions

- (1) *Services to be provided/premises to be leased by the Hanjiang Group to the Group pursuant to the New Framework Agreement:*

*New Transaction 1 — Construction:*

The appointment of the Hanjiang Group by the Group to carry out construction works for certain property projects of the Group (“**New Transaction 1**”).

*New Transaction 2 — Construction supervision:*

The appointment of the Hanjiang Group by the Group to supervise the construction of certain property projects of the Group (“**New Transaction 2**”).

*New Transaction 3 — Electrical power, low voltage system and intelligent building installation works, budgeting and cost control consultancy:*

The appointment of the Hanjiang Group by the Group to carry out electrical power, low voltage system and intelligent building installation works for certain property projects of the Group and to provide consultancy service in relation to budgeting and construction cost control to the Group (“**New Transaction 3**”).

*New Transaction 4 — Office lease:*

The lease of office premises in Guangzhou by the Hanjiang Group to the Group for use as offices (“**New Transaction 4**”).

*New Transaction 5 — Informatization related services:*

The appointment of the Hanjiang Group by the Group to provide services in connection with the building of informatization infrastructure and maintenance of servers, to supply and lease the informatization related products and facilities to the Group, to provide consultancy service in respect of the informatization systems of the Group, staff training and technical support for such systems to the Group (“**New Transaction 5**”).

*New Transaction 6 — Consultancy service in respect of development planning and sales agency service for commercial property projects:*

The appointment of the Hanjiang Group by the Group to provide consultancy service in connection with the development planning and sales agency service for the commercial property projects of the Group (“**New Transaction 6**”).



## LETTER FROM THE BOARD

(2) *Services to be provided/premises to be leased by the Group to the Hanjiang Group pursuant to the New Framework Agreement:*

*New Transaction 7 — Management of vacant properties:*

The appointment of the Group by the Hanjiang Group to manage certain vacant properties developed by the Hanjiang Group and to handle the delivery of sold properties to owners (“**New Transaction 7**”).

*New Transaction 8 — Construction design:*

The appointment of the Group by the Hanjiang Group to carry out construction design work for certain property projects of the Hanjiang Group (“**New Transaction 8**”).

*New Transaction 9 — Installation and decoration:*

The appointment of the Group by the Hanjiang Group to carry out installation and decoration works for certain property projects developed by the Hanjiang Group (“**New Transaction 9**”).

*New Transaction 10 — Shop lease:*

The lease of premises in Guangzhou by the Group to the Hanjiang Group for use as shops (“**New Transaction 10**”).

**B. Particulars of the Old Transaction**

*Old Transaction — Construction design:*

Provision of construction design services by the Hanjiang Group to the Group for its property projects pursuant to contracts entered into between the Hanjiang Group and the Group prior to 31 December 2011 (“**Old Transaction**”).

**C. Principal terms of the New Framework Agreement**

On 11 May 2012, the Company and Hanjiang entered into the New Framework Agreement, setting out, among other things, the principal terms of the New Transactions as follows:

Date:	11 May 2012
Parties:	(1) the Company
	(2) Hanjiang

## LETTER FROM THE BOARD

- Scope:
1. Services to be provided/premises to be leased by the Hanjiang Group to the Group:

Hanjiang shall procure the relevant member(s) of the Hanjiang Group or their respective sub-contractors to carry out construction works, construction supervision, electrical power, low voltage system and intelligent building installation works for certain property projects of the Group and to provide consultancy services in relation to budgeting and construction cost control, informatization system related services and consultancy service in connection with the development planning and sales agency service for commercial property projects to the Group. Hanjiang shall also procure the relevant member(s) of the Hanjiang Group to lease to the Group certain premises for use as the Group's offices.
  2. Services to be provided/premises to be leased by the Group to the Hanjiang Group:

The Company shall procure the relevant member(s) of the Group to manage certain vacant properties developed by the Hanjiang Group, to carry out construction design, installation and decoration works for certain property projects of the Hanjiang Group and to lease to the Hanjiang Group certain premises for use as shops.
- Term: The New Framework Agreement shall be for a term commencing on the date when it becomes effective and ending on 31 December 2014.
- Condition precedent: The New Framework Agreement is conditional, and will become effective, upon the approval of the Independent Shareholders voting at the SGM.

## LETTER FROM THE BOARD

Specific terms for  
the transactions:

In respect of each of the engagements for each of the New Transactions, each of the Group and the Hanjiang Group will procure their relevant members to enter into a separate agreement for each transaction setting out the specific terms of engagement which are consistent with the terms and principles contained in the New Framework Agreement. The terms of the transactions must be normal commercial terms, fair and reasonable, consistent with the terms offered by Independent Third Parties in their provision of similar services or offering for lease of similar properties in their ordinary course of business or no less favourable than the terms offered by or to (as the case may be) the Independent Third Parties from the perspective of the Group.

### 3. PROPOSED ANNUAL CAPS AND PARTICULARS OF THE CONTINUING CONNECTED TRANSACTIONS

#### A. Proposed Annual Caps

Set out below are the Annual Caps proposed by the Directors for each of the three financial years ending 31 December 2014 in respect of each of the Continuing Connected Transactions:

Transactions	2012	2013	2014
	Annual Cap	Annual Cap	Annual Cap
	(RMB'000)	(RMB'000)	(RMB'000)
<b>A1. New Transactions</b>			
<i>Services to be provided/premises to be leased by the Hanjiang Group to the Group pursuant to the New Framework Agreement:</i>			
1. New Transaction 1			
— Construction (Note)	1,818,540	1,616,480	1,414,420
2. New Transaction 2			
— Construction supervision (Note)	16,597	14,635	13,114
3. New Transaction 3			
— Electrical power, low voltage system and intelligent building installation works, budgeting and cost control consultancy	526,410	467,920	409,430
4. New Transaction 4			
— Office lease	6,354	6,989	7,688
5. New Transaction 5			
— Informatization related services (Note)	39,952	47,943	57,531
6. New Transaction 6			
— Consultancy service in respect of development planning and sales agency service for commercial property projects	8,550	9,596	13,765

# LETTER FROM THE BOARD

Transactions	2012	2013	2014
	Annual Cap	Annual Cap	Annual Cap
	(RMB'000)	(RMB'000)	(RMB'000)
<i>Services to be provided/premises to be leased by the Group to the Hanjiang Group pursuant to the New Framework Agreement:</i>			
7. New Transaction 7			
— Management of vacant properties	15,910	14,330	13,910
8. New Transaction 8			
— Construction design (Note)	33,340	36,197	36,637
9. New Transaction 9			
— Installation and decoration (Note)	94,808	43,400	174,860
10. New Transaction 10			
— Shop lease	3,298	3,444	3,616
<b>A2. Old Transaction</b>			
11. Old Transaction			
— Construction design	34,690	2,408	—
	<u>2,598,449</u>	<u>2,263,342</u>	<u>2,144,971</u>

*Note:* The term of or the length of time required for performance of the obligations under the contracts for these New Transactions to be entered into between the Group and the Hanjiang Group may exceed three years due to their work nature and cycle.

## B. Particulars of the Continuing Connected Transactions

Set out below are particulars of the Continuing Connected Transactions, including the bases upon which the proposed Annual Caps were determined and, in respect of the New Transactions, the relevant pricing bases:

### 1. New Transaction 1 — Construction

Scope:	Pursuant to the New Framework Agreement, the Group agrees to appoint the Hanjiang Group to carry out construction works for certain property projects of the Group.
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## LETTER FROM THE BOARD

Pricing basis:

Pursuant to the New Framework Agreement, the construction fees payable by the Group to the Hanjiang Group for carrying out construction works for various property projects of the Group in the PRC shall be determined by the parties by reference to the prevailing market rates charged by Independent Third Parties for providing similar services and the stipulated standards prescribed by 建設委員會 (Construction Committee) of where the particular property project is located, such as 北京市建築工程預算定額 (Base Price for Budgeting of Construction and Installation Works, Beijing Municipal) published by 北京市建設委員會 (Construction Committee of Beijing Municipal) in 2001 for property projects in Beijing, 廣東省各專業工程計價辦法 (2010年) (Basis for Calculating Professional Construction Works, Guangdong Province (2010)) and 廣東省各專業綜合定額 (2010年) (Comprehensive Calculation of Construction Works, Guangdong Province (2010)) published by 廣東省建設廳 (Construction Department of Guangdong Province) in 2010 for property projects in Guangzhou.

Basis of determining  
the annual caps:

The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above); (ii) the Directors' estimation of the aggregate gross floor area of the major projects of the Group located in Guangzhou, Beijing, Shanghai, Tianjin and Huizhou (which may not be an exhaustive list), of which the construction work is expected to be carried out by the Hanjiang Group (primarily determined based on the location and the nature of the projects where the Group considers the Hanjiang Group possesses comparative advantages) for the relevant years; and (iii) the historical data relating to the Hanjiang Group carrying out construction works for the Group.

While it is expected that the Group will be developing more property projects in the three financial years ending on 31 December 2014 as compared to the last three financial years, the Group plans to designate a member of the Group, which has been building up its capability in the provision of main contracting services for property construction to take up more construction works of the Group's property projects in the future, therefore the aggregate amount of the relevant proposed Annual Caps are slightly lower as compared to the aggregate amount of the annual caps for the three financial years ended 31 December 2011.

## LETTER FROM THE BOARD

As the management of the Group plans to reduce the involvement of connected persons of the Company in undertaking the Group's major construction related work, the Company proposes a progressively decreasing amount of the Annual Caps for the three years ending 31 December 2014.

Other information: The Group, depending the cost and expected return, location and nature of project involved, standard required and the respective comparative advantages of the Group and its contractors, decides if it is more cost effective to undertake or to outsource the construction work of a property project, as well as which construction contractors to be engaged. The Group has engaged Independent Third Parties to undertake the services provided by the Hanjiang Group under the New Transaction 1.

### **2. New Transaction 2 — Construction supervision**

Scope: Pursuant to the New Framework Agreement, the Group agrees to appoint the Hanjiang Group to supervise the construction of certain property projects of the Group.

Pricing basis: Pursuant to the New Framework Agreement, the amount of construction supervising fees payable by the Group to the Hanjiang Group for supervising the construction of certain property projects of the Group shall be determined by the parties by reference to the prevailing market rates charged by Independent Third Parties for providing similar services and the standards prescribed under 建設工程監理與相關服務收費標準 (Construction Project Monitoring and Related Services Fees Standard).

Basis of determining the annual caps: The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above); (ii) the Directors' estimation of the aggregate gross floor area of the major projects of the Group located in Guangzhou, Beijing, Shanghai, Tianjin and Huizhou (which may not be an exhaustive list), the construction work of which is expected to be supervised by the Hanjiang Group; and (iii) the historical data relating to provision of the construction supervision services by the Hanjiang Group to the Group.

## LETTER FROM THE BOARD

Due to the Group's plan to assign more construction supervision work to Independent Third Parties contractors, the Group expects that the aggregate floor area of the properties involved in the property projects requiring the Hanjiang Group's involvement in the provision of construction supervision works will drop by approximately 42% as compared to that in the last three financial years according to its plan. This contributes to the corresponding decrease in the relevant proposed Annual Caps as compared to the annual caps for the three financial years ended 31 December 2011.

As the management of the Group plans to reduce the involvement of connected persons of the Company in undertaking the Group's major construction related work, the Company proposes a progressively decreasing amount of the Annual Caps for the three years ending 31 December 2014.

Other information:

The Group, depending the cost and expected return, location and nature of project involved, standard required and the respective comparative advantages of the Group and its contractors, decides if it is more cost effective to undertake or to outsource the construction work of a property project, as well as which construction supervisors to be engaged. The Group has engaged Independent Third Parties to undertake the services provided by the Hanjiang Group under the New Transaction 2.

## LETTER FROM THE BOARD

### 3. *New Transaction 3 — Electrical power, low voltage system and intelligent building installation works, budgeting and cost control consultancy*

Scope:

Pursuant to the New Framework Agreement, the Group agrees to appoint the Hanjiang Group to carry out electrical power, low voltage system and intelligent building installation works for certain property projects of the Group and to provide consultancy service to the Group in relation to budgeting for tenders and construction cost control. Low voltage system and intelligent building installation works include installation of walkie-talkie system, CCTV system, music broadcast system, security system, car park automatic management system, telephone system, mobile signal coverage system, internet system and television antenna system and procurement of the related facilities. Consultancy service to be provided to the Group in relation to budgeting for tenders and construction cost control include evaluation and formulation of the base price for a particular project that the Group intends to put up for public tender, preparation of tender invitations and rendering assistance in the evaluation of the bidders, formulation of the budget for particular projects and formulation of cost control plans for construction projects.

Pricing basis:

Pursuant to the New Framework Agreement, the amount of fees payable by the Group to the Hanjiang Group for carrying out electrical power installation works for the property projects of the Group will be determined by reference to the prevailing market rates charged by Independent Third Parties for providing similar services and the standards prescribed by the relevant governmental authorities of where the property is located such as 廣東省各專業工程計價辦法 (2010年) (Basis for Fee Calculation of Professional Construction Works, Guangdong Province (2010)) and 廣東省各專業綜合定額 (2010年) (Comprehensive Fee Calculation of Construction Works, Guangdong Province (2010)) published by 廣東省建設廳 (Construction Department of Guangdong Province) in 2010.



## LETTER FROM THE BOARD

Pursuant to the New Framework Agreement, the amount of fees payable by the Group to the Hanjiang Group for carrying out low voltage system installation works for the property projects of the Group will be determined by reference to the prevailing market rates charged by Independent Third Parties for providing similar services and the standards prescribed by the relevant governmental authorities such as 通信建設工程預算定額 (Fee Calculation for Communication Construction Project) and 廣州地區建設工程常用材料綜合價格 (Comprehensive Price for Usually Used Materials for Construction Projects in Guangzhou) and for projects involving procurement, an additional procurement fee calculated based on a specified percentage of the price of the products as procurement fee will be charged.

Pursuant to the New Framework Agreement, the amount of fees payable by the Group to the Hanjiang Group for carrying out intelligent building installation works for certain property projects of the Group in the PRC will be determined by reference to the prevailing market rates charged by Independent Third Parties for providing similar services and the standards prescribed by the relevant governmental authorities of where the property is located such as 北京市建築工程預算定額 (Base Price for Budgeting of Construction and Installation Works, Beijing Municipal) published by 北京市建設委員會 (Construction Committee of Beijing Municipal) in 2001 for property projects in Beijing, 廣東省各專業工程計價辦法 (2010年) (Basis for Fee Calculation of Professional Construction Works, Guangdong Province (2010)) and 廣東省各專業綜合定額 (2010年) (Comprehensive Fee Calculation of Construction Works, Guangdong Province (2010)) published by 廣東省建設廳 (Construction Department of Guangdong Province) in 2010 for property projects in Guangzhou.

## LETTER FROM THE BOARD

Pursuant to the New Framework Agreement, the amount of fees payable by the Group to the Hanjiang Group for compiling budgets for tenders and construction cost control consultancy service to the Group will be determined by reference to the standards prescribed by the relevant governmental authorities such as 招標代理服務收費標準 (Standard Fees for Tender Agencies) issued by the 北京市發展和改革委員會 (Beijing Municipal Commission of Development and Reform) in respect of the provision of services to assist in the tender process and 工程造價諮詢服務收費管理暫行辦法 (Provisional Administrative Measures on Consultation Fees for Construction Budgeting) issued by 建設部 (Ministry of Construction) in respect of the provision of budgeting services.

Basis of determining  
the annual caps:

The relevant proposed Annual Caps, which represent the aggregate of the fees payable for the electrical power installation works, low voltage system installation works, intelligent building installation works together with budgeting and construction cost control consultancy service, have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the subparagraph above); (ii) the Directors' estimated aggregate gross floor area of the major projects of the Group located in Guangzhou, Beijing, Shanghai, Tianjin, and Huizhou (which may not be an exhaustive list) for which electrical power installation works, low voltage system installation works, intelligent building installation works and to provide consultancy service in relation to budgeting and construction cost control are expected to be carried out/ provided by the Hanjiang Group for the relevant year; and (iii) the historical data relating to the Hanjiang Group carrying out electrical power installation, intelligent building installation works and providing budgeting and construction cost control consultancy service to the Group.

As the management of the Group plans to reduce the involvement of connected persons of the Company in undertaking the Group's major construction related work, the Company proposes a progressively decreasing amount of the Annual Caps for the three years ending 31 December 2014.

## LETTER FROM THE BOARD

Other information: The Group, depending the cost and expected return, location and nature of project involved, standard required and the respective comparative advantages of the Group and its contractors, decides if it is more cost effective to undertake or to outsource the installation work of a property project, as well as which service providers to be engaged, and in respect of the consultancy service, which consultancy firm to be engaged by the Group.

The Group has engaged Independent Third Parties to undertake the services provided by the Hanjiang Group under the New Transaction 3.

#### 4. *New Transaction 4 — Office lease*

Scope: Pursuant to the New Framework Agreement, the Hanjiang Group agrees to lease certain premises located in Guangzhou to the Group for use as offices.

Pricing basis: Pursuant to the New Framework Agreement, the rent payable by the Group to the Hanjiang Group will be determined by reference to the prevailing market rents charged by Independent Third Parties for leasing the same properties or properties of similar grading in the vicinity.

Basis of determining the annual caps: The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above); (ii) the size of the proposed leased premises; and (iii) an annual increment of not more than 10% in the monthly rental for renewal of tenancy based on the proposed terms of the new tenancy agreements under the New Transaction 4.

To benefit from centralisation of management and the prime location of Zhujiang Investment Building (珠江投資大廈) (situated in Guangzhou) where the Group has already maintained certain offices, the Group has planned to relocate certain of their subsidiaries' offices to the same building owned by the Hanjiang Group since 2010. As the Group will lease more office units from the Hanjiang Group, the proposed Annual Caps increase substantially as compared to the annual caps for the three financial years ended 31 December 2011.

## LETTER FROM THE BOARD

As at the Latest Practicable Date, the new tenancy agreements under the New Transaction 4 were still under negotiation. It is expected that such tenancy agreements will be entered into for a term of one year and renewable annually at a monthly rental representing an increment of not more than 10% of that under the previous tenancy and all of the tenancy agreements under New Transaction 4 will expire on or before 31 December 2014.

### **5. New Transaction 5 — Informatization related services**

Scope: Pursuant to the New Framework Agreement, the Group agrees to appoint the Hanjiang Group to build the informatization infrastructure for the Group, to provide maintenance services to the Group for its servers, to supply and lease the related products and facilities from the Hanjiang Group, to provide consultancy services in respect of the informatization systems of the Group, staff training and technical support for such systems.

Pricing basis: Pursuant to the New Framework Agreement, the amount of fees payable by the Group to the Hanjiang Group for building the informatization infrastructure for the Group, provision of maintenance services to the Group for its servers, provision of consultancy service in respect of the informatization systems of the Group, staff training and technical support for such systems and the amount of purchase price/rents payable by the Group for its purchase/lease of products and facilities for the Group's informatization system from the Hanjiang Group will be determined by reference to the prevailing market rates charged by Independent Third Parties for providing similar services/products.

## LETTER FROM THE BOARD

Basis of determining  
the annual caps:

The Group has only used standardized software developed and the ancillary services offered by Independent Third Parties for its informatization systems but it has never engaged any Independent Third Party to undertake the services in a comprehensive package to be provided by the working team of the Hanjiang Group under the New Transaction 5. The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the subparagraph above); (ii) the nature of services, products and facilities to be provided by the Hanjiang Group to the Group based on the Group's plan to develop its informatization infrastructure to consolidate the application in management, operation and information management; and (iii) the general proportion of turnover to expenses on information technology in the property development industry in the PRC.

**6. *New Transaction 6 — Consultancy service in respect of development planning and sales agency service for commercial property projects***

Scope:

Pursuant to the New Framework Agreement, the Group agrees to appoint the Hanjiang Group to provide it with the services in connection with the consultancy service in respect of development planning (including the overall project design and development, positioning and usage) and sales agency service of the commercial properties for the Group's commercial property projects.

Pricing basis:

Pursuant to the New Framework Agreement, the amount of fees payable by the Group to the Hanjiang Group for providing the consultancy service in connection with development planning and agency for the Group's existing and future commercial development projects will be determined by reference to the prevailing market rates charged by Independent Third Parties for providing similar services.

## LETTER FROM THE BOARD

Basis of determining the annual caps:	The Group engages certain Independent Third Parties to undertake part of the services under the New Transaction 6 but it has never engaged any Independent Third Party to provide such services in a comprehensive package to be provided by the Hanjiang Group under the New Transaction 6. The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above); and (ii) the Group's commercial property projects for which the consultancy service in respect of development planning and agency service of the Hanjiang Group are required in the relevant year.
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### **7. *New Transaction 7 — Management of vacant properties***

Scope:	Pursuant to the New Framework Agreement, the Hanjiang Group agrees to appoint the Group to manage certain vacant properties and to handle delivery of sold properties of the Hanjiang Group located in Guangdong Province, Beijing and Xi'an.
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Pricing basis:	Pursuant to the New Framework Agreement, the amount of management fees receivable by the Group from the Hanjiang Group will be determined by the parties by reference to related costs of the Group; the standard property management fees prescribed by the Guangdong Provincial, Beijing Municipal and Xi'an local authorities, the property pricing guidelines given by the local government and the prevailing market rates charged by Independent Third Parties for offering similar services for properties of similar grading in the vicinity.
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## LETTER FROM THE BOARD

Basis of determining  
the annual caps:

According to Hanjiang, the Hanjiang Group has engaged Independent Third Parties to undertake the services under the New Transaction 7. The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the subparagraph above); (ii) Hanjiang's estimation of the aggregate gross floor area of properties of the Hanjiang Group which require the Group to provide the relevant management service and the number properties available for sale in the relevant year; and (iii) the historical data relating to the Group providing management service to the Hanjiang Group for its vacant properties and handling delivery of sold properties of the Hanjiang Group.

As the estimated aggregate floor area of the properties involved in the property projects requiring the Group's involvement in the provision of management service in the three financial years ending 31 December 2014 drops, the proposed Annual Caps are lower as compared to the annual caps for the three financial years ended 31 December 2011.

The Annual Caps for the three years ending 31 December 2014 were proposed after the discussion between the Group and the Hanjiang. According to Hanjiang, it is expected that the demand for the management work of the Group will decrease progressively in the three years ending 31 December 2014 based on the planned schedules of construction work commencement, sales and delivery of properties to purchasers.

## LETTER FROM THE BOARD

### 8. *New Transaction 8 — Construction design*

Scope:	Pursuant to the New Framework Agreement, the Hanjiang Group agrees to appoint the Group to carry out construction design works for certain property projects of the Hanjiang Group.
Pricing basis:	Pursuant to the New Framework Agreement, the amount of design fees receivable by the Group from the Hanjiang Group will be determined by the parties by reference to the prevailing market rates charged by the Independent Third Parties for undertaking similar design projects and the standards and guidelines prescribed by the relevant local authority on fees chargeable for the provision of similar services (if any).
Basis of determining the annual caps:	According to Hanjiang, the Hanjiang Group has engaged Independent Third Parties to undertake the services under the New Transaction 8. The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the subparagraph above); (ii) the aggregate sizes and types of the building projects of the Hanjiang Group for which the design work is proposed to be assigned to the Group in the relevant year; and (iii) the historical data relating to the Group carrying out design works for the Hanjiang Group.

### 9. *New Transaction 9 — Installation and decoration*

Scope:	Pursuant to the New Framework Agreement, the Hanjiang Group agrees to appoint the Group to carry out installation and decoration works for certain property projects developed by the Hanjiang Group.
Pricing basis:	Pursuant to the New Framework Agreement, the amount of fees receivable by the Group from the Hanjiang Group will be determined by the parties by reference to the prevailing market rates charged by the Independent Third Parties for undertaking similar installation and decoration work and the standards and guidelines prescribed by the relevant local authority on fees chargeable for the provision of similar services (if any).



## LETTER FROM THE BOARD

Basis of determining the annual caps: According to Hanjiang, the Hanjiang Group has engaged Independent Third Parties to undertake the services under the New Transaction 9. The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above); (ii) the historical data relating to the transactions of the same nature carried out between Guangdong Zhujiang Construction Decoration, the service provider, and the Hanjiang Group before Guangdong Zhujiang Construction Decoration became a subsidiary of the Company in December 2011; and (iii) the aggregate sizes and types of the building projects of the Hanjiang Group for which the installation and decoration work is proposed to be assigned to the Group in the relevant year.

### 10. *New Transaction 10 — Shop lease*

Scope: Pursuant to the New Framework Agreement, the Group agrees to lease certain premises located in Guangzhou to the Hanjiang Group for use as shops.

Pricing basis: Pursuant to the New Framework Agreement, the rent receivable by the Group from the Hanjiang Group will be determined by reference to the market rents for leasing the same properties or properties of similar grading to Independent Third Parties in the vicinity.

Basis of determining the annual caps: The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above); (ii) the locations and sizes of certain identified shop premises in Guangzhou and the respective terms of such leases entered into between the Group and Independent Third Parties and (iii) an annual increment of not more than 5% in the monthly rental for renewal of tenancy based on the proposed terms of the new tenancy agreement under the New Transaction 10.

As at the Latest Practicable Date, the tenancy agreements under the New Transaction 10 were still under negotiation. It is expected that such tenancy agreements will be entered into for a term of one year and renewable annually at a monthly rental representing an increment of not more than 5% of that under the previous tenancy. All of the tenancy agreements under New Transaction 10 will expire on or before 31 December 2014.

## LETTER FROM THE BOARD

### 11. *Old Transaction — Construction design*

Scope:	Pursuant to certain construction design contracts entered into between the Group and the Hanjiang Group prior to 31 December 2011, the Hanjiang Group agrees to carry out construction design work for the property projects of the Group.
Basis of determining the annual caps:	The Group has not engaged any Independent Third Party to undertake the services provided by the Hanjiang Group under the Old Transaction. The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the previous framework agreements pursuant to which the subject design contracts were entered into; and (ii) the contract sum set out in the terms of the subject construction design contracts entered into prior to 31 December 2011.

# LETTER FROM THE BOARD

## 4. HISTORICAL TRANSACTION VALUE OF THE CONTINUING CONNECTED TRANSACTIONS ENTERED INTO PURSUANT TO THE PREVIOUS FRAMEWORK AGREEMENT

Set out below are the annual caps and transaction amounts of the continuing connected transactions contemplated under the Previous Framework Agreement which are also the Continuing Connected Transactions:

Transaction	Year ended 31 December 2009		Year ended 31 December 2010		Year ended 31 December 2011	
	2009 Annual Caps	Actual transaction approximate amount	2010 Annual Caps	Actual transaction approximate amount	2011 Annual Caps	Actual transaction approximate amount
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
New Transaction 1						
— Construction	2,331,600	1,674,080	2,198,000	1,969,989	2,020,600	475,156 (Note 3)
New Transaction 2						
— Construction supervision	25,000	1,734	25,900	5,556	25,500	5,672 (Note 3)
New Transaction 3						
— Electrical power, low voltage system and intelligent building installation works, budgeting and cost control consultancy (Note 1)	624,700	67,477	594,700	94,705	584,900	120,096 (Note 3)
New Transaction 4						
— Office lease	2,300	2,082	2,300	1,041	2,300	2,082
New Transaction 7						
— Management of vacant properties	17,200	12,265	16,800	5,166	16,400	2,220 (Note 4)
New Transaction 8						
— Construction design	120,500	17,550	26,000	14,121	11,000	10,679 (Note 4)
New Transaction 10						
— Shop lease	6,100	— (Note 5)	4,400	— (Note 5)	4,300	— (Note 5)
Old Transaction						
— Construction design (Note 2)	25,000	12,148	20,000	2,388	20,000	2,758

Notes:

- As low voltage system installation work of the New Transaction 3 is not included in the Previous Framework Agreement, the figures for this item set out in the table relate to provision of the services of electrical power installation work, intelligent building installation work and budgeting and cost control consultancy by the Hanjiang Group to the Group only.
- The New Framework Agreement does not include these services of the Hanjiang Group.

## LETTER FROM THE BOARD

3. The Annual Cap of this transaction for each of the three financial years ending 31 December 2014 represents a substantial increase as compared to the actual transaction amount of such transaction recorded in the year ended 31 December 2011 as the stringent austerity measures implemented in the real estate industry in the PRC in 2011 resulted in the suspension of/reduction in certain development plans, progress or size of the property projects, with the consequential reduction in both of the number of construction contracts concluded and total value of contracts concluded in 2011, but the management of the Group has confidence in the Group's ability to adjust its development and sales strategies in order to lessen the adverse impact of the government policy in the real estate industry in the PRC on the Group from 2012 up to 2014.
4. The Annual Cap of this transaction for each of the three financial years ending 31 December 2014 was arrived at after the discussion between the Group and the Hanjiang in respect of the development plan of the Hanjiang Group in 2012 up to 2014. According to Hanjiang, the Annual Cap of this transaction for each of the three financial years ending 31 December 2014 represents a substantial increase as compared to the actual transaction amount of such transaction recorded in the year ended 31 December 2011 as the stringent austerity measures implemented in the real estate industry in the PRC in 2011 resulted the reduction in both of the number of construction contracts concluded and total value of contracts concluded in 2011, but the management of the Hanjiang Group has confidence in its ability to adjust its development and sales strategies in order to lessen the adverse impact of the government policy in the real estate industry in the PRC on the Hanjiang Group from 2012 up to 2014.
5. No actual transaction amount for the New Transaction 10 was recorded during the three financial years ending 31 December 2011 as all relevant leases had been terminated in 2009 due to the adjustment of business development plan and group restructuring of the Hanjiang Group.

### 5. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in properties development in various cities in the PRC including Guangzhou, Huizhou, Beijing, Shanghai and Tianjin. The Group is also involved in some ancillary property related businesses, including property investment, property management and hotel operations in the PRC.

Hanjiang, which is engaged principally in the business of property construction in the PRC, is classified as 房屋建築工程總承包壹級 (Property Construction First Class Main Contractor) by the relevant government authority in the PRC. First class main contractors can undertake larger scale projects than non-first class contractors. Hanjiang offers a comprehensive range of services, employing over 350 industry experts, of which 100 are mid to senior level. Hanjiang has the ISO 9000 certification for its quality management systems, with top grade quality in its safety, construction, cost management and controls. It is also a reputable contractor in the industry, with a proven track record and possesses the relevant technical capabilities and expertise in handling large scale construction projects including numerous highly rated commercial buildings in the PRC. The Group has conducted market research and is of the view that the pricing offered by Hanjiang Group is highly competitive.

The New Transaction 1 has taken place since 2003 and the Hanjiang Group has completed various property projects for the Group since then. The Group and the Hanjiang Group have built up a close and good working relationship over the years. The Group is of the view that the appointment of high-quality construction contractors such as Hanjiang is essential in ensuring the quality of its property projects and the continuance of the New Transaction 1 is in the interests of the Company and the Shareholders as a whole.

The working team of the Hanjiang Group possesses 房屋建築甲級資質 (Property Construction Grade A Qualification) by the relevant government authority in the PRC. Such team member of the Hanjiang Group has a proven track record, possesses the necessary expertise in carrying out construction supervision work in large scale property projects in the PRC and with a good reputation in the industry.

## LETTER FROM THE BOARD

The working team of the Hanjiang Group carrying out the construction supervision works for the Group has proven to the Group its expertise and efficiency in their work. The Group is of the view that the continuance of the New Transaction 2 is in the interests of the Company and its shareholders as a whole in view of its close long-term working relationship with the Hanjiang Group, the proven track record of the Hanjiang Group, its expertise and experience in the industry.

The intelligent building installation works (being part of the New Transaction 3) have been carried out by the Hanjiang Group for the Group since 2006. The working team of the Hanjiang Group has a proven track record and possesses the necessary capabilities, resources and experience in handling intelligent building installation works for property projects in the PRC. The team member of the Hanjiang Group possesses the qualification of 廣東省公安廳技術防範設計及施工三級資質 (Guangdong Provincial Public Safety Department's Technology Design and Installation Third Class Qualification) and 廣東省建設廳智能建築二級資質 (Guangdong Provincial Construction Department's Second Class Qualification). The Group is of the view that continuance of the appointment of the Hanjiang Group to carry out the intelligent building installation works (being part of the New Transaction 3) is in the interests of the Company and the Shareholders as a whole in view of the good and long-term working relationship between the Group and the Hanjiang Group and the highly competitive pricing offered by the Hanjiang Group to the Group.

The working team of the Hanjiang Group holds the qualification of 工程專業承包三級資格 (Professional Construction Contractor Third Class Qualification). The team member of the Hanjiang Group has a proven track record and possesses the relevant technical capabilities and experience in carrying out electrical power installation for large scale property projects. The Hanjiang Group has completed the electrical power installation works for various large scale property projects in the PRC and has good reputation in the industry. The Group is of the view that continuance of the appointment of the Hanjiang Group to carry out the electrical power installation works (being part of the New Transaction 3) is in the interests of the Company and the Shareholders as a whole in view of the proven track record of Hanjiang Group, its expertise and experience and reputation in the industry together with the close and long-term working relationship between the Group and the Hanjiang Group.

The working team of the Hanjiang Group has a proven track record and possesses the relevant technical capabilities and experience in carrying out low voltage system installation for large scale property projects. The Group is of the view that the appointment of the Hanjiang Group to carry out the low voltage system installation works (being part of the New Transaction 3) is in the interests of the Company and its shareholders as a whole in view of the proven track record of Hanjiang Group, its expertise and experience, long-term working relationship between the Group and the Hanjiang Group and the benefits of better coordination with the intelligent building installation works and electrical power installation works of which the working team of Hanjiang Group is also the contractor.

The working team of the Hanjiang Group possesses the resources as required by the Group and the expertise in the provision of consultancy service in the compilation of budgets for public tenders for property developers and construction cost control management. The Group considers that the pricing offered by the Hanjiang Group for the provision of the aforesaid service is highly competitive and engagement of the Hanjiang Group to provide such services (being part of the New Transaction 3) will assist the Group in ensuring the quality of budgets formulated for public tenders and cost control

## LETTER FROM THE BOARD

management. Accordingly, the Group is of the view that it is in the interests of the Company and its shareholders as a whole to continue the engagement of the Hanjiang Group for providing the aforesaid consultancy service.

Under the New Transaction 4, the Hanjiang Group leases certain office units in Zhujiang Investment Building (珠江投資大廈) located in a prime location of Guangzhou to the Group for use as offices. The building is situated at the commercial centre of Zhujiang New City (珠江新城) in Guangzhou where the Group does not have its own commercial properties. Having considered that the location of the offices of an enterprise is essential to its corporate image and the rents offered by the Hanjiang Group for leasing such office units to the Group are in line with the market rents of the commercial properties of similar ranking in the same locality, the management of the Group plans to lease more office units from Hanjiang Group for the Group's operation to gain the benefit of centralization of management. The New Transaction 4 and the New Transaction 10 have taken place since 2006 except that the New Transaction 10 was not entered into during 2009 to 2011. In view of the good and long-term business relationship between the Group and the Hanjiang Group and the rents payable by/to the Group under the relevant leases are market rents, the Group is of the view that the New Transaction 4 and the New Transaction 10, which will be entered into on normal commercial terms and in the ordinary and usual course of the respective businesses of the Group and the Hanjiang Group, are in the interests of the Company and the Shareholders as a whole.

The Group set up He Dao in 2008 with a view to developing its own informatization systems and developing the informatization business. The Group subsequently noted that it was not cost-effective to develop the Group's own informatization systems, He Dao therefore only served the Group through coordination of the procurement of standardized softwares and systems and the ancillary services offered by Independent Third Parties and consolidation of such softwares and systems, where necessary. More importantly, the Group decided not to develop the informatization business as the cost of investment in such new business which was not directly related to the core business of the Group was too high. Accordingly, the Group disposed of He Dao to an associate of Mr. Chu (being a subsidiary of a company of which the sons of Mr. Chu were the ultimate beneficial owners, and which had planned to develop its informatization system business and had made arrangements with at least one high-end software company to facilitate its development of systems which could be consolidated and operated on the widely used operating systems) in November 2011. He Dao since then has, based on the foundation laid by the new parent company, enhanced its informatization system capability through building up a strong technical team and the development of a comprehensive management informatization system operated on the widely used operating systems for the property industry. To benefit from the ease of administration and management, the Group is desirous of engaging a informatization service provider which is familiar with the property development industry in the PRC to provide comprehensive packaged services regarding the on-going development and maintenance of the Group's informatization systems. Although the Group has not engaged the Hanjiang Group to provide comprehensive packaged informatization services to the Group before, it notes that the Hanjiang Group will nominate He Dao or other enterprise with similar capabilities to act as the Group's information technology service provider for comprehensive packaged services in the development, consolidation and maintenance of the informatization systems of the Group. Having considered the knowledge in the property industry, the resources, capability of the Hanjiang Group and He Dao, the Group is of the view that the New Transaction 5, which will be entered into on normal commercial terms and in the ordinary and usual business course of the respective businesses of the Group and the Hanjiang Group, is in the interests of the Company and its shareholders as a whole.

## LETTER FROM THE BOARD

It is the Group's strategy to maintain a business portfolio with residential property sales as its focus and an appropriate portion in commercial projects. To strengthen the Group's development in the commercial property sector, the Group intends to engage a professional consultant, specialising in commercial property development, to provide consultancy service in respect of development planning and sales agency service for the Group's commercial property projects. Although the Group has not engaged the Hanjiang Group to provide comprehensive packaged services for the development of commercial property projects before, having considered that the working team of the Hanjiang Group possesses the expertise in providing consultancy service in the planning, sales, operation and management of commercial property developments, its close business relationship with thousands of enterprises in the South China region and its extensive experience in the provision of consultancy service in the commercial property developments in the PRC, the Group is of the view that the New Transaction 6, which will be entered into on normal commercial terms and in the ordinary and usual business course of the respective businesses of the Group and the Hanjiang Group, is in the interests of the Company and the Shareholders as a whole.

Property management is part of the normal and usual business of the Group. The New Transaction 7 has taken place since 2006. In view of the long-term and good working relationship between the Group and the Hanjiang Group together with the availability of a steady income source through provision of management service for the vacant properties developed by the Hanjiang Group and handling delivery of sold properties of the Hanjiang Group, the Group is of the view that continuance of the New Transaction 7, which will be entered into on normal commercial terms and in the ordinary and usual business course of the respective businesses of the Group and the Hanjiang Group, is in the interests of the Company and the Shareholders as a whole.

The Hanjiang Group is a reputable property developer in the PRC, with strong financial position, and the capability in the construction of large scale property developments. In recent years, it has completed a number of high quality large scale property projects and built up good reputation in the industry. Having considered the reputation of the Hanjiang Group, the long term business relationship between the Group and the Hanjiang Group together with the availability of a steady income source through provision of the construction design service to the Hanjiang Group, the Group is of the view that the New Transaction 8, which will be entered into on normal commercial terms and in the ordinary and usual business course of the respective businesses of the Group and the Hanjiang Group, is in the interests of the Company and the Shareholders as a whole.

Prior to Guangdong Zhujiang Construction Decoration becoming a subsidiary of the Company in late 2011, it had been carrying out the installation and decoration works for the Hanjiang Group's development projects. Having considered the Hanjiang Group is a long-standing customer of Guangdong Zhujiang Construction Decoration, the reputation of the Hanjiang Group, the long term business relationship between the Group and the Hanjiang Group together with the availability of a steady income source through provision of the installation and decoration service to the Hanjiang Group, the Group is of the view that the New Transaction 9, which will be entered into on normal commercial terms and in the ordinary and usual business course of the respective businesses of the Group and the Hanjiang Group, is in the interests of the Company and the Shareholders as a whole.

The Old Transaction will be carried out pursuant to the terms agreed under the services contracts entered into between the relevant parties prior to 31 December 2011.



## LETTER FROM THE BOARD

The Directors consider that the Continuing Connected Transactions are and will be normal commercial terms and are and will be carried out in the ordinary and usual course of business of the Group. The Directors consider the terms of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps to be fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

### **6. LISTING RULES IMPLICATIONS**

As Hanjiang is wholly owned by the brother-in-law of Mr. Chu who is also an uncle of Ms. Chu, it is a connected person of the Company under the Listing Rules and the New Transactions contemplated under the New Framework Agreement and the Old Transaction constitute continuing connected transactions under the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) in respect of the Continuing Connected Transactions on an annual basis, when aggregated pursuant to Rule 14A.25 of the Listing Rules, exceed 5%, the Continuing Connected Transactions constitute non-exempt continuing connected transactions of the Company and are subject to reporting, announcement, independent shareholders' approval and annual review requirements under Rule 14A.17 of the Listing Rules. Accordingly, the Company proposes to seek the Independent Shareholders' approval of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps at the SGM. To the best knowledge of the Directors after having made all reasonable enquiries, none of Hanjiang, the ultimate beneficial owners of its equity interest and their respective associates has any interest in the issued share capital of the Company as at the Latest Practicable Date. Mr. Chu, Ms. Chu and their respective associates, including Sounda and Hopson Education Funds which were wholly owned by Mr. Chu and collectively hold Shares representing approximately 63.42% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting at the SGM and votes of the Independent Shareholders at the SGM will be taken by poll.

### **7. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all the independent non-executive Directors (who do not have any interest in the Continuing Connected Transactions), has been established to advise the Independent Shareholders on the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps.

Celestial Capital, the independent financial adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps.

Your attention is drawn to the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders set out on pages 32 to 33 of this circular and the letter from Celestial Capital to the Independent Board Committee and the Independent Shareholders set out on pages 34 to 97 of this circular.



## LETTER FROM THE BOARD

### 8. SGM

A notice convening the SGM is set out in Appendix II to this circular. At the SGM, a resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve (i) the New Framework Agreement; (ii) the Continuing Connected Transactions; and (iii) the Annual Caps.

A form of proxy for the SGM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon, and to return it to the principal office of the Company at Suites 3305–3309, 33rd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

### 9. RECOMMENDATION

The Directors consider that the New Framework Agreement and the Continuing Connected Transactions are on normal commercial terms and terms thereof are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and the Annual Caps are also fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution at the SGM.

### 10. GENERAL INFORMATION

Your attention is drawn to the general information set out in Appendix I to this circular.

By Order of the Board  
**Hopson Development Holdings Limited**  
**Zhang Yi**  
*Executive Director*



合 生 創 展 集 團 有 限 公 司\*

**HOPSON DEVELOPMENT HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 754)**

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

26 June 2012

*To the Independent Shareholders*

Dear Sir or Madam,

## **CONTINUING CONNECTED TRANSACTIONS**

### **INTRODUCTION**

We refer to the circular dated 26 June 2012 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. Lee Tsung Hei, David, Wong Shing Kay, Oliver and Tan Leng Cheng, Aaron has been established to advise you in respect of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps, details of which are set out in the Circular. Celestial Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps.

### **RECOMMENDATION**

We wish to draw your attention to the Letter from the Board as set out on pages 4 to 31 of the Circular, and the letter from Celestial Capital which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps as set out on pages 34 to 97 of the Circular.

\* for identification purposes only

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps, and taken into account the advice of Celestial Capital and the principal factors and reasons considered by Celestial Capital, we consider that the terms of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) proposed at the SGM to approve the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps.

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

**Lee Tsung Hei, David**  
*Independent Non-Executive  
Director*

**Wong Shing Kay, Oliver**  
*Independent Non-Executive  
Director*

**Tan Leng Cheng, Aaron**  
*Independent Non-Executive  
Director*

## LETTER FROM CELESTIAL CAPITAL

*The following is the full text of the letter of advice from Celestial Capital to the Independent Board Committee and the Independent Shareholders in relation to the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the purpose of inclusion in this circular.*



**Celestial Capital Limited**

21/F, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

26 June 2012

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 26 June 2012 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Unless otherwise stated, terms defined in the Circular shall have the same meanings in this letter.

With references to the Previous Framework Agreement and the continuing connected transactions contemplated thereunder entered into by the Group and the Hanjiang Group in relation to the provision of construction and related services, as well as the leases of premises among the Group and the Hanjiang Group for the three financial years ended 31 December 2011, the Company intends to continue most of the recurring transactions contemplated under the Previous Framework Agreement and to enter into certain new recurring transactions of similar nature from time to time after 31 December 2011. Therefore, on 11 May 2012, the Company and Hanjiang entered into the New Framework Agreement in respect of the transactions, the nature of which is similar to that of the transactions under the Previous Framework Agreement, for a term of three years from 1 January 2012 to 31 December 2014.

Prior to 31 December 2011, the Group and the Hanjiang Group had entered into certain design contracts pursuant to which the Hanjiang Group will be required to carry out construction design works for certain property projects of the Group in, among others, 2012 and 2013. The Company confirmed that such design contracts were entered into between the Group and the Hanjiang Group pursuant to certain framework agreements relating to continuing connected transactions then in force including the Previous Framework Agreement. According to the terms of such design contracts, it is expected that the Group will have to pay RMB34,690,000 and RMB2,408,000 to the Hanjiang Group for its design services in the two financial years ending 31 December 2013. Having considered that the member of the Group engaging in construction design business has gained higher capability than the Hanjiang Group in performing construction design works, the Group expects that it will not engage the Hanjiang Group to

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carry out construction design works in the three financial years ending 31 December 2014 save for completion of the existing construction design contracts entered into prior to 31 December 2011, therefore, the New Framework Agreement does not include design services provided by the Hanjiang Group to the Group. The Company further confirmed that such change in the Group's policy in relation to performance of construction design works involved in its property projects will not cause any breach of the construction design contracts entered into between the Group and the Hanjiang Group as those contracts were entered into on project basis but not long term service contracts.

As Hanjiang is wholly-owned by the brother-in-law of Mr. Chu, who is the chairman of the Board and an executive Director, and an uncle of Ms. Chu, who is an executive Director and the daughter of Mr. Chu, Hanjiang is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. Accordingly, the New Transactions contemplated under the New Framework Agreement and the Old Transaction constitute continuing connected transactions of the Company under the Listing Rules.

As set out in the Letter from the Board, as the applicable percentage ratios (other than the profit ratio) calculated with reference to the Annual Caps in respect of the Continuing Connected Transactions on an annual basis, when aggregated pursuant to Rule 14A.25 of the Listing Rules, exceed 5%, the Continuing Connected Transactions constitute non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules, and are subject to reporting, announcement, independent shareholders' approval and the annual review requirements under Rule 14A.17 of the Listing Rules. Accordingly, the Company proposes to seek the Independent Shareholders' approval of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2014 at the SGM. To the best knowledge of the Directors after having made all reasonable enquiries, none of Hanjiang, the ultimate beneficial owners of its equity interest and their respective associates has any interest in the issued share capital of the Company as at the Latest Practicable Date. Mr. Chu, Ms. Chu and their respective associates, including Sounda and Hopson Education Funds which collectively hold Shares representing approximately 63.42% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting at the SGM, and votes of the Independent Shareholders at the SGM will be taken by poll.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Messrs. Lee Tsung Hei, David, Wong Shing Kay, Oliver and Tan Leng Cheng, Aaron, has been established to advise the Independent Shareholders in relation to the Continuing Connected Transactions. In this regard, we have been appointed as the independent financial adviser by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps, are in the interests of the Group and the Shareholders as a whole; and (ii) whether the terms of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the Company and the Shareholders are concerned as a whole.

Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

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### BASIS OF OUR OPINION

In formulating our opinions and recommendation, which are specifically related to the terms of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps, we have relied on the information and representations made or provided, or opinions expressed to us by the Company and/or the management of the Company and/or the Directors. We have also relied on the information, facts and representations respectively contained or referred to in the Circular and have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true, accurate and complete up to the date of the SGM. We have also assumed that all statements of beliefs and opinions made by the Directors in the Circular were reasonably made after due enquiry and the expectations and intentions made by the Directors and/or the Company and/or the management of the Company will be met or carried out as the case may be. We consider that we have reviewed sufficient information on which to form a reasonable basis for our opinion and have no reason to doubt the truth, accuracy and completeness of the information, facts and representations provided to us by the Directors and/or the Company and/or the management of the Company. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and/or the Company and/or the management of the Company.

The Directors have declared in a responsibility statement set out in the Appendix I to the Circular that they collectively and individually accept full responsibility for the Circular and have confirmed that, having made all reasonable enquiries, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular, including this letter, misleading.

We have relied on such information, representations and opinions and have not, however, carried out any independent verification of the information provided by the Directors and/or the Company and/or the management of the Company, nor have we conducted any independent investigation into the businesses, affairs, assets and liabilities or future prospects of the Group, the Hanjiang Group or their respective associates.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the New Framework Agreement, the Continuing Connected Transaction and the Annual Caps. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinions and recommendation in respect of the terms of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps, we have considered the following principal factors and reasons:

### **1. Background of the New Framework Agreement and the Old Transaction**

#### ***Background of the New Framework Agreement***

Reference is made to the Previous Framework Agreement, together with the continuing connected transactions contemplated thereunder, entered into by the Group and the Hanjiang Group in relation to the provision of construction and related services, as well as the leases of premises among the Group and the Hanjiang Group for the three financial years ended 31 December 2011.

As the Previous Framework Agreement expired on 31 December 2011 and the Group intends to continue most of the recurring transactions contemplated under the Previous Framework Agreement and to enter into certain new recurring transactions with Hanjiang Group during the three financial years ending 31 December 2014, the Company and Hanjiang entered into the New Framework Agreement on 11 May 2012 in respect of the New Transactions, the nature of which is similar to that of the transactions under the Previous Framework Agreement (with the exclusion under the New Framework Agreement of the design services provided by the Hanjiang Group to the Group pursuant the Previous Framework Agreement and the inclusion of certain new transactions under the New Framework Agreement), for a term of three years from 1 January 2012 to 31 December 2014.

Pursuant to the New Framework Agreement, (i) Hanjiang will procure the relevant member(s) of the Hanjiang Group or their respective sub-contractors to carry out construction and to provide related services, including but not limited to construction supervision, electrical power installation works, low voltage system and intelligent building installation works, for certain property projects of the Group, consultancy services in relation to budgeting for tenders and construction cost control for certain property projects of the Group, informatization infrastructure building and maintenance services for the Group's servers, supply and lease of related products and facilities to the Group, as well as consultancy services in respect of the informatization systems of the Group, staff training and technical support for such systems; to lease certain premises to the Group for use as offices; and to provide consultancy service relating to the development planning and sales agency service for the Group's commercial property projects; and (ii) the Group will procure the relevant member(s) of the Group to manage certain vacant properties and to handle delivery of sold properties of the Hanjiang Group, to carry out construction design, installation and decoration work for certain property projects of the Hanjiang Group, and to lease certain premises to the Hanjiang Group for use as shops. Details of the terms of the New Framework Agreement are set out in the Letter from the Board in the Circular.

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## *Background of the Old Transaction*

As set out in the letter from the Board, prior to 31 December 2011, the Group and the Hanjiang Group had entered into certain design contracts pursuant to which the Hanjiang Group will be required to carry out construction design works for certain property projects of the Group in, among others, 2012 and 2013 (i.e. the Old Transaction). The Company confirmed that such design contracts were entered into between the Group and the Hanjiang Group pursuant to certain framework agreements then in force, including the Previous Framework Agreement, relating to continuing connected transactions to the Company. According to the terms of such design contracts, it is expected that the Group will have to pay RMB34,690,000 and RMB2,408,000 to the Hanjiang Group for its design services in the two financial years ending 31 December 2013. Having considered that the member of the Group engaging in construction design business has gained higher capability than the Hanjiang Group in performing construction design works, the Group expects that it will not engage the Hanjiang Group to carry out construction design works in the three financial years ending 31 December 2014 save for completion of the existing construction design contracts entered into prior to 31 December 2011, therefore, the New Framework Agreement does not include design services provided by the Hanjiang Group to the Group. The Company further confirmed that such change in the Group's policy in relation to performance of construction design works involved in its property projects will not cause any breach of the construction design contracts entered into between the Group and the Hanjiang Group as those contracts were entered into on project basis but not long term service contracts.

## **2. Reasons for entering into the New Framework Agreement and the New Transactions**

### *Background of the Group*

The Group is principally engaged in property development, property investment, property management and hotel operations in the PRC. Its property development business covers various cities in the PRC including Guangzhou, Huizhou, Beijing, Shanghai and Tianjin.

Set out below is a summary of the operating results of the Group for the two financial years ended 31 December 2011, extracted from the annual report of the Group for the year ended 31 December 2011 (the “**2011 Annual Report**”):

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>
<b>Turnover</b>		
— Sales of properties	7,170,325	13,696,356
— Property management income	490,115	410,634
— Income from hotel operation	199,444	179,792
— Rental income	<u>147,653</u>	<u>92,471</u>
Total Turnover	<u><u>8,007,537</u></u>	<u><u>14,379,253</u></u>
Gross profit	<u><u>3,678,376</u></u>	<u><u>5,687,232</u></u>
Profit for the year	<u><u>1,408,411</u></u>	<u><u>6,293,012</u></u>



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Turnover generated from sales of properties for the two financial years ended 31 December 2011 amounted to approximately HK\$13,696 million and HK\$7,170 million, representing approximately 95% and 90% of the total turnover of the Group, in the respective years. As set out in the 2011 Annual Report, due to a series of austerity measures implemented by the central government of the PRC on the real estate industry to curb the speculative demand of the properties and to adjust the housing prices to a reasonable level, the Group recorded a drop of sales of properties by approximately HK\$6,526 million, representing a year-on-year decrease of approximately 48%, for the year ended 31 December 2011. Despite this, the Group recorded an increase of gross profit margin from 39.6% in 2010 to 45.9% in 2011 as a result of the delivery of some high-end property projects with high gross margins achieved in 2011.

As set out in the 2011 Annual Report, China entered into a deeper stage of the austerity policies on the real estate industry in 2011, and the government continued to uphold its principle of austerity, which was “suppressing the overheating of housing price and ensuring a healthy development of the real estate industry”. The administrative measures and monetary credit policies, which covered three areas, namely residential housing, land and finance, were introduced simultaneously, and had effectively curbed the speculative demand, dampened the growth of the housing price, and preliminarily alleviated the imbalance between demand and supply in the market. The management of the Company is of the view that even though the measures of austerity brought a significant effect on the market and enterprises, in the long run, such policies will create favorable conditions for the healthy, orderly and standardized development of the real estate industry, which benefited from the accelerated urbanization, the rise in living standard and the consumption power of residents. In 2011, it maintained an upward trend in the general PRC property market; however, for the first-tier cities, which were the key targets of austerity measures, the sales volume of the real estate market showed a declining trend. The Group believes that the real estate industry is experiencing a substantial change and adjustment, and it has to know the pattern of the industry development rationally and grasp the trend of the market changes in order to gain strategic opportunities for the enterprise. Meanwhile, the management of the Company is of the view that the Group has to be cautious that the current round of the austerity measures on the real estate market speeded up the integration of the industry, and further increased the level of market concentration. We were further advised by the management of the Company that it is expected that the austerity policies will continue to be implemented on the real estate industry in 2012 in order to stall the increasing property prices in the PRC which will have adverse effects to the property sales volume in short term; however, it will not change the general drift of the industry development. The management of the Company is aware of the challenges in the PRC real estate sector and will monitor the relevant policy development; notwithstanding the above, the Group remains prudently optimistic about the future development of the PRC real estate industry, the Group still has to get ready for another round of growth during the period of the adjustments and changes in the industry. Furthermore, it was also set out in the 2011 Annual Report that the Group proceeded its business plan for the second- and third-tier cities and newly developed region as scheduled and optimized the Group’s product mix (by increasing the proportion of the small to

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medium sized properties) to satisfy the regular demand in the market progressively and to enlarge the business of investment properties in a moderate manner. It is expected that such arrangements in the operation will enable the Group to properly confront the threats and challenges arising from the market with austerity measures and it will be able to lay a solid foundation for the future development of the Group.

### *Information on the Hanjiang Group*

As set out in the Letter from the Board, Hanjiang is a company established under the laws of the PRC and is principally engaged in properties construction in the PRC. It offers a comprehensive range of property construction and related services and employs over 350 industry experts, of which 100 are mid to senior level. Hanjiang is classified as 房屋建築工程總承包壹級 (Property Construction First Class Main Contractor) by the relevant government authority in the PRC and has also obtained the ISO 9000 certification for its quality management systems, using top grade quality in its safety, construction, cost management and controls. It was also set out in the Letter from the Board that Hanjiang has a proven track record and possesses the relevant technical capabilities and expertise in handling large scale construction projects including numerous commercial buildings in the PRC.

As set out in the Letter from the Board, the various working teams of the Hanjiang Group also possess various qualifications, including 房屋建築甲級資質 (Property Construction Grade A Qualification), 廣東省公安廳技術防範設計及施工三級資質 (Guangdong Provincial Public Safety Department's Technology Design and Installation Third Class Qualification), 廣東省建設廳智能建築二級資質 (Guangdong Provincial Construction Department's Second Class Qualification) and 工程專業承包三級資格 (Professional Construction Contractor Third Class Qualification) granted by the relevant government authorities in the PRC. Such working teams of the Hanjiang Group have a proven track records and possess the necessary expertises in carrying out construction related services in large scale property projects in the PRC.

Having considered the completion of various construction and related services for various property projects of the Group by the Hanjiang Group in previous years, the Directors confirmed that they are satisfied with the quality of the construction and related services rendered by the Hanjiang Group and believe that the long term and good business relationship established between the Group and the Hanjiang Group since 1998 and the Hanjiang Group's familiarization of the Group's development projects and business operations can bring synergy for both the Company and Hanjiang. The Directors therefore are of the opinion that continuance of the appointment of the Hanjiang Group is in the best interest of the Company and its Shareholders as a whole.

As mentioned in the Letter from the Board, the Hanjiang Group is a reputable property developer in the PRC, with strong financial position, and the capability in the construction of large scale property developments. In recent years, it has completed a number of high quality large scale property projects and built up good reputation in the industry. Having considered the reputation of the Hanjiang Group, the long term business relationship between the Group and the Hanjiang Group, the Group also proposes to provide construction design, installation and decoration services to the Hanjiang Group, and is of the view that through the provision of such services, the Group is able to generate a steady income which is in the interests of the Company and its Shareholders as a whole.

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### 3. Principal terms of the New Framework Agreement

The New Framework Agreement sets out the general terms and conditions governing (i) the provision of construction and related services, including but not limited to construction supervision, electrical power installation works, low voltage system and intelligent building installation works, budgeting and cost control consultation, informatization related services, as well as consultancy service relating to development planning and sales agency service for the Group's commercial property projects, by the Hanjiang Group to the Group; (ii) the leases of premises by the Hanjiang Group to the Group as offices; (iii) the provision by the Group to the Hanjiang Group of services relating to management of vacant properties, delivery of sold properties, as well as construction design, installation and decoration for certain property projects of the Hanjiang Group; and (iv) the leases of premises by the Group to the Hanjiang Group as shops.

The New Framework Agreement is conditional, and will become effective, upon the approval thereof by the Independent Shareholders voting at the SGM, and will expire on 31 December 2014.

In respect of each engagement for each of the New Transactions, the Group and the Hanjiang Group will procure their respective relevant members to enter into a separate agreement for each transaction setting out the specific terms of engagement which are consistent with the terms and principles contained in the New Framework Agreement. The terms of the transactions must be normal commercial ones, fair and reasonable, and consistent with the terms offered by or to (as the case may be) Independent Third Parties in their provision or acquisition (as the case may be) of similar services or offering for lease of similar properties in their ordinary course of business and no less favorable than the terms offered by or to (as the case may be) other Independent Third Parties from the perspective of the Group.

With reference to the details set forth in the Letter from the Board, the New Transaction 1, the New Transaction 2, the electrical power installation works, the intelligent building installation works, and the budgeting and cost control consultancy under the New Transaction 3, the New Transaction 4, the New Transaction 7 to the New Transaction 8 and the New Transaction 10, which were recurring transactions contemplated under the Previous Framework Agreement, will be remained in place for the three financial years ending 31 December 2014. The Group also intends to enter into the low voltage system installation works under the New Transaction 3, the New Transactions 5, the New Transaction 6 and the New Transaction 9 for the three financial years ending 31 December 2014.

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## 4. Principal terms of the New Transactions and basis for determining the respective Annual Caps

### *Proposed Annual Caps of the New Transactions*

Set out below are the details of (i) the historical transaction amounts of the continued connected transactions under the Previous Framework Agreement; (ii) the previously approved annual caps for the Previous Framework Agreement (the “**historical annual caps**”); and (iii) the proposed Annual Caps for the three financial years ending 31 December 2014.

	Historical transaction amounts			Historical annual caps for the Previous Framework Agreement			Proposed Annual Caps		
	Year ended 31 December			Year ended 31 December			Year ending 31 December		
	2009	2010	2011	2009	2010	2011	2012	2013	2014
	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>
New Transaction 1									
— Construction	1,674,080	1,969,989	475,156	2,331,600	2,198,000	2,020,600	1,818,540	1,616,480	1,414,420
New Transaction 2									
— Construction supervision	1,734	5,556	5,672	25,000	25,900	25,500	16,597	14,635	13,114
New Transaction 3									
— Electrical power, low voltage system and intelligent building installation works, budgeting and cost control consultancy (Note)	67,477	94,705	120,096	624,700	594,700	584,900	526,410	467,920	409,430
New Transaction 4									
— Office lease	2,082	1,041	2,082	2,300	2,300	2,300	6,354	6,989	7,688
New Transaction 5									
— Informatization related services	—	—	—	—	—	—	39,952	47,943	57,531
New Transaction 6									
— Consultancy service in respect of development planning and sales agency service for commercial property projects	—	—	—	—	—	—	8,550	9,596	13,765
New Transaction 7									
— Management of vacant properties	12,265	5,166	2,220	17,200	16,800	16,400	15,910	14,330	13,910
New Transaction 8									
— Construction design	17,550	14,121	10,679	120,500	26,000	11,000	33,340	36,197	36,637
New Transaction 9									
— Installation and decoration	—	—	—	—	—	—	94,808	43,400	174,860
New Transaction 10									
— Shop lease	—	—	—	6,100	4,400	4,300	3,298	3,444	3,616

*Note:* As low voltage system installation work under the New Transaction 3 is not included in the Previous Framework Agreement, the figures for this item in respect of the three financial years ended 31 December 2011 set out in the table relate to provision of the services of electrical power installation work, intelligent building installation work and budgeting and cost control consultancy by the Hanjiang Group to the Group only.

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### *Historical annual caps for the Previous Framework Agreement and historical transaction amounts*

We have discussed with the management of the Company and were advised that the notable under-utilization of the historical annual caps was due to, (i) the historical annual caps were made with reference to development plans and progress of each of the property projects of the Group at that time, however, certain development plans, progress and/or size of the property projects have subsequently been amended which affected the value of contracts for execution during the three financial years ended 31 December 2011; and (ii) a series of austerity measures implemented by the national and local governments to tighten the overheating of the real estate market in the PRC which negatively influenced and/or suspended the development plans of the property projects of the Group and the number of contracts negotiated and concluded or lower the value of the contracts.

### *Principal terms of the New Transactions and basis for determining the respective Annual Caps*

*Services to be provided/premises to be leased by the Hanjiang Group to the Group*

#### **New Transaction 1 — Construction**

Pursuant to the New Framework Agreement, the Group may, from time to time and subject to the execution of separate agreement setting out the specific terms of each engagement, appoint the Hanjiang Group to carry out construction works for certain property projects of the Group in the PRC, including property projects located at regions such as Beijing, Guangzhou, Huizhou, Shanghai and Tianjin (collectively the “5 Major Areas”).

As set out in the New Framework Agreement, the terms of the New Transaction 1 under each engagement shall be arrived at after negotiations between the relevant parties (as confirmed by the Directors, all such negotiations shall be made by the parties on arm’s length basis) and by making references to (i) the then prevailing market rates charged by Independent Third Parties for providing similar construction works; and (ii) the relevant standards stipulated by the construction committee of where the property project is located, such as:

- (1) 《北京市建築工程預算定額》 (Base Price for Budgeting of Construction and Installation Works, Beijing Municipal) published by 北京市建設委員會 (Construction Committee of Beijing Municipal) in 2001 for property projects in Beijing; and
- (2) 《廣東省建築工程計價辦法(2010年)》 (Basis for Calculating Professional Construction Works, Guangdong Province (2010)) and 《廣東省建築工程綜合定額 (2010年)》 (Comprehensive Calculation of Construction Works, Guangdong Province (2010)) published by 廣東省建設廳 (Construction Department of Guangdong Province) in 2010 for property projects in Guangdong Province.

The New Transaction 1 first took place in 2003 and the Hanjiang Group has completed various property projects for the Group since then. The Group and the Hanjiang Group have built up a close and good working relationship. As confirmed by the management of the Company, the Hanjiang Group completed the Group’s property development projects on schedule, and the Group is generally satisfied with the quality of construction works done by the Hanjiang Group. In view

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of the close and long standing business relationship with the Hanjiang Group and the opinion of the Company's management that the Hanjiang Group is familiar with the Group's property projects, including the quality standards, requirements and construction plans, the Directors believe that the continuance of the appointment of the Hanjiang Group would enable the Group in a good position to control the construction completion schedule, the quality of construction works done, and the construction costs of its property development projects. The Directors are of the view that the continuance of the New Transaction 1, each engagement of which will be entered into on normal commercial terms and in the ordinary and usual course of the businesses of the Group during the three financial years ending 31 December 2014, is in the best interest of the Company and its Shareholders as a whole.

### Basis for determining the Annual Caps

Set out below are the proposed Annual Caps of New Transaction 1 for each of the three financial years ending 31 December 2014:

	<b>Proposed Annual Caps</b>		
	<b>Year ending 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>
New Transaction 1 — Construction	1,818,540	1,616,480	1,414,420

As set out in the 2011 Annual Report, the Group is prudently optimistic towards the outlook of the development of the PRC real estate industry, and it will continue to sustain a prudent strategy in land investment and adopt a diversified mode of land development. The Directors are of the view that the Group's major revenue for the three financial years ending 31 December 2014 is expected to be continuously contributed by sales of properties developed by the Group in the first-tier cities of the PRC, including the 5 Major Areas, as there will be stable demands for quality housing. The Group will either procure its members to perform the construction works internally or outsource the construction works to other quality contractors. If the construction works are outsourced to external contractors, the relevant contract prices are determined mainly with references to the total construction areas and the prices of the construction materials.

As advised by the Directors, they have taken into account the following factors in arriving the Annual Caps of the New Transaction 1:

- (a) the estimated aggregate gross floor areas of the property projects of the Group in the 5 Major Areas, the construction works of which are probably to be carried out by the Hanjiang Group, based on the trends of the local real estate market and the market conditions for the three financial years ending 31 December 2014;
- (b) the estimated unit construction costs payable (together with the average thereof), based on the relevant pricing basis under the New Framework Agreement, by the Group for the property projects mentioned in (a) above for the three financial years ending 31 December 2014;

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- (c) the historical gross floor areas of the property projects of the Group in the 5 Major Areas, the construction works of which were carried out by the Hanjiang Group during the three financial years ended 31 December 2011;
- (d) the historical unit construction costs paid by the Group (together with the average thereof) for the property projects mentioned in (c) above during the three financial years ended 31 December 2011; and
- (e) the construction costs charged by other contractors (which, as confirmed by the Directors, are Independent Third Parties) for carrying out similar contraction works for property projects of similar grading in the vicinity during the three financial years ended 31 December 2011.

To satisfy the needs of the development and to sustain the continuing growth for the upcoming three to five years, we were advised by the Directors that the Group plans to develop an increasing number of property projects for the three financial years ending 31 December 2014 as compared to the last three financial years. The Group also plans to designate a member of the Group, which has built up its capability in the provision of main contracting services for property construction, to take up the construction works for certain property projects of the Group in the future, such that the relevant Annual Caps are slightly lower as compared to the annual caps for the three financial years ended 31 December 2011.

Further to our discussion with the management of the Company, we were advised that the Group targets to reduce the involvement of connected persons of the Company in undertaking the Group's major construction related works, and as aforesaid, the Group plans to designate member(s) of the Group, which have the capability in the provision of relevant contracting services for property construction, or appoint other well known construction contractors with competitive advantage in the construction industry in the PRC, to take up the construction works for certain property projects of the Group in the coming future. Accordingly, the Company proposed a progressively decreasing amounts of the Annual Caps for the three financial years ending 31 December 2014.

We have reviewed materials provided by the management of the Company including:

- (i) the New Framework Agreement;
- (ii) a schedule setting out information on the estimated construction costs payable by the Group to the Hanjiang Group, including the estimated unit construction costs payable by the Group (together with the average thereof) for, and the estimation of the aggregate gross floor areas of, the property projects of the Group in the 5 Major Areas, the construction works of which are probably to be carried out by the Hanjiang Group, and the estimated percentage of completion for each property project, for the three financial years ending 31 December 2014;
- (iii) a schedule setting out information on the historical construction costs paid by the Group to the Hanjiang Group, including the historical unit construction costs paid by the Group (together with the average thereof) for, and the aggregate gross floor areas of,



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the property projects of the Group in the 5 Major Areas, the construction works of which were carried out by the Hanjiang Group, the percentage of completion for each of such property projects, during the three financial years ended 31 December 2011;

- (iv) reference materials for setting prices for construction works, including the standards and guidelines stipulated by the corresponding government authorities in the 5 Major Areas, being 《北京市建築工程預算定額》 (Base Price for Budgeting of Construction and Installation Works, Beijing Municipal) setting out an indicative base price for carrying out construction works for property projects in Beijing; 《廣東省建築工程計價辦法 (2010年)》 (Basis for Calculating Professional Construction Works, Guangdong Province (2010)) and 《廣東省建築工程綜合定額(2010年)》 (Comprehensive Calculation of Construction Works, Guangdong Province (2010)) setting out the cost calculation basis for carrying out construction works for property projects in Guangdong Province; 《2000上海市建築和裝飾工程預算定額工程量計算規則》 (Base Price for Budgeting and Calculation Basis of Construction and Decoration Works, Shanghai Municipal(2000)) setting out an indicative base price for carrying out construction and decoration works for property projects in Shanghai; 《天津市2008建築工程預算定額說明和計算規則》 (Base Price for Budgeting and Calculation Basis of Construction Works, Tianjin Municipal(2008)) setting out an indicative base price for carrying out construction and decoration works for property projects in Tianjin;
- (v) a schedule setting out information on the breakdown of estimated average unit construction cost, including the labor cost, the cost of construction materials to be consumed, the overhead cost to be incurred for usage of machinery and other miscellaneous costs, in respect of the construction of the property projects in the 5 Major Areas for the three financial years ending 31 December 2014;
- (vi) a certificate issued by an engineering project cost consulting firm (which, as confirmed by the Directors, is an Independent Third Party) in the PRC on 9 March 2012 which was hired by the Company for carrying out an independent assessment on the estimated average unit construction cost for all the property projects of the Group in the 5 Major Areas; and
- (vii) construction contracts, on sample basis, entered into between the Group and the Hanjiang Group, as well as between the Group and other contractors (which, as confirmed by the Directors, are Independent Third Parties) during the three financial years ended 31 December 2011.

As advised by the management of the Company, the estimated unit construction cost for each of the property projects in the 5 Major Areas is unique and may not be comparable to other projects of the Group in other areas of the PRC as the cost is fluctuated due to, among others, (i) the types of construction materials consumed, (ii) the class of the properties, (iii) the scope of the construction works, and (iv) the geographic location of the property sites. Notwithstanding the aforesaid, as confirmed by the management of the Company, the Company estimated the average unit construction cost payable to the Hanjiang Group for property projects of the Group in the 5 Major Areas, the construction works of which are probably to be performed by the Hanjiang Group, for the three financial years ending 31 December 2014, by taking the average of the



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estimated unit costs for each of the property projects, and we understand that the Company hired an engineering project cost consulting firm (which, as confirmed by the Directors, is an Independent Third Party) in the PRC to carry out independent assessment in regard to the estimated average unit construction cost payable for the individual property projects in the respective 5 Major Areas under the New Transaction 1. Having reviewing copies of its business license and 工程造價諮詢企業甲級資質證書 (Engineering Project Cost Consultancy Grade A Qualification Certificate), we noted that the said independent consulting firm is approved by 中華人民共和國建設部 (the Ministry of Construction of the PRC Government) to carry out construction cost assessment business and it possesses grade A qualification to carry out project costing consultation in the PRC. The said independent consulting firm reviewed the list, which were provided by the management of the Company, of the estimated average unit construction cost of all of the property projects of the Group in the 5 Major Areas under the New Transaction 1 and, after its examination, confirmed that such estimated average unit construction cost payable by the Group are in line with the market price. Pursuant to the confirmation by the qualified independent consulting firm, we are satisfied with its view that such estimated unit average cost is in line with the market price.

As further advised by the management of the Company, the estimated average unit construction cost for various property projects of the Group in the 5 Major Areas conforms to the standards aforementioned, which are the latest available standards prescribed by the relevant construction committees of where the property projects are located. The Company's management also confirmed that before entering into a specific agreement of each engagement under the New Transaction 1 by the Group and the Hanjiang Group, the relevant construction fees shall be determined by making reference to, among others, the then available relevant standards.

Having (i) reviewed the schedule in respect of the estimated average unit construction cost payable by the Group, (ii) compared such estimated average unit cost with the historical average unit cost paid by the Group for similar construction works for the property projects of the Group in the 5 Major Areas, (iii) reviewed the construction contracts, on sample basis, entered into by the Group with the Hanjiang Group and other contractors (which, as confirmed by the Directors, are Independent Third Parties) during the three financial years ended 31 December 2011, and (iv) reviewed the abovementioned independent assessment report issued by an engineering project cost consulting firm, we considered that it is appropriate to make reference to the estimated average unit construction cost payable by the Group for the New Transaction 1, which are comparable to the historical average unit construction cost paid by the Group to the Hanjiang Group during the last three financial years and the market range as confirmed by the aforementioned independent consulting firm, and no less favorable than the construction costs charged by other contractors (which, as confirmed by the Directors, are Independent Third Parties) on transactions of similar nature in the vicinity during the last three financial years, in determining the Annual Caps of the New Transaction 1 for the three financial years ending 31 December 2014.

As mentioned above, the Group plans to develop more property projects involving increasing aggregate gross floor areas during the three financial years ending 31 December 2014 as compared to the last three financial years. We have reviewed the schedule in respect of the estimated aggregate gross floor areas of the property projects of the Group in the 5 Major Areas, the construction works of which are probably to be carried out by the Hanjiang Group, for the three financial years ending 31 December 2014. Further to our discussion with the management of the

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Company, we were advised that the development plan of the relevant property projects have been progressed in line with the aforementioned estimation schedule for the first four months of 2012. Having considered the above, the estimated aggregate gross floor areas of the property projects of the Group in the 5 Major Areas, the construction works of which are probably to be carried out by the Hanjiang Group and which are one of the factors for determining the Annual Caps of the New Transaction 1, is being made by the Company's management in accordance with the development plan of the Group for the three financial years ending 31 December 2014.

Having considered the above factors and reasons, in particular the execution of a separate agreement for each New Transaction 1 which will be consistent with the terms and principles contained in the New Framework Agreement and which will be arrived at after negotiations between the parties concerned (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and making references to the then prevailing market rates charged by other contractors (which, as confirmed by the Directors, are Independent Third Parties) for performing similar construction works as well as the relevant standards stipulated by the constructions committees of where the property projects are located, we concur with the Directors' view that the terms of the New Transaction 1 are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

In addition, in view of the above basis, in particular that (i) the estimated average unit construction cost payable by the Group to the Hanjiang Group for carrying out the construction works for certain property projects of the Group for the three financial years ending 31 December 2014 are comparable to the historical average unit construction cost incurred by the Group as described above and the market price for transactions of similar natures as confirmed by the consulting firm (which, as confirmed by the Directors, is an Independent Third Party), and are no less favorable than the construction costs charged by other contractors (which, as confirmed by the Directors, are Independent Third Parties) on transactions of similar nature in the vicinity for the three financial years ended 31 December 2011; and (ii) the estimation of the aggregate gross floor areas of the property projects of the Group in the 5 Major Areas, the construction works of which are probably to be carried out by the Hanjiang Group, are being made by the Company's management in accordance with the development plan and working schedule of the Group for the three financial years ending 31 December 2014, we concur with the Directors' view that the underlying bases adopted in determining the Annual Caps of the New Transaction 1 for the three financial years ending 31 December 2014 are fair and reasonable so far as the Company and the Shareholders are concerned as a whole. However, as the Annual Caps related to future events and are based upon assumptions that may or may not remain valid for the three financial years ending 31 December 2014 (and, in case the actual transaction amounts exceed the Annual Caps in future, the Company should re-comply with the reporting and announcement requirements and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules), we express no comments as to how closely the actual transaction amounts pursuant to the construction contracts shall correspond to the Annual Caps.

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## New Transaction 2 — Construction Supervision

Pursuant to the New Framework Agreement, the Group may, from time to time and subject to the execution of separate agreement setting out the specific terms of each engagement, appoint the Hanjiang Group to supervise the construction works of certain property projects of the Group in the 5 Major Areas.

As set out in the New Framework Agreement, the terms of the New Transaction 2 under each engagement shall be arrived at after negotiations between the relevant parties (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and by making references to (i) the then prevailing market rates charged by the Independent Third Parties for providing similar construction supervision services for similar property projects, (ii) the relevant standards, being 《建設工程監理與相關服務收費標準》(Construction Project Monitoring and Related Services Fees Standard) prescribed by 中華人民共和國建設部 (the Ministry of Construction of the PRC Government), generally applied for provision of construction supervision works for property projects in the PRC.

As advised by the management of the Company, the New Transaction 2 has been taken place since 2009, and the Group has been satisfied with the quality of the works and services of the relevant member of the Hanjiang Group carrying out the construction supervision works for the Group, which possesses the necessary expertise in construction supervision for large scale property projects in the PRC, so far. As set out in the Letter from the Board, the Group is of the view that the continuance of the New Transaction 2, each engagement of which will be entered into on normal commercial terms and in the ordinary and usual course of the business of the Group during the three financial years ending 31 December 2014, is in the interests of the Company and its Shareholders as a whole in view of the Group's close enduring working relationship with the Hanjiang Group, the proven track record of the Hanjiang Group, its expertise and experience in the industry.

### Basis for determining the Annual Caps

Set out below are the proposed Annual Caps of New Transaction 2 for each of the three financial years ending 31 December 2014:

	<b>Proposed Annual Caps</b>		
	<b>Year ending 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>Approximate</i>	<i>Approximate</i>	<i>Approximate</i>
	<i>amount</i>	<i>amount</i>	<i>amount</i>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
New Transaction 2 — Construction supervision	16,597	14,635	13,114

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The construction supervision works for the Group's property projects are either performed by members of the Group internally or be outsourced to other quality construction supervisors. As advised by the management of the Company, if the construction supervision works are outsourced to external construction supervisors, the relevant contract prices are determined mainly with reference to the total construction areas under supervision.

As advised by the Directors, they have taken into account the following factors in determining the Annual Caps of the New Transaction 2:

- (a) the estimation of the aggregate gross floor areas for the property projects of the Group in the 5 Major Areas, the construction supervision works of which are probably to be performed by the Hanjiang Group, based on the trends and conditions of the local property market, for the three financial years ending 31 December 2014;
- (b) the estimated unit construction supervision costs payable (together with the average thereof), based on the relevant pricing basis under the New Framework Agreement, by the Group for the property projects mentioned in (a) above for the three financial years ending 31 December 2014;
- (c) the historical gross floor areas of the property projects of the Group in the 5 Major Areas, the construction supervision works of which were performed by the Hanjiang Group during the three financial years ended 31 December 2011;
- (d) the historical unit construction supervision costs paid by the Group (together with the average thereof) for the property projects mentioned in (c) above during the three financial years ended 31 December 2011; and
- (e) the rates quoted by other construction supervisors (which, as confirmed by the Directors, are Independent Third Parties) for carrying out similar construction supervision works for property projects of similar grading in the vicinity.

Further to our discussion with the management of the Company, we were advised that the Group targets to reduce the involvement of connected persons of the Company in undertaking the Group's major construction related works, and as aforesaid, the Group plans to take up or to appoint other qualified construction supervisors with competitive advantage in the construction industry in the PRC to take up the construction supervision works for certain property projects of the Group in the coming future. Accordingly, the Company proposed a progressively decreasing amount of the Annual Caps for the three financial years ending 31 December 2014.

We have reviewed materials provided by the management of the Company including:

- (i) the New Framework Agreement;
- (ii) a schedule setting out information on the estimated construction supervision costs payable by the Group to the Hanjiang Group, including the estimated unit construction supervision costs payable by the Group (together with the average thereof) for, and the estimation of the aggregate gross floor areas of, the property projects of the Group in the 5 Major Areas, the construction supervision works of which are probably to be

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performed by the Hanjiang Group, and the estimated total construction supervision costs payable by the Group for each of the property projects, for the three financial years ending 31 December 2014;

- (iii) a schedule setting out information on the historical construction supervision costs paid by the Group to the Hanjiang Group, including the historical unit construction supervision costs paid by the Group (together with the average thereof) for, and the aggregate gross floor areas of, the property projects of the Group in the 5 Major Areas, the construction supervision works of which were performed by the Hanjiang Group, and the total historical construction supervision costs paid by the Group for each of such property projects, during the three financial years ended 31 December 2011;
- (iv) a schedule (the “**Schedule regarding Independent Tenders**”) setting out information on the quotations of the construction supervision works, including the construction areas required for supervision, the names of the six tenders (which, as confirmed by the Company, are Independent Third Parties), the unit fee for construction supervision quoted by such tenders for providing similar supervision works on two property projects of the Group in Tianjin, one of the 5 Major Areas, for the three financial years ended 31 December 2014;
- (v) reference materials for setting prices for construction supervision works, including the generally applied standards stipulated by 中華人民共和國建設部 (the Ministry of Construction of the PRC Government), 《建設工程監理與相關服務收費標準》 (Construction Project Monitoring and Related Services Fees Standard) setting out an indicative base price charged for carrying out construction supervision works for property projects in the PRC; and
- (vi) construction supervision contracts, on sample basis, entered into between the Group and the Hanjiang Group, as well as between the Group and other construction supervisors (which, as confirmed by the Company, are Independent Third Parties) during the three financial years ended 31 December 2011.

As advised by the management of the Company, in order to demonstrate whether the estimated unit construction supervision cost payable by the Group, which are applied to determine the Annual Caps of New Transaction 2 for the three financial years ending 31 December 2014, are determined with reference to current market rates, the Schedule regarding the Independent Tenders has been prepared and provided by the designated department (the “**Designated Department**”) of the Company which, as confirmed by the Company’s management, (i) is independent of other operational units of the Group (including various project teams of the Group’s property projects), (ii) is fully in charge and responsible for performing market research and interview so as to collect indicative data and market information to the relevant project teams for references. The Schedule regarding the Independent Tenders provided an indication that the estimated unit construction supervision cost payable by the Group to the Hanjiang Group in Tianjin, one of the 5 Major Areas, fall within the corresponding market range. Further to our discussion with the management of the Company, we are advised that the Designated Department, when prepared the Schedule regarding Independent Tenders for Tianjian, has obtained preliminary quotations with tenders (which, as confirmed by the Company, are Independent Third Parties) in other four areas of the 5 Major

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Areas through phone interviews and it found that all the preliminary quotations were higher than the unit construction supervision costs quoted by the Hanjiang Group, and all such quotations were out of the price ranges of the market and the acceptable range of the Group; accordingly the Group would not consider to appoint any of those tenders to carry out any construction supervision works for the property projects of the Group, and the Designated Department did not request any written quotation from those tenders. Despite this, we have also made reference to, as mentioned above, the historical construction supervision cost paid by the Group and the construction supervision contracts, on sample basis, entered into by the Group with the Hanjiang Group and other construction supervisors (which, as confirmed by the Directors, are Independent Third Parties) in order to determine the Annual Caps of the New Transaction 2 for the three financial years ending 31 December 2014.

As further advised by the management of the Company, the estimated average unit construction supervision cost for various property projects of the Group in the 5 Major Areas conforms to 《建設工程監理與相關服務收費標準》 (Construction Project Monitoring and Related Services Fees Standard), which is the latest available standard published by the central government and generally applied in the PRC. The Company's management also confirmed that before entering into a specific agreement of each engagement under the New Transaction 2 by the Group and the Hanjiang Group, the relevant fees for construction supervision works shall be determined by making reference to, among others, the then available relevant standards.

Having (i) reviewed the schedule in respect of the estimated average unit construction supervision cost payable by the Group, (ii) compared it with the historical average unit construction supervision cost paid by the Group for carrying out similar construction supervision works for the property projects of the Group in the 5 Major Areas during the three financial years ended 31 December 2011, (iii) compared with the Schedule regarding the Independent Tenders which provides an indicative regarding the prevailing market rates quoted by other construction supervisors (which, as confirmed by the Directors, are Independent Third Parties) for carrying out similar construction supervision works for property projects of similar grading in Tianjin, one of the 5 Major Areas, and (iv) reviewed the construction supervision contracts, on sample basis, entered into by the Group with Hanjiang Group and other construction supervisors (which, as confirmed by the Directors, are Independent Third Parties) during the three financial years ended 31 December 2011, we considered that it is appropriate to make reference to the estimated average unit construction supervision cost payable by the Group for the New Transaction 2, which are comparable to the historical average unit construction supervision cost paid by the Group to Hanjiang Group during the last three financial years and no less favorable than the quoted rates obtained by the Group from other construction supervisors (which, as confirmed by the Directors, are Independent Third Parties) on transactions of similar nature in the vicinity for the three financial years ending 31 December 2014, in determining the Annual Caps of the New Transactions 2 for the three financial years ending 31 December 2014.

We have reviewed the schedule in respect of the estimated aggregate gross floor areas for the property projects of the Group in the 5 Major Areas, the construction supervision works of which are probably to be performed by the Hanjiang Group, for the three financial years ending 31 December 2014. Further to our discussion with the management of the Company, we were advised that the development plan of the relevant property projects have been progressed in line with the aforementioned estimation schedule for the first four months of 2012. Having considered the



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above, the estimated aggregate gross floor areas for the property projects of the Group in the 5 Major Areas, construction supervision works of which are probably to be performed by the Hanjiang Group and which are one of the factors for determining the Annual Caps of the New Transaction 2, is being made by the Company's management in accordance with the development plan and working schedule of the Group for the three financial years ending 31 December 2014.

Having considered the above factors and reasons, in particular the execution of a separate agreement for each New Transaction 2 which will be consistent with the terms and principles contained in the New Framework Agreement and which will be arrived at after negotiations between the parties concerned (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and making references to the then prevailing market rates charged by other construction supervisors (which, as confirmed by the Directors, are Independent Third Parties) for performing similar construction supervision works as well as the standards prescribed by relevant government authorities (for instance 《建設工程監理與相關服務收費標準》 (Construction Project Monitoring and Related Services Fees Standard) currently in force), we concur with the Directors' view that the terms of the New Transaction 2 are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Besides, in view of the above basis, in particular that (i) the estimated average unit construction supervision cost payable by the Group to the Hanjiang Group for carrying out the construction supervision works for certain property projects of the Group for the three financial years ending 31 December 2014 are comparable to the historical average unit construction supervision cost incurred by the Group as described above and the prevailing market rates for transactions of similar nature pursuant to the Schedule regarding the Independent Tenders; and (ii) the estimation of the aggregate gross floor areas for the property projects of the Group in the 5 Major Areas, the construction supervision works of which are probably to be performed by the Hanjiang Group, are being made by the Company's management in accordance with the development plan and working schedule of the Group for the three financial years ending 31 December 2014, we concur with the Directors' view that the underlying bases in determining Annual Caps of the New Transaction 2 for the three financial years ending 31 December 2014 are fair and reasonable so far as the Company and the Shareholders are concerned as a whole. However, as the Annual Caps related to future events and are based upon assumptions that may or may not remain valid for the three financial years ending 31 December 2014, (and, in case the actual transaction amounts exceed the Annual Caps in future, the Company should re-comply with the reporting and announcement requirements and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules), we express no comments as to how closely the actual transaction amounts pursuant to the construction supervision contracts shall correspond to the Annual Caps.

### **New Transaction 3 — Electrical Power, Low Voltage System and Intelligent Building Installation Works, Budgeting and Cost Control Consultancy**

Pursuant to the New Framework Agreement, the Group may, from time to time and subject to the execution of separate agreement setting out the specific terms of each engagement, appoint the Hanjiang Group to carry out the electrical power installation works, low voltage system and intelligent building installation works and to provide consultancy services on budgeting for tenders and construction cost control for certain property projects of the Group in the 5 Major Areas.

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Electrical power, low voltage system and intelligent building installation works comprises tasks of assembly of power system for the property projects, visual walkie-talkie system, CCTV system, music broadcast system, security system, car park automatic management system, telephone system, mobile signal coverage system, internet system and television antenna system, cabling system, switches, telecom network system, lighting and card reader and building sensors system; consultancy services in relation to budgeting for tenders and construction cost control includes tasks of evaluation and formulation of the base price for a particular project that the Group intends to put up for public tender, preparation of tender invitations and rendering assistance in the evaluation of the bidders, formulation of the budget for a particular project and formulation of cost control plans for construction projects.

As set out in the New Framework Agreement, the terms of the New Transaction 3 under each engagement shall be arrived at after negotiations between the parties concerned (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and by making references to (i) the then prevailing market rates charged by Independent Third Parties for providing similar installation services; and (ii) the standards prescribed by the relevant governmental authorities of where the property is located, such as:

- (1) 《廣東省各專業工程計價辦法(2010年)》 (Basis for Free Calculation of Professional Construction Works, Guangdong Province (2010)) and 《廣東省各專業綜合定額(2010年)》 (Comprehensive Fee Calculation of Construction Works, Guangdong Province (2010)) published by 廣東省建設廳 (Construction Department of Guangdong Province) in 2010 for carrying out electrical power installation works for the property projects in Guangzhou;
- (2) 《通信建設工程預算定額》 (Fee Calculation for Communication Construction Project) and 《廣州地區建設工程常用材料綜合價格》 (Comprehensive Price for Usually Used Materials for Construction Projects in Guangzhou) for carrying out low voltage system installation works for the property projects in Guangzhou;
- (3) 《北京市建築工程預算定額》 (Base Price for Budgeting of Construction and Installation Works, Beijing Municipal) published by 北京市建設委員會 (Construction Committee of Beijing Municipal) in 2001 for carrying out intelligent building installation works for property projects in Beijing, 《廣東省各專業工程計價辦法(2010年)》 (Basis for Fee Calculation of Professional Construction Works, Guangdong Province (2010)) and 《廣東省各專業綜合定額(2010年)》 (Comprehensive Fee Calculation of Construction Works, Guangdong Province (2010)) published by 廣東省建設廳 (Construction Department of Guangdong Province) in 2010 for carrying out intelligent building installation works for property projects in Guangzhou; and
- (4) 《招標代理服務收費標準》 (Standard Fees for Tender Agencies) issued by the 北京市發展和改革委員會 (Beijing Municipal Commission of Development and Reform) in respect of the provision of services to assist in the tender process and 《工程造價諮詢服務收費管理暫行辦法》 (Provisional Administrative Measures on Consultation Fees for Construction Budgeting) issued by 建設部 (the Ministry of Construction) in respect of the provision of budgeting services for property projects in Beijing.



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The New Transaction 3 (save for the low voltage system installation work) has been carried out since 2006, and the Directors are of the view that the relevant working team of the Hanjiang Group have proven track records and good reputation in the industry, and the team possesses the required qualification and the necessary technical capabilities, resources and experience in carrying out the aforesaid services. As set out in the Letter from the Board and further confirmed by the management of the Company, the Group is of the view that continuance of the New Transaction 3, each engagement of which will be entered into on normal commercial terms and in the ordinary and usual course of the business of the Group during the three financial years ending 31 December 2014, is in the interests of the Company and its Shareholders as a whole in view of (i) the proven track record of the Hanjiang Group in providing high quality and reliable services to the Group, (ii) its expertise and experience and reputation in the industry, (iii) its products and services have proved to be effective in achieving cost control, (iv) the good and long-term working relationship between the Group and the Hanjiang Group and (v) the highly competitive pricing offered by the Hanjiang Group to the Group.

### Basis for determining the Annual Caps

Set out below are the proposed Annual Caps of New Transaction 3 for each of the three financial years ending 31 December 2014:

	<b>Proposed Annual Caps</b>		
	<b>Year ending 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>
New Transaction 3 — Electrical power, low voltage system and intelligent building installation works, budgeting and cost control consultancy	526,410	467,920	409,430

The Group will either procure its members to internally perform, or through outsource arrangement appoint other quality companies to carry out, the electrical power installation works, low voltage system and intelligent building installation works, and provide budgeting and cost control consultancy services for certain property projects of the Group. If such works are outsourced to external services providers, the relevant contract prices are determined mainly with references to the total working areas involved.

As advised by the Directors, they have taken into account the following factors in arriving the Annual Caps of the New Transaction 3:

- (a) the estimation of the aggregate gross floor areas for the property projects of the Group in the 5 Major Areas, the installation works and consultancy services of which are probably to be carried out and rendered by the Hanjiang Group, for the three financial years ending 31 December 2014;

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- (b) the estimated unit installation and consultancy cost payable, including (1) the estimated unit electrical power installation costs payable, (2) the estimated unit low voltage system and intelligent building installation costs payable, and (3) the estimated unit budgeting and cost control consultancy costs payable (together with the average of each of such estimated unit costs), based on the relevant pricing basis under the New Framework Agreement, by the Group for the property projects mentioned in (a) above for the three financial years ending 31 December 2014;
- (c) the historical gross floor areas of the property projects of the Group in the 5 Major Areas, the installation works and consultancy services of which were carried out and provided by the Hanjiang Group, during the three financial years ended 31 December 2011;
- (d) the historical unit installation/consultancy costs paid, including (1) the historical unit electrical power installation costs paid, (2) the historical unit intelligent building installation costs paid, (3) the historical unit budgeting and cost control consultancy costs paid (together with the average of each of such historical unit costs), by the Group for the property projects mentioned in (c) above during the three financial years ended 31 December 2011; and
- (e) the prevailing market rates charged by other installation and consultancy companies (which, as confirmed by the Directors, are Independent Third Parties) for carrying out similar installation works and consultancy services for property projects of similar grading in the vicinity.

Further to our discussion with the management of the Company, we were advised that the Group targets to reduce the involvement of connected persons of the Company in undertaking the Group's major construction related works, and as aforesaid, the Group plans to undertake or appoint other qualified service providers with competitive advantage, to take up the installation work and to provide the consultancy services for certain property projects of the Group in the coming future. Accordingly, the Company proposed a progressively decreasing amount of the Annual Caps for the three financial years ending 31 December 2014.

We have reviewed materials provided by the management of the Company including:

- (i) the New Framework Agreement;
- (ii) schedules setting out information on the estimated installation and consultancy costs payable by the Group to the Hanjiang Group, including (a) the estimated electrical power installation costs payable, (b) the estimated low voltage system and intelligent building installation costs payable, and (c) the estimated budgeting and cost control consultancy costs payable, by the Group, and the respective estimated unit costs payable by the Group (together with the average of each of the abovementioned estimated unit costs) for, and the estimation of the aggregate gross floor areas of, the property projects of the Group in the 5 Major Areas, the installation works and consultancy services of which are probably to be carried out and rendered by the Hanjiang Group, for the three financial years ending 31 December 2014;

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- (iii) schedules setting out information on the historical installation and consultancy costs paid by the Group to the Hanjiang Group, including (a) the historical electrical power installation costs paid, (b) the historical intelligent building installation costs paid, (c) the historical budgeting and cost control consultancy costs paid, by the Group, and the respective historical unit costs paid by the Group (together with the average of each of the abovementioned historical unit costs) for, and the aggregate gross floor areas of, the property projects of the Group in the 5 Major Areas, the installation works and consultancy services of which were carried out and provided by the Hanjiang Group for each of such property projects, during the three financial years ended 31 December 2011;
- (iv) schedules setting out information on the prevailing market rates quotations obtained from other installation and consultancy companies (which, as confirmed by the Company, are Independent Third Parties) for providing similar electrical power installation works, low voltage system and intelligent building installation works for certain property projects of the Group in the 5 Major Areas for the three financial years ending 31 December 2014;
- (v) reference materials for setting the basis price and fees, including the aforementioned standards stipulated by the local government authorities; and
- (vi) installation and consultancy contracts, on sample basis, entered into between the Group and the Hanjiang Group, as well as between the Group and other installation and consultancy companies (which, as confirmed by the Directors, are Independent Third Parties) during the three financial years ended 31 December 2011.

### Electrical power installation costs

As advised by the management of the Company, the estimated unit electrical power installation cost may vary among different projects and may not be comparable on project basis due to, among others, (i) the type of design, (ii) the type of materials consumed in the installation works, (iii) the class of the properties and (iv) the reputation of the electrical power installation companies. Notwithstanding the aforesaid, as confirmed by the management of the Company, the Company estimated the average unit electrical power installation costs payable to the Hanjiang Group for the property projects of the Group in the 5 Major Areas, the installation works of which are probably to be performed by the Hanjiang Group, for the three years financial ending 31 December 2014, by taking the average of the estimated unit installation costs for each of the property projects and are determined (a) with references to the historical unit installation costs (together with the average thereof) paid by the Group to the Hanjiang Group and the rates charged by other installation companies (which, as confirmed by the Directors, are Independent Third Parties) for carrying out electrical power installation works of similar scope in similar proximity, and (b) conforms to the relevant standards prescribed, such as 《廣東省各專業工程計價辦法(2010年)》 (Basis for Calculating Professional Construction Works, Guangdong Province (2010)) and 《廣東省各專業綜合定額(2010年)》 (Comprehensive Calculation of Construction Works, Guangdong Province (2010)) for property projects in Guangzhou for which the electrical power installation works are to be carried out.

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Having (i) reviewed the schedule in respect of the estimated average unit electrical power installation cost payable by the Group, (ii) compared such estimated average unit installation cost with the historical average unit installation cost paid by the Group for carrying out the similar installation works for property projects of the Group in the 5 Major Areas during the three financial years ended 31 December 2011, (iii) reviewed the installation contracts, on sample basis, entered into between the Group and the Hanjiang Group during the three financial years ended 31 December 2011, as well as (iv) reviewed the installation contracts, on sample basis, entered into between the Group and other installation companies (which, as confirmed by the Directors, are Independent Third Parties) for carrying out similar installation services for the property projects of similar grading in the proximity during the three financial years ended 31 December 2011 and for the three financial years ending 31 December 2014 respectively, we considered that it is appropriate to make reference to the estimated average unit electrical power installation cost payable by the Group for New Transaction 3, which are comparable to the historical average unit installation cost paid by the Group to the Hanjiang Group during the last three financial years and the rates charged by other installation companies (which, as confirmed by the Directors, are Independent Third Parties) on transactions of similar nature in the vicinity during the three financial years ended 31 December 2011 and for the three financial years ending 31 December 2014, in determining the Annual Caps of the New Transaction 3 for the three financial years ending 31 December 2014.

### Low voltage system installation costs

As advised by the management of the Company, the estimated unit low voltage system installation cost may vary among different projects of the Group due to, among others, (i) the type of design, (ii) the type of materials consumed in the installation works, (iii) the class of the properties, and (iv) the reputation of the low voltage system installation companies, therefore a direct comparison on the unit installation costs among different projects would not be feasible. Notwithstanding the aforesaid, as confirmed by the management of the Company, the Company estimated average unit low voltage system installation costs payable to the Hanjiang Group for property projects of the Group in the 5 Major Areas, the installation works of which are probably to be performed by the Hanjiang Group for the three financial years ending 31 December 2014, by taking the average of the estimated unit installation costs for each of the property projects and are determined (a) with references to the historical unit installation costs paid by the Group (together with the average thereof) and the rates charged by other installation companies (which, as confirmed by the Directors, are Independent Third Parties) for carrying out the low voltage system installation works of similar scope in similar proximity and (b) conforms to the relevant standards prescribed, such as 《通信建設工程預算定額》(Fee Calculation for Communication Construction Project) and 《廣州地區建設工程常用材料綜合價格》(Comprehensive Price for Usually Used Materials for Construction Projects in Guangzhou) for property projects in Guangzhou for which the low voltage system installation works are to be carried out.

Having (i) reviewed the schedule in respect of the estimated average unit low voltage system installation cost payable by the Group, (ii) compared such estimated average unit installation cost with the historical average unit installation cost paid by the Group for carrying out the low voltage system installation works for property projects of the Group in the 5 Major Areas during the three financial years ended 31 December 2011, and (iii) reviewed the installation contracts, on sample basis, entered into between the Group and other installation companies (which, as confirmed by the

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Directors, are Independent Third Parties) for carrying out similar installation services for the property projects of similar grading in the proximity during the three financial years ended 31 December 2011, we considered that it is appropriate to make reference to the estimated average unit low voltage system installation cost payable by the Group for the New Transaction 3, which are comparable to the rates charged by other installation companies (which, as confirmed by the Directors, are Independent Third Parties) on transactions of similar nature in the vicinity during the three financial years ended 31 December 2011, in determining the Annual Caps of the New Transaction 3 for the three financial years ending 31 December 2014.

### Intelligent building installation costs

As advised by the management of the Company, the estimated unit intelligent building installation cost may fluctuate among various property projects of the Group and may not be comparable on project basis due to, among others, (i) the type of design, (ii) the type of materials consumed in the installation works, (iii) the class of the properties and (iv) the reputation of the intelligent building installation companies. Notwithstanding the aforesaid, as confirmed by the management of the Company, the Company estimated average unit intelligent building installation costs payable to the Hanjiang Group for the Group's property projects in the 5 Major Areas, the installation works of which are probably to be performed by the Hanjiang Group for the three financial years ending 31 December 2014, by taking the average of the estimated unit installation costs for each of the property projects and are determined (a) with references to the historical unit installation costs paid by the Group (together with the average thereof) and the rates charged by other installation companies (which, as confirmed by the Directors, are Independent Third Parties) for providing similar intelligent building installation works for similar scope in similar proximity, and (b) conforms to the standards prescribed, such as 《北京市建築工程預算定額(2001年)》 (Base Price for Budgeting of Construction and Installation Works, Beijing Municipal (2001)) published by 北京市建設委員會 (Construction Committee of Beijing Municipal), 《廣東省各專業工程計價辦法(2010年)》 (Basis for Calculating Professional Construction Works, Guangdong Province (2010)) and 《廣東省各專業綜合定額(2010年)》 (Comprehensive Calculation of Construction Works, Guangdong Province (2010)) published by 廣東省建設廳 (Construction Department of Guangdong Province) in 2010 for property projects in Beijing and Guangzhou, respectively, for which the intelligent building installation works are to be carried out.

Having (i) reviewed the schedule in respect of the estimated average unit intelligent building installation cost payable by the Group, (ii) compared such estimated average unit cost against the historical average unit installation cost paid by the Group for carrying out the intelligent building installation works for property projects of the Group in the 5 Major Areas during the three financial years ended 31 December 2011, and (iii) compared the installation contracts, on sample basis, entered into between the Group and the Hanjiang Group, with those contracts between the Group and other installation companies (which, as confirmed by the Directors, are Independent Third Parties) for carrying out similar installation works for the property projects of similar grading in the proximity during the three financial years ended 31 December 2011, we considered that it is appropriate to make reference to the estimated average unit intelligent building installation cost payable by the Group for the New Transaction 3, which are comparable to the historical average unit installation cost paid by the Group to the Hanjiang Group and the rates charged by other installation companies (which, as confirmed by the Directors, are Independent

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Third Parties) on transactions of similar nature in the vicinity during the three financial years ended 31 December 2011, in determining the Annual Caps of the New Transaction 3 for the three financial years ending 31 December 2014.

### Budgeting and cost control consultancy costs

As advised by the management of the Company, the estimated unit budgeting and cost control consultancy cost may differ among property projects of the Group due to, among others, (i) the form of consultation, (ii) the range of the consultancy services to be delivered, and (iii) the reputation of the consultancy firms, therefore a direct comparison on the unit budgeting and cost control consultancy cost would not be feasible. Notwithstanding the aforesaid, as confirmed by the management of the Company, the Company estimated average unit budgeting and cost control consultancy costs payable to the Hanjiang Group for property projects in the 5 Major Areas, the consultancy services of which are probably to be provided by the Hanjiang Group for the three financial years ending 31 December 2014, by taking the average of the estimated unit consultancy costs for each of the property projects and are determined (a) with reference to the historical unit consultation costs paid by the Group (together with the average thereof) and (b) conforms to the standards prescribed, such as 《招標代理服務收費標準》 (Standard Fees for Tender Agencies) issued by 北京市發展和改革委員會 (Beijing Municipal Commission of Development and Reform) for property projects in Beijing and 《工程造價諮詢服務收費管理暫行辦法》 (Provisional Administrative Measures on Consultation Fees for Construction Budgeting) issued by 建設部 (the Ministry of Construction) generally applied for property projects in the PRC, including Beijing for which the budgeting and cost control consultancy services are to be rendered.

Having (i) reviewed the schedule in respect of the estimated average unit budgeting and cost control consultancy cost payable by the Group, (ii) compared such estimated average unit cost with the historical average unit consultation cost paid by the Group for carrying out the budgeting and cost control consultancy services for property projects of the Group in the 5 Major Areas during the three financial years ended 31 December 2011, and (iii) reviewed the consultancy contracts, on sample basis, entered into between the Group and the Hanjiang Group during the three financial years ended 31 December 2011, we considered that it is appropriate to make reference to the estimated average unit budgeting and cost control consultancy cost for the New Transaction 3, which are comparable to the historical average unit consultancy costs paid by the Group to the Hanjiang Group during the last three financial years in determining the Annual Caps of the New Transaction for the three financial years ending 31 December 2014.

We have also reviewed the schedules in respect of the estimated aggregate gross floor areas for the property projects of the Group, for the relevant respective electrical power installation works, low voltage system and intelligent building installation works, and budgeting and cost control consultancy services probably to be carried out and provided by the Hanjiang Group based on the Group's plan relating to the development of the Group's property projects in the 5 Major Areas for the three financial years ending 31 December 2014. Further to our discussion with the management of the Company, we were advised that the development plan for the relevant property projects have been progressed in line with the aforementioned estimation schedules for the first four months of 2012. Having considered the above, the estimated aggregate gross floor areas for the property projects of the Group in the 5 Major Areas, the installation works and consultancy services of which are probably to be carried out and provided by the Hanjiang Group and which



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are one of the factors for determining the Annual Caps of the New Transaction 3, is being made by the Company's management in accordance with the development plan of the Group for the three financial years ending 31 December 2014.

Having considered the above factors and reasons, in particular the execution of a separate agreement for each New Transaction 3 which will be consistent with the terms and principles contained in the New Framework Agreement and which will be arrived at after negotiations between the parties concerned (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and making references to the then prevailing market rates charged by other installation and consultancy companies (which, as confirmed by the Directors, are Independent Third Parties) for performing similar installation works and consultancy services as well as the aforesaid standards and guidelines stipulated by the relevant government authorities, we concur with the Directors' view that the terms of the New Transaction 3 are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

In addition, in view of the above basis, in particular that (i) the respective estimated average unit costs of electrical power installation, low voltage system and intelligent building installation cost, and budgeting and cost control consultancy payable by the Group to the Hanjiang Group for carrying out the electrical power installation works, low voltage system and intelligent building installation works, and provide budgeting and cost control consultancy services for certain property projects of the Group for the three financial years ending 31 December 2014, are comparable to the respective historical average unit costs incurred by the Group and also comparable to (save as the estimated budgeting and cost control consultancy costs) the rates for transactions of a similar nature as described above as quoted by other service providers (which, as confirmed by the Directors, are Independent Third Parties); and (ii) the estimation of the aggregate gross floor areas for the property projects of the Group in the 5 Major Areas, the installation works and consultancy services of which are probably to be performed and provided by the Hanjiang Group are being made by the Company's management in accordance with the plan of development of property projects and working schedule of the Group for the three financial years ending 31 December 2014, we concur with the Directors' view that the underlying bases in determining proposed Annual Caps of the New Transaction 3 for the three financial years ending 31 December 2014 are fair and reasonable so far as the Company and the Shareholders are concerned as a whole. However, as the proposed Annual Caps related to future events and are based upon assumptions that may or may not remain valid for the three financial years ending 31 December 2014, (and, in case the actual transaction amounts exceed the Annual Caps in future, the Company should re-comply with the reporting and announcement requirements and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules), we express no comments as to how closely the actual transaction amounts pursuant to the installation/consultancy contracts shall correspond to the Annual Caps.

### **New Transaction 4 — Office Lease**

Pursuant to the New Framework Agreement, the Hanjiang Group may, from time to time, and subject to the execution of separate agreement setting out the specific terms of each lease arrangement, lease certain premises in Guangzhou to the Group for use as offices. We have reviewed tenancy agreement previously entered into between the Group and the Hanjiang Group, which remained effective during the three financial years ended 31 December 2011, in relation to

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the lease by the Group of office premises in Guangzhou and noticed that there was a term that the relevant rents increased by 10% annually. We were advised by the Directors that the tenancy agreement(s) under the New Framework Agreement shall be entered into by the Group and the Hanjiang Group for a term of one year and renewable annually at a monthly rent representing an increment of not more than 10% of that under the previous tenancy and all of the tenancy agreements under the New Transaction 4 will expire on or before 31 December 2014.

As set out in the New Framework Agreement, the terms of the New Transaction 4 under each tenancy agreement shall be arrived at after negotiations between the relevant parties (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and by making references to the then prevailing market rents quoted by the Independent Third Parties for leasing the similar office premises of similar grading in the relevant vicinity.

As set out in the Letter from the Board, the New Transaction 4 has taken place since 2006. The Group, after taking into the consideration of (i) the prolonged cooperation and close business relationship between the Group and the Hanjiang Group and (ii) the rents payable to the Group under the relevant leases are market rents charged by Independent Third Parties for leasing the office premises of similar grading in the relevant vicinity, is of the view that the continuance of the New Transaction 4, each lease arrangement of which will be entered into on normal commercial terms and in the ordinary and usual course of the businesses of the Group, during the three financial years ending 31 December 2014 is in the interests of the Company and its Shareholders as a whole.

### Basis for determining the Annual Caps

Set out below are the proposed Annual Caps of New Transaction 4 for each of the three financial years ending 31 December 2014.

	<b>Proposed Annual Caps</b>		
	<b>Year ending 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>
New Transaction 4 — Office lease	6,354	6,989	7,688

As advised by the Directors, they have taken into account the following factors in arriving the Annual Caps of the New Transaction 4:

- (a) the location and estimated aggregate size of the relevant office premises in Guangzhou to be leased by the Group pursuant to the proposed lease arrangement as agreed between the Group and the Hanjiang Group for the three financial years ending 31 December 2014;
- (b) the estimated monthly unit rents payable, based on the relevant pricing basis under the New Framework Agreement, by the Group to the Hanjiang Group for the lease mentioned in (a) above for the three financial years ending 31 December 2014;



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- (c) the historical aggregate size of the office premises in Guangzhou leased by the Group from the Hanjiang Group during the three financial years ended 31 December 2011;
- (d) the historical monthly unit rents paid by the Group for the lease mentioned in (c) above during the three financial years ended 31 December 2011; and
- (e) the annual increment in the prevailing market rents quoted by other property owners (which, as confirmed by the Directors, are Independent Third Parties) for leasing similar office premises of similar grading in the vicinity.

We have reviewed materials provided by the management of the Company including:

- (i) the New Framework Agreement;
- (ii) a schedule setting out information on the estimated rents payable by the Group to the Hanjiang Group for leasing the relevant office premises in Guangzhou, including the estimated monthly unit rent payable by the Group for, and the estimated aggregate size and the respective addresses of, the relevant office premises to be leased by the Group in Guangzhou for the three financial years ending 31 December 2014;
- (iii) a schedule setting out information on the historical rents paid by the Group to the Hanjiang Group for leasing its office premises in Guangzhou, including the monthly unit rent paid by the Group for, the aggregate size and the respective addresses of, the office premises leased by the Group during the three financial years ended 31 December 2011;
- (iv) a schedule setting out information on the prevailing market rents quoted by other property owners (which, as confirmed by the Company, are Independent Third Parties) for leasing similar office premises in Guangzhou including the location of the rentable office premises and the monthly unit rent to be charged;
- (v) the tenancy agreement previously entered into between the Group and the Hanjiang Group which remained effective during the three financial years ended 31 December 2011; and
- (vi) extract of a quarterly market research report (the “**Property Market Research Report**”) issued by an property valuer (which, as confirmed by the Directors, is an Independent Third Party) engaged by the Company for carrying out independent research on the commercial properties market in four of the first-tier cities in the PRC, including information on the property leasing market for Grade A offices in Guangzhou in 2011 (as set out in the Property Market Research Report, (1) the rents for Grade A offices in Guangzhou increased by approximately 11.7% in 2011; (2) the rents for Grade A offices in Zhujiang New City of Guangzhou, where the office premises leased/ to be leased by the Group from the Hanjiang Group located, increased by approximately 14.5% in 2011; and (3) it is expected that the rents for Grand A offices in Guangzhou will further increase at a lower rate in 2012).

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As advised by the management of the Company, in order to demonstrate whether the monthly unit rents payable by the Group, which are applied to determine the Annual Caps of New Transaction 4 for the three financial years ending 31 December 2014, are determined with reference, among others, to current market rents, the schedule as mentioned in (iv) above has been prepared and provided by the Designated Department. The aforementioned schedule provided an indication that, the estimated monthly unit rents payable by the Group to the Hanjiang Group for leasing certain office premises in Guangzhou fall within the corresponding market range during the three financial years ending 31 December 2014.

Having (i) reviewed the schedule in respect of the estimated monthly unit rent payable by the Group, (ii) compared such estimated unit rent with the historical unit rent paid by the Group in respect of leasing the office premises owned by the Hanjiang Group in Guangzhou for the three financial years ended 31 December 2011, (iii) reviewed the schedule prepared by the Designated Department which provides an indicative regarding the prevailing market rates quoted by other property owners (which, as confirmed by the Company, are Independent Third Parties), (iv) reviewed the tenancy agreements, on sample basis, previously entered into by the Group with the Hanjiang Group which remained effective during the three financial years ended 31 December 2011, as well as (v) reviewed the abovementioned independent Property Market Research Report, and further having (vi) researched on the internet for the current market rents of office premises in Guangzhou, we considered that it is appropriate to make reference to the estimated monthly unit rents payable by the Group for the New Transaction 4, which are comparable to the historical unit rents paid by the Group to the Hanjiang Group during the last three financial years and the prevailing market rents quoted by other property owners (which, as confirmed by the Company, are Independent Third Parties) for leasing office premises of similar grading in the vicinity, and take into account the abovementioned annual increment of not more than 10% therein in determining the Annual Caps of the New Transactions 4 for the three financial years ending 31 December 2014.

We have reviewed the schedules in respect of the estimated aggregate size of office premises in Guangzhou to be leased by the Group from the Hanjiang Group, for the three financial years ending 31 December 2014. Further to our discussion with the management of the Company we were advised that the relevant office units to be leased by the Group from the Hanjiang Group are situated in Zhujiang Investment Building (珠江投資大廈), which located at the commercial centre of Zhujiang New City (珠江新城) and is a prime location of Guangzhou where the Group does not have its own commercial properties. The management of the Company also advised that, for the purpose of centralization of management, the Group also intends to relocate a number of the subsidiaries' offices to Zhujiang Investment Building; we were advised that the offices relocation have been made by the Company's management in accordance with the Group's plan for the first four months of the 2012. Having considered the aforesaid, the estimated aggregate size of office premises in Guangzhou to be leased by the Group and which is one of the factors for determining the Annual Caps of the New Transaction 4, is being made by the Company's management in accordance with the anticipated relocation plan of the Group for the three financial years ending 31 December 2014.

As advised by the management of the Company, the relevant tenancy agreement(s) have yet to be entered into between the Group and the Hanjiang Group and the current monthly rents paid by the Group for the period from January to May 2012 were determined by the Group with

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reference to the rates charged for leasing office premises of similar grading in similar vicinity. Pursuant to the proposed terms of the tenancy agreement(s) to be entered into between the Group and the Hanjiang Group under the New Framework Agreement, the Group shall lease from the Hanjiang Group two office spaces located at Zhujiang Investment Building with a total rentable area of approximately 3,580 sq.m. for a term of one year and renewable annually, commencing from 1 January 2012 and ending on or before 31 December 2014.

Having considered the above factors and reasons, in particular the execution of a separate agreement for each New Transaction 4 which will be consistent with the terms and principles contained in the New Framework Agreement and which will be arrived at after negotiations between the parties concerned (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and making references to the then prevailing market rents quoted by the other property owners (which, as confirmed by the Directors, are Independent Third Parties) for leasing the similar office premises of similar grading in the vicinity, we concur with the Directors' view that the terms of the New Transaction 4 are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

In addition, in view of the above basis, in particular that (i) the estimated monthly unit rent payable by the Group for leasing certain office premises in Guangzhou from the Hanjiang Group for the three financial years ending 31 December 2014 are comparable to the historical unit rent paid by the Group and the prevailing market rents charged for office premises of similar grading in the vicinity after taking into account the estimated annual increment of not more than 10% therein as described above; and (ii) the estimation of the aggregate size of the office premises in Guangzhou to be rented by the Group is being made by the Company's management in accordance with the proposed relocation plan of certain offices of the Group for the three financial years ending 31 December 2014, we concur with the Directors' view that the underlying bases in determining the Annual Caps of the New Transaction 4 for the three financial years ending 31 December 2014 are fair and reasonable so far as the Company and the Shareholders are concerned as a whole. However, as the Annual Caps related to future events and are based upon assumptions that may or may not remain valid for the three financial years ending 31 December 2014, (and, in case the actual transaction amounts exceed the Annual Caps in future, the Company should re-comply with the reporting and announcement requirements and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules), we express no comments as to how closely the actual transaction amounts pursuant to the relevant tenancy agreements shall correspond to the Annual Caps.

### **New Transaction 5 — Informatization Related Services**

Pursuant to the New Framework Agreement, the Group may, from time to time, and subject to the execution of separate agreement setting out the specific terms of each engagement, appoint the Hanjiang Group to provide informatization related services for the Group. Generally, informatization related services comprise tasks of building the informatization infrastructure for the Group, providing maintenance services to the Group for its servers, supplying and leasing the related products and facilities from the Hanjiang Group, providing consultancy services in respect of the informatization systems of the Group, staff training and technical support for such systems.

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As clarified by the Directors and set out in the Letter from the Board, the Group plans to engage the Hanjiang Group to provide comprehensive packaged services for the development and maintenance of the informatization systems of the Group under the New Transaction 5.

As set out in the New Framework Agreement, the terms of the New Transaction 5 under each engagement shall be arrived at after negotiations between the relevant parties (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and by making references to the then prevailing market rates quoted by the Independent Third Parties for providing similar services/products.

The New Transaction 5 is newly proposed transaction between the Group and the Hanjiang Group in 2012. We were advised by the management of the Company that the Group did not engage the Hanjiang Group or any Independent Third Party to provide comprehensive packaged services for the development and maintenance of the informatization systems of the Group in previous years, and only used standardized software developed and the ancillary services offered by Independent Third Parties for its informatization system. As set out in the Letter from the Board, the Group set up He Dao in 2008 with a view to developing its own informatization systems and developing the informatization business. The Group subsequently noted that it was not cost-effective to develop the Group's own informatization systems, He Dao therefore only served the Group through co-ordination of the procurement of standardized softwares and systems and the ancillary services offered by Independent Third Parties and integration of such softwares and systems, where necessary. The Group subsequently decided not to develop the informatization business as the cost of investment in such new business which was not directly related to the core business of the Group was too high. Accordingly, the Group disposed of He Dao to an associate of Mr. Chu (being a subsidiary of a company of which the sons of Mr. Chu were the ultimate beneficial owners, and which had planned to develop its informatization system business and had already made arrangements with at least one software company to facilitate its development of systems which could be integrated consolidated and operated on the widely used operating systems) in November 2011. It was further set out in the Letter from the Board that He Dao since then has, based on the foundation laid by the new parent company, enhanced its informatization system capability through building up a technical team and the development of a comprehensive management informatization system operated on the widely used operating systems for the property industry. To benefit from the ease of administration and management, the Group would engage an informatization service provider which is familiar with the property development industry in the PRC to provide comprehensive packaged services regarding the on-going development and maintenance of the Group's informatization systems. Although the Group has not engaged the Hanjiang Group to provide comprehensive packaged informatization services to the Group before, it notes that the Hanjiang Group will nominate He Dao or other enterprise with similar capabilities to act as the Group's informatization service provider for provision of comprehensive packaged services in the development, consolidation and maintenance of the informatization systems of the Group. The Directors believe that the appointment of the Hanjiang Group (which will nominate He Dao or other enterprise with similar capabilities) to carry out the services and products for the New Transaction 5, each engagement of which will be entered into on normal commercial terms and in the ordinary and usual course of the business of the Group during the three financial years ending 31 December 2014, is in the interests of the Company and its Shareholders as a whole in view of the knowledge in the property industry, the resources, and capability of the Hanjiang Group and He Dao.

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## Basis for determining the Annual Caps

Set out below are the proposed Annual Caps of New Transaction 5 for each of the three financial years ending 31 December 2014:

	<b>Proposed Annual Caps</b>		
	<b>Year ending 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>
New Transaction 5 — Informatization related services	39,952	47,943	57,531

The maintenance services and technical support for the Group's informatization infrastructure and systems are outsourced to the informatization expert. The relevant contract prices are determined mainly with reference to the nature of services and types of products and facilities required, the prevailing market rates quoted by service providers and the estimated annual increment on the expenses on information technology.

As advised by the Directors, they have taken into account the following factors in arriving the Annual Caps of the New Transaction 5:

- (a) the estimation of the respective service period/rental period, based on the plan of the Group with regard to the nature of services and types of products and facilities to be provided by the Hanjiang Group, for the three financial years ending 31 December 2014;
- (b) the estimated monthly service fees/rents and purchase prices payable, based on the relevant pricing basis under the New Framework Agreement, the plan of the Group with regard to the nature of services and types of products and facilities to be provided by the Hanjiang Group for the three financial years ending 31 December 2014; and
- (c) the prevailing rates quoted by other service providers (which, as confirmed by the Directors, are Independent Third Parties) for building similar informatization infrastructure, carrying out similar maintenance services for its servers and consultancy services in respect of the information systems, staff training and technical support, purchasing and leasing products or facilities of similar scope and grading in the vicinity for the three financial years ending 31 December 2014.

We have reviewed materials provided by the management of the Company including:

- (i) the New Framework Agreement;
- (ii) a schedule setting out information on the estimated service fees payable by the Group to the Hanjiang Group for building information infrastructure of the Group, providing maintenance services for the servers of the Group and consultancy services in respect of

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the information system of the Group, staff training and technical support for such systems, and also the estimated purchase prices/rents payable by the Group for its purchase/lease of related products and facilities from the Hanjiang Group, the respective office addresses of the group companies of which the relevant services to be provided, the respective service period/rental period, the configurations of the information system, the estimated monthly service fees/rents payable for individual offices of the Group for the three financial years ending 31 December 2014;

- (iii) a schedule setting out information on the respective prevailing rates quoted by other service providers (which, as confirmed by the Directors, are Independent Third Parties) for building similar information infrastructure, carrying out similar maintenance services for its servers and providing consultancy services in respect of the information systems, staff training and technical support, purchasing and leasing products or facilities of similar scope and grading in the vicinity; and
- (iv) services contacts, on sample basis, entered into between the Group and Independent Third Parties during the three financial years ended 31 December 2011.

As advised by the management of the Company, in order to demonstrate whether the monthly service fees/rents and purchase prices payable by the Group, which are applied to determined the Annual Caps of New Transaction 5 for the three financial years ending 31 December 2014, are determined with reference to current market rates, the schedule as mentioned in (iii) above has been prepared and provided by the Designated Department. The aforementioned schedule provided an indication that the estimated monthly service fees/rents and purchase prices payable by the Group for providing informatization related services to the Hanjiang Group, fall within the corresponding market range.

As further advised by the management of the Company that the estimated fees payable by the Group to the Hanjiang Group for providing informatization related services can vary among the requirements of the Group due to, among others, (i) the nature of services and types of products and facilities to be provided by the Hanjiang Group to the Group based on the Group's plans; (ii) the nature of services and types of products and facilities required, the prevailing market rates quoted by service providers; and (iii) the estimated annual increments. Notwithstanding the aforesaid, as confirmed by the management of the Company, the Company estimated the monthly service fees/rents and purchase prices payable by the Group for building information infrastructure of the Group, providing maintenance services for the servers of the Group and consultancy services in respect of the information system of the Group, staff training and technical support for such systems, and also for its purchase/lease of related products and facilities of the Group's information technology system from the Hanjiang Group for the three financial years ending 31 December 2014 by making reference to the then prevailing rates quoted by other service providers (which, as confirmed by the Directors, are Independent Third Parties) for providing similar information technology related services of similar scope individually.

Having (i) reviewed the schedule in respect of the estimated monthly service fees/rents and purchase prices payable by the Group, (ii) compared it against the schedule prepared by the Designated Department which provides an indicative regarding the prevailing market rates quoted by other service providers (which, as confirmed by the Directors, are Independent Third Parties)



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for providing similar informatization related services individually, (iii) compared with the general proportion of turnover to expenses on information technology in the real estate industry in the PRC and (iv) reviewed the services contacts, on sample basis, entered into between the Group and Independent Third Parties during the three financial years ended 31 December 2011, we considered that it is appropriate to make reference to the estimated costs payable by the Group for the New Transaction 5, which are no less favorable than the prevailing market rates quoted by other service providers (which, as confirmed by the Directors, are Independent Third Parties) on transactions of similar nature, in determining the Annual Caps of the New Transactions 5 for the three financial years ending 31 December 2014.

We have reviewed the schedule in respect of the estimated service period/rental period of which the relevant information related services to be rendered or the relevant products or facilities to be leased out by the Hanjiang Group (which would nominate He Dao or other enterprises with similar capabilities), for the three financial years ending 31 December 2014. Further to our discussion with the management of the Company, we were advised that the service period/rental period will be set on annual basis and the Group will review such services/rentals after expiry of such annual agreements to be entered into under the New Framework Agreement. Having considered the above, the estimated service period/rental period and which are one of the factors for determining the Annual Caps of the New Transaction 5, is being made by the Company's management in accordance with the relevant plan of the Group for the three financial years ending 31 December 2014.

Having considered the above factors and reasons, in particular the execution of a separate agreement for each New Transaction 5 which will be consistent with the terms and principles contained in the New Framework Agreement and which will be arrived at after negotiations between the parties concerned (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and making references to the then prevailing market rates quoted by other service providers (which, as confirmed by the Directors, are Independent Third Parties) for performing similar informatization related services, we concur with the Directors' view that the terms of the New Transaction 5 are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

In addition, in view of the above basis, in particular that (i) the estimated monthly service fees/rents and purchase prices payable by the Group for building the informatization infrastructure of the Group, carrying out the maintenance services for and consultancy services in respect of the information systems of the Group and staff training and technical support for such systems, and for its purchase/lease of related products and facilities for the three financial years ending 31 December 2014 are comparable to the prevailing market rates for transactions of a similar nature as described above; and (ii) the estimation of the service period/rental period are being made by the Company's management in accordance with the relevant plan and working schedule of the Group for the three financial years ending 31 December 2014, we concur with the Directors' view that the underlying bases in determining Annual Caps of the New Transaction 5 for the three financial years ending 31 December 2014 are fair and reasonable so far as the Company and the Shareholders are concerned as a whole. However, as the Annual Caps related to future events and are based upon assumptions that may or may not remain valid for the three financial years ending 31 December 2014 (and, in case the actual transaction amounts exceed the Annual Caps in future, the Company should re-comply with the reporting and announcement requirements and the

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Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules), we express no comments as to how closely the actual transaction amounts pursuant to the services contracts shall correspond to the Annual Caps.

### **New Transaction 6 — Consultancy Service in respect of Development Planning and Sales Agency Service for Commercial Property Projects**

Pursuant to the New Framework Agreement, the Group may, from time to time and subject to the execution of separate agreement setting out the specific terms of each engagement, appoint the Hanjiang Group to render the consultancy service in connection with the development planning and sales agency service for commercial property projects of the Group. It was further clarified by the Directors and set out in the Letter from the Board that such service under the New Transaction 6 relates to development planning (including the overall project design and development, positioning and usage) and sales agency service of the existing and future commercial properties of the Group.

As set out in the New Framework Agreement, the terms of the New Transaction 6 under each engagement shall be arrived at after negotiations between the relevant parties (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and by making references to the then prevailing market rates charged by the Independent Third Parties for providing similar consultancy service in respect of development planning and sales agency service on commercial properties of similar grading in the relevant vicinity.

The New Transaction 6 is newly proposed transaction between the Group and the Hanjiang Group in 2012. As set out in the Letter from the Board, the Group would like to strengthen its development in the commercial property sector. The Directors are of the view that the appointment of the Hanjiang Group to carry out the aforesaid services for the New Transaction 6, each engagement of which will be entered into on normal commercial terms and in the ordinary and usual course of the business of the Group during the three financial years ending 31 December 2014, is in the interests of the Company and its Shareholders as a whole after taking into account (i) the expertise and experience possessed by the Hanjiang Group's working team in providing consultancy service in the planning, sales, operation and management of commercial property developments in the PRC as set out in the Letter from the Board, (ii) the good and long-term working relationship between the Group and the Hanjiang Group, and (iii) the pricing offered by the Hanjiang Group to the Group should be competitive one as the price set out in the separate agreement under the New Framework agreement will be determined by reference to the then prevailing market rates charged by Independent Third Parties for providing similar services.



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## Basis for determining the Annual Caps

Set out below are the proposed Annual Caps of New Transaction 6 for each of the three financial years ending 31 December 2014:

	<b>Proposed Annual Caps</b>		
	<b>Year ending 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>
New Transaction 6 — Consultancy service in respect of development planning and sales agency service for commercial property projects	8,550	9,596	13,765

As set out in the Letter from the Board, the Group engages certain Independent Third Parties to undertake part of the services in connection to development planning (including the overall project design and development, positioning and usage) and sales agency services for certain commercial development projects of the Group, but it has never engaged any Independent Third Party to provide such services in a comprehensive package. The relevant contract prices charged by such Independent Third Parties are determined mainly with reference to the total areas of where the aforementioned services to be carried out.

As advised by the Directors, they have taken into account the following factors in arriving the Annual Caps of the New Transaction 6:

- (a) the estimation of the respective aggregate gross floor areas for the commercial development projects of the Group, the consultancy service in respect of development planning and sales agency service of which are probably to be rendered by the Hanjiang Group, based on the trends and conditions of the local property market, for the three financial years ending 31 December 2014;
- (b) the estimated unit consultancy service fees payable (together with the average thereof), based on the relevant pricing basis under the New Framework Agreement, by the Group to the Hanjiang Group for carrying out the consultancy service mentioned in (a) above for the three financial years ending 31 December 2014; and
- (c) the rates charged by other consultants (which, as confirmed by the Directors, are Independent Third Parties) for carrying out similar consultancy service in respect of development planning and sales agency service for commercial development projects of similar grading in the vicinity for the three financial years ending 31 December 2014.

We have reviewed materials provided by the management of the Company including:

- (i) the New Framework Agreement;

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- (ii) a schedule setting out information on the estimated consultancy service fees payable by the Group to the Hanjiang Group, including the estimated unit consultancy service fees payable by the Group (together with the average thereof) for, and the estimation of the aggregate gross floor areas of, the commercial development projects of the Group, the consultancy service in respect of development planning and sales agency service of which are probably to be rendered by the Hanjiang Group, for the three financial years ending 31 December 2014; and
- (iii) consultancy service contract, on sample basis, entered into between the Group and other consultants (which, as confirmed by the Directors, are Independent Third Parties) during the three financial years ended 31 December 2011.

As further advised by the management of the Company, the estimated consultancy service fees payable by the Group to the Hanjiang Group for providing consultancy service in relation to development planning and sales agency service can vary among different commercial property projects of the Group due to, among others, (i) the nature of services to be provided by the Hanjiang Group to the Group; (ii) the scope of services to be covered and (iii) the grading of the properties of where the development planning and sales agency service are required. Notwithstanding the aforesaid, as confirmed by the management of the Company, the Company estimated the average unit consultancy service fee payable by the Group for the commercial property projects of the Group, the consultancy service of development planning and sales agency service to be provided by the Hanjiang Group for the three financial years ending 31 December 2014, by taking the average of the estimated unit consultancy service fees for each of the commercial property projects and making reference to the rates charged by other consultants (which, as confirmed by the Directors, are Independent Third Parties) for providing consultancy service of similar nature for similar commercial property projects.

Having (i) reviewed the schedule in respect of, among others, the estimated average unit consultancy service fee payable by the Group, (ii) compared it with the consultancy service contract, on sample basis, entered into by the Group with other consultants (which, as confirmed by the Directors, are Independent Third Parties) during the three financial years ended 31 December 2011, we considered that it is appropriate to make reference to the estimated average unit consultancy service fee payable by the Group for the New Transaction 6, which are comparable to the rates charged by other consultants (which, as confirmed by the Directors, are Independent Third Parties) on transactions of similar nature in the vicinity, in determining the Annual Caps of the New Transactions 6 for the three financial years ending 31 December 2014.

We have reviewed the schedule in respect of, among others, the estimated aggregate gross floor areas for the commercial development projects of the Group, the consultancy service in respect of development planning and sales agency service of which are probably to be rendered by the Hanjiang Group, and compared with the development plan of the Group for the three financial years ending 31 December 2014. Further to our discussion with the management of the Company, we were advised that the development plan of the relevant commercial development projects have been progressed in line with the aforementioned estimation schedule for the first four months of 2012. Having considered the above, the estimated aggregate gross floor areas for the commercial development projects of the Group, consultancy service in respect of development planning and sales agency service of which are probably to be provided by the Hanjiang Group and which are

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one of the factors for determining the Annual Caps of the New Transaction 6, is being made by the Company's management in accordance with the development plan of the Group for the three financial years ending 31 December 2014.

Having considered the above, in particular the execution of a separate agreement for each New Transaction 6 which will be consistent with the terms and principles contained in the New Framework Agreement and which will be arrived at after negotiations between the parties concerned (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and making references to the then prevailing market rates charged by other consultants (which, as confirmed by the Directors, are Independent Third Parties) for providing similar consultancy service in respect of development planning and sales agency services for commercial development projects of similar grading in the vicinity, we concur with the Directors' view that the terms of the New Transaction 6 are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

Besides, in view of the above basis, in particular that (i) the estimated average unit consultancy service fee payable by the Group to the Hanjiang Group for carrying out the consultancy service in respect of development planning and sales agency services for commercial development projects of the Group for the three financial years ending 31 December 2014 are comparable to the rates charged by other consultants (which, as confirmed by the Directors, are Independent Third Parties) for transactions of a similar nature as described above; and (ii) the estimation of the aggregate gross floor areas for the commercial development projects of the Group, consultancy service in respect of development planning and sales agency services of which are probably to be rendered by the Hanjiang Group are being made by the Company's management in accordance with the Group's development plan and working schedule of the Group for the three financial years ending 31 December 2014, we concur with the Directors' view that the underlying bases in determining Annual Caps of the New Transaction 6 for the three financial years ending 31 December 2014 are fair and reasonable so far as the Company and the Shareholders are concerned as a whole. However, as the Annual Caps related to future events and are based upon assumptions that may or may not remain valid for the three financial years ending 31 December 2014, (and, in case the actual transaction amounts exceed the Annual Caps in future, the Company should re-comply with the reporting and announcement requirements and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules), we express no comments as to how closely the actual transaction amounts pursuant to the consultancy service contracts shall correspond to the Annual Caps.

*Services to be provided/premises to be leased by the Group to the Hanjiang Group*

### **New Transaction 7 — Management of Vacant Properties**

Pursuant to the New Framework Agreement, the Hanjiang Group may, from time to time and subject to the execution of separate agreement setting out the specific terms of each engagement, appoint the Group to manage certain vacant properties and handle delivery of sold properties of the Hanjiang Group in Guangdong Province, Beijing and Xi'an.

As set out in the New Framework Agreement, the terms of the New Transaction 7 under each engagement shall be arrived at after negotiations between the relevant parties (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and by making

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references to (i) the related costs of the Group, (ii) the then prevailing market rates quoted by Independent Third Parties for offering similar management services for properties of similar grading in the vicinity; (iii) the standards on property management fees and related costs prescribed by the Guangdong Provincial, Beijing Municipal and Xi'an local authorities and (iv) the property pricing guidelines given by the local governments of where the vacant properties are located, such as:

- (1) 《物業服務收費管理辦法(發改價格2003)1864號》 (Management Regulations on the Charge of the Property Servicing Fees (2003) No. 1864); and
- (2) 《廣東省物價局關於加強物業服務收費管理有關問題的通知》(粵價2006)284號 (Notice of the Price Bureau of Guangdong Province on the Charge of the Property Servicing Fees and related issues (2006) No. 284).

As set out in the Letter from the Board, the New Transaction 7 has been taken place since 2006, and the Group, after taking into the consideration of (i) the good and long-term business relationship between the Group and the Hanjiang Group, and (ii) the availability of a steady income source through the provision of management service for the vacant properties developed by the Hanjiang Group and handling delivery of sold properties of the Hanjiang Group, is of the view that the New Transaction 7, each engagement of which will be entered into on normal commercial terms and in the ordinary and usual course of the business of the Group, is in the interests of the Company and its Shareholders as a whole.

### Basis for determining the Annual Caps

Set out below are the proposed Annual Caps of New Transaction 7 for each of the three financial years ending 31 December 2014:

	<b>Proposed Annual Caps</b>		
	<b>Year ending 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>
New Transaction 7 — Management of vacant properties	15,910	14,330	13,910

As set out in the 2011 Annual Report, the property management income is the second major revenue source of the Group for both the financial years ended 31 December 2010 and 2011. The Group provides property management services to both occupied and vacant properties, the relevant contract prices are determined mainly with reference to the total gross floor areas under management.

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As advised by the Directors, they have taken into account the following factors in arriving the Annual Caps of the New Transaction 7:

- (a) the estimation of the aggregate gross floor areas for certain vacant property projects of the Hanjiang Group in Guangdong Province, Beijing and Xi'an, the management services of which (including services relating to delivery of the sold properties) are probably to be provided by the Group for the three financial years ending 31 December 2014;
- (b) the estimated unit management fees receivable, based on the relevant pricing basis under the New Framework Agreement, by the Group for property projects mentioned in (a) above for the three financial years ending 31 December 2014;
- (c) the historical gross floor areas for certain vacant property projects of the Hanjiang Group in Guangdong Province, Beijing and Xi'an, the management services of which (including services relating to delivery of the sold properties) were provided by the Group during the three financial years ended 31 December 2011;
- (d) the historical unit management fees received by the Group from the Hanjiang Group for the property projects mentioned in (c) above during the three financial years ended 31 December 2011; and
- (e) the prevailing rates quoted by other property management companies (which, as confirmed by the Directors, are Independent Third Parties) for providing similar management services for vacant property projects of similar grading in the vicinity for the three financial years ended 31 December 2014.

We have reviewed materials provided by the management of the Company including:

- (i) the New Framework Agreement;
- (ii) a schedule setting out information on the estimated management fees receivable by the Group from the Hanjiang Group for providing management services (including services relating to delivery of sold properties) to vacant properties in Guangdong Province, Beijing and Xi'an, including the estimated unit management fees receivable by the Group for, the estimated aggregate gross floor areas of, the vacant properties of the Hanjiang Group located in Guangdong Province, Beijing and Xi'an, the management services of which (including services relating to delivery of sold properties) are probably to be rendered by the Group for the three financial years ending 31 December 2014;
- (iii) a schedule setting out information on the prevailing rates charged by other property management companies (which, as confirmed by the Directors, are Independent Third Parties) for providing similar property management services to vacant properties of similar grading in the vicinity for the three financial years ending 31 December 2014;

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- (iv) a schedule setting out information on the historical management fees received by the Group from the Hanjiang Group, including the historical unit management fees received by the Group for, and the historical aggregate gross floor areas of, the vacant properties of the Hanjiang Group located in Guangdong Province, Beijing and Xi'an, the management services (including services relating to delivery of sold properties) of which were rendered by the Group during the three financial years ended 31 December 2011; and
- (v) reference materials for management fee setting, including the aforementioned standards and guidelines stipulated by the local government authorities.

As advised by the management of the Company, in order to demonstrate whether the estimated unit management fee receivable by the Group, which are applied to determined the Annual Caps of New Transaction 7 for the three financial years ending 31 December 2014, are determined with reference to the prevailing rates charged by other property management companies (which, as confirmed by the Directors, are Independent Third Parties) for providing similar property management services to vacant properties of similar grading in the vicinity, the schedule as mentioned in (iii) above has been prepared and provided by the Designated Department. The aforementioned schedule provided an indication that the estimated unit management fee receivable by the Group for providing property management services to the Hanjiang Group, fall within the corresponding market range.

The management of the Company further advised that the estimated unit management fee can vary among various property projects and may not be comparable to other projects developed by the Hanjiang Group due to, among others, (i) the type of property, (ii) the location of property, (iii) the scope of management services and (iv) the class recognition of property. Notwithstanding the aforesaid, as confirmed by the Directors, the Company has estimated the unit management fee receivable by the Group for various vacant properties of the Hanjiang Group in Guangdong Province, Beijing and Xi'an, the management services of which are probably to be rendered by the Group for the three financial years ending 31 December 2014 by, making reference to (a) the historical unit management fees received by the Group for providing relevant management services in Guangdong Province, Beijing and Xi'an, (b) the prevailing market rates quoted by other property management companies (which, as confirmed by the Directors, are Independent Third Parties) for providing similar property management services to similar properties in Guangdong Province, Beijing and Xi'an, and (c) the relevant standards on property management fees and related costs prescribed by the Guangdong Provincial, Beijing Municipal and Xi'an local authorities, as well as the property pricing guidelines given by the local government of where the vacant properties are located.

As further advised by the management of the Company, the estimated unit management fee for various vacant property projects of the Hanjiang Group in Guangdong Province, Beijing and Xi'an conforms to the standards on property management fees and related costs prescribed by the Guangdong Provincial, Beijing Municipal and Xi'an local authorities, and the property pricing guidelines given by the local governments of where the vacant properties are located, which are the latest available relevant standards published by the local governments and/or generally applied in the PRC. The Company's management also confirmed that before entering into a specific

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agreement of each engagement under the New Transaction 7 by the Group and the Hanjiang Group, the relevant fees for management services shall be determined by making reference to, among others, the then available relevant standards.

Having (i) reviewed the schedule in respect of the estimated unit management fee receivable by the Group, (ii) compared such estimated fee against the historical unit management fee received by the Group in respect of the same management services for certain vacant properties of the Hanjiang Group in Guangdong Province, Beijing and Xi'an during the three financial years ended 31 December 2011, (iii) compared the schedule prepared by the Designated Department which provides an indicative regarding the prevailing rates quoted by other property management companies (which, as confirmed by the Directors, are Independent Third Parties) for providing similar property management services in similar locations and further having (iv) researched on the internet on the current property management fee of the same properties or properties of similar grading in the proximity, we considered that it is appropriate to make reference to the estimated unit management fee receivable by the Group for the New Transaction 7, which are comparable to the historical unit management fee received by the Group during the last three financial years and the rates quoted by the other property management companies (which, as confirmed by the Directors, are Independent Third Parties) for transactions of a similar nature in the vicinity, in determining the Annual Caps of the New Transaction 7 for the three financial years ending 31 December 2014.

We have reviewed the schedule in respect of the estimated aggregated gross floor areas of the vacant properties of the Hanjiang Group in Guangdong Province, Beijing and Xi'an, the management services of which are probably to be rendered by the Group, for the three financial years ending 31 December 2014. Further to our discussion with the management of the Company, we were advised that the Annual Caps for the three financial years ending 31 December 2014 were proposed after the discussion between the Group and the Hanjiang Group. As set out in the Letter from the Board, according to the Hanjiang Group, it is expected that the demand of the Hanjiang Group for the property management services of the Group under the New Transaction 7 will decrease in the three financial years ending 31 December 2014 based on the expected schedules of commencement and completion of the construction works, as well as the sales and delivery of the properties of the Hanjiang Group to purchasers of such properties. Furthermore, we are advised that the Group has reduced its involvement in providing management services for the vacant properties of the Hanjiang Group in the first four months of 2012 as compared to the financial year ended 31 December 2011.

Having considered the above factors and reasons, in particular the execution of a separate agreement for each New Transaction 7 which will be consistent with the terms and principles contained in the New Framework Agreement and which will be arrived at after negotiations between the parties concerned (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and making references to the then prevailing rates quoted by other property management companies (which, as confirmed by the Directors, are Independent Third Parties) for providing similar management services, the standards on property management fees and related costs prescribed by the Guangdong Provincial, Beijing Municipal and Xi'an local authorities, as well as the property pricing guidelines given by the local governments of where the



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vacant properties are located, we concur with the Directors' view that the terms of the New Transaction 7 are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

In addition, in view of the above basis, in particular (i) the estimated unit management fee receivable by the Group from the Hanjiang Group for providing management services to certain vacant properties of the Hanjiang Group (including services relating to the delivery of sold properties of the Hanjiang Group) for the three financial years ending 31 December 2014 are comparable to the historical unit management fee received by the Group and the then prevailing rates for transactions of a similar nature as described above; and (ii) the estimation of the aggregate gross floor areas of vacant properties of the Hanjiang Group, the management services of which are probably to be rendered by the Group, are being made by the Company's management in accordance with its anticipation with regard to the demand of the Hanjiang Group for the property management services of the Group under the New Transaction 7 for the three financial years ending 31 December 2014, we concur with the Directors' view that the underlying bases adopted in determining the Annual Caps of the New Transaction 7 for the three financial years ending 31 December 2014 are fair and reasonable so far as the Company and the Shareholders are concerned as a whole. However, as the Annual Caps related to future events and are based upon assumptions that may or may not remain valid for the three financial years ending 31 December 2014, (and, in case the actual transaction amounts exceed the Annual Caps in future, the Company should

re-comply with the reporting and announcement requirements and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules), we express no comments as to how closely the actual transaction amounts pursuant to the property management contracts shall correspond to the Annual Caps.

### **New Transaction 8 — Construction Design**

Pursuant to the New Framework Agreement, the Hanjiang Group may, from time to time, and subject to the execution of separate agreement setting out the specific terms of each engagement, appoint the Group to carry out construction design works for certain property projects of the Hanjiang Group.

As set out in the New Framework Agreement, the terms of the New Transaction 8 under each engagement shall be arrived at after negotiations between the relevant parties (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and by making references to (i) the then prevailing rates charged by the Independent Third Parties for undertaking similar design projects, (ii) the relevant standards and guidelines, as advised by the management of the Company such as 工程勘察設計收費標準 (Construction Inspection and Design Fees Standards), prescribed by the relevant local authorities on fees chargeable for the provision of similar design works.

As confirmed by the management of the Company, the New Transaction 8 has been taken place since 2006. As set out in the Letter from the Board, the Group, after taking into the consideration of (i) the reputation of the Hanjiang Group, (ii) the long business relationship between the Group and the Hanjiang Group, and (iii) the availability of a steady income source through the provision of the construction design service by the Group, is of the view that the New



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Transaction 8, each engagement of which will be entered into on normal commercial terms and in the ordinary and usual course of the business of the Group, is in the interests of the Company and its Shareholders as a whole.

### Basis for determining the Annual Caps

Set out below are the proposed Annual Caps of New Transaction 8 for each of the three financial years ending 31 December 2014:

	<b>Proposed Annual Caps</b>		
	<b>Year ending 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>
New Transaction 8 — Construction Design	33,340	36,197	36,637

The Group will provide construction design works for certain property projects of the Hanjiang Group. As advised by the management of the Company, the relevant contract prices are determined mainly with reference to the total gross floor areas and types of construction design works in respect of the property projects of the Hanjiang Group which are probably to be carried out by the Group.

As advised by the Directors, they have taken into account the following factors in arriving the Annual Caps of the New Transaction 8:

- (a) the estimated aggregate gross floor areas of certain property projects of the Hanjiang Group, construction design works of which are probably to be carried out by the Group for the three financial years ending 31 December 2014;
- (b) the estimated unit construction design fees receivable (together with the average thereof), based on the relevant pricing basis under the New Framework Agreement, by the Group for the property projects mentioned in (a) above for the three financial years ending 31 December 2014;
- (c) the historical gross floor areas of certain property projects of the Hanjiang Group, construction design works of which were carried out by the Group during the three financial years ended 31 December 2011;
- (d) the historical unit construction design fees received by the Group (together with the average thereof) for the property projects mentioned in (c) above during the three financial years ended 31 December 2011; and
- (e) the rates charged by other construction design companies (which, as confirmed by the Directors, are Independent Third Parties) for carrying out similar construction design works for property projects of similar grading in the vicinity for the three financial years ended 31 December 2011.

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We have reviewed materials provided by the management of the Company including:

- (i) the New Framework Agreement;
- (ii) a schedule setting out the information on estimated construction design fees receivable by the Group from the Hanjiang Group for carrying out the construction design works for certain property projects of the Hanjiang Group, including the estimated unit construction design fees receivable by the Group (together with the average thereof), the name, location, types and the estimated gross floor areas of the property projects, the construction design works of which are probably to be carried out by the Group, and the name of the relevant members of the Group, which is engaging in the business of construction design, to carry out such construction design works for the Hanjiang Group in the aforementioned districts for the three financial years ended 31 December 2014;
- (iii) a schedule setting out the information on the historical construction design fees received by the Group from the Hanjiang Group, including the unit construction design fees received, the name, location, types and gross floor areas of the property projects of the Hanjiang Group, the construction design works of which were performed by the Group, and the name of the relevant members of the Group, which was engaging in the business of construction design, carried out such design works for the Hanjiang Group during the three financial years ended 31 December 2011;
- (iv) construction design contracts, on sample basis, entered into between the Group and the Hanjiang Group during the three financial years ended 31 December 2011, as well as the design contracts entered into between the Group and other construction design companies (which, as confirmed by the Directors, are Independent Third Parties) to which the design companies offered similar construction design work to the Group during the three financial years ended 31 December 2011; and
- (v) reference materials for setting prices for construction design, being 《工程勘察設計收費標準》 (Construction Inspection and Design Fees Standards) setting out an indicative base price for carrying out construction design works and generally applied in the PRC.

As advised by the management of the Company, as the estimated unit construction design fee can vary among different property projects of the Hanjiang Group owing to, among other, (i) the type of construction design work to be proposed, (ii) the class of property projects to be developed, (iii) the scope of the construction design work to be covered, and (iv) the reputation of the construction design companies, a direct comparison on the unit construction design fee would not be feasible. Notwithstanding the aforesaid, as confirmed by the management of the Company, the Company has estimated the average unit construction design fee receivable by the Group for certain property projects of the Hanjiang Group, the construction design works of which are probably to be performed by the Group for the three financial years ending 31 December 2014, by taking average of the estimated unit construction design fees for each of the property projects of the Hanjiang Group and making reference to (a) rates charged by other construction design companies (which, as confirmed by the Directors, are Independent Third Parties) for the provision of similar construction design works for property projects of similar grading in the vicinity, (b) the historical average unit construction design fees charged by the Group for providing similar

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construction design works to Hanjiang Group, and (c) the latest available standards, being 《工程勘察設計收費標準》 (Construction Inspection and Design Fees Standards), prescribed by the government on fees chargeable for the provision of similar construction design works in the PRC. As further advised by the management of the Company, these relevant standards published by the government are generally applied in the PRC and have set out an indicative market range, computed after taking into consideration various factors, for the information of construction design companies.

Having (i) reviewed the schedule in respect of the estimated average unit construction design fees receivable by the Group, (ii) compared such estimated average fee against the historical average unit construction design fee charged by the Group in respect of similar construction design works for property projects of the Hanjiang Group during the three financial years ended 31 December 2011 and (iii) reviewed the construction design contracts, on sample basis, entered into between the Group and the Hanjiang Group, as well as the contracts entered into between the Group and other construction design companies (which, as confirmed by the Directors, are Independent Third Parties) of the construction design works, on sample basis, during the three financial years ended 31 December 2011, we considered that it is appropriate to make reference to the estimated average unit construction design fee receivable by the Group for the New Transaction 8, which are comparable to the historical average unit construction design fee received by the Group during the last three financial years, the rates charged by other construction design companies (which, as confirmed by the Directors, are Independent Third Parties) for transactions of similar nature in the vicinity, in determining the Annual Caps of the New Transactions 8 for the three financial years ending 31 December 2014.

We have reviewed the schedule in respect of the estimated aggregate gross floor areas of certain property projects of the Hanjiang Group, construction design work of which are probably to be carried out by the Group, for the three financial years ending 31 December 2014. Further to our discussion with the management of the Company, we were advised that as the Hanjiang Group has been satisfied with the construction design works for its property projects done by the Group in the past and having considered the development plan of the Hanjinag Group for its property projects in the future, it is proposed that more construction design works will be carried out by the Group for the property projects of the Hanjiang Group during the three financial years ending 31 December 2014, as compared with the three financial years ended 31 December 2011. We considered the estimated aggregate gross floor areas for certain property projects of the Hanjiang Group, construction design works of which are probably to be carried out by the Group and which are one of the factors for determining the Annual Caps of the New Transaction 8, is being made by the Company's management in accordance with the anticipation of the Group with regard to the demand of the Hanjiang Group for the construction design works of the Group under the New Transaction 8 for three financial years ending 31 December 2014.

Having considered the above factors and reasons, in particular the execution of a separate agreement for each New Transaction 8 which will be consistent with the terms and principles contained in the New Framework Agreement and which will be arrived at after negotiations between the parties concerned (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and making references to the then rates charged by other construction design companies (which, as confirmed by the Directors, are Independent Third Parties) for carrying out similar construction design works and the relevant standards stipulated

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under 《工程勘察設計收費標準》 (Construction Inspection and Design Fees Standards), we concur with the Directors' view that the terms of the New Transaction 8 are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

In addition, in view of the above basis, in particular that (i) the estimated average unit construction design fee receivable by the Group from the Hanjiang Group for carrying out construction design works to certain property projects of the Hanjiang Group for the three financial years ending 31 December 2014 are comparable to the historical average unit construction design fee received by the Group for transactions of a similar nature as described above; and (ii) the estimation of the aggregate gross floor areas of certain property projects of the Hanjiang Group, the construction design works of which are probably to be carried out by the Group, are being made by the Company's management in accordance with the anticipation of the Group with regard to the demand of the Hanjiang Group for the construction design works of the Group under the New Transaction 8 for the three financial years ending 31 December 2014, we concur with the Directors' view that the underlying bases adopted in determining the Annual Caps of the New Transaction 8 for the three financial years ending 31 December 2014 are fair and reasonable so far as the Company and the Shareholders are concerned as a whole. However, as the Annual Caps related to future events and are based upon assumptions that may or may not remain valid for the three financial years ending 31 December 2014, (and, in case the actual transaction amounts exceed the Annual Caps in future, the Company should re-comply with the reporting and announcement requirements and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules), we express no comments as to how closely the actual transaction amounts pursuant to the construction design contracts shall correspond to the Annual Caps.

### **New Transaction 9 — Installation and Decoration**

Pursuant to the New Framework Agreement, the Hanjiang Group may, from time to time, and subject to the execution of separate agreement setting out the specific terms of each engagement, appoint the Group to carry out installation and decoration works for certain property projects of the Hanjiang Group.

As set out in the New Framework Agreement, the terms of the New Transaction 9 under each engagement shall be arrived at after negotiations between the relevant parties (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and by making references to (i) the then prevailing rates charged by Independent Third Parties for undertaking similar installation and decoration works, and (ii) the standards and guidelines prescribed by the relevant local authorities on fees chargeable for the provision of similar installation and decoration services, as advised by the management of the Company, such as:

- (1) 《北京市建築工程預算定額》 (Base Price for Budgeting of Construction and Installation Works, Beijing Municipal) for properties located in Beijing; and
- (2) 《廣東省各專業工程計價辦法(2010年)》 (Basis for Calculating Professional Construction Works, Guangdong Province (2010)) and 《廣東省各專業綜合定額(2010年)》 (Comprehensive Calculation of Construction Works, Guangdong Province (2010)) for properties located in Guangzhou.

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As advised by the management of the Company, the New Transaction 9 is newly proposed transaction between the Group and the Hanjiang Group in 2012. As set out in the letter from the Board, the Group, after taking into the consideration of the (i) the long term business relationship between the Group and the Hanjiang Group, in particular the long-standing business relationship between Guangdong Zhujiang Construction Decoration, which has become a subsidiary of the Company since late 2011, and the Hanjiang Group with regard to the provision of the installation and decoration works by Guangdong Zhujiang Construction Decoration for the Hanjiang Group's development projects, and (ii) the reputation of the Hanjiang Group, and (iii) the availability of a steady income source through the provision of the installation and decoration services to the Hanjiang Group, is of the view that the New Transaction 9, each engagement of which will be entered into on normal commercial terms and in the ordinary and usual course of the business of the Group, and is in the interests of the Company and its Shareholders as a whole.

### Basis for determining the Annual Caps

Set out below are the proposed Annual Caps of New Transaction 9 for each of the three financial years ending 31 December 2014:

	<b>Proposed Annual Caps</b>		
	<b>Year ending 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>
New Transaction 9			
— Installation and Decoration	94,808	43,400	174,860

As set out in the Letter from the Board, Guangdong Zhujiang Construction Decoration had been carrying out the installation and decoration works for certain development projects of the Hanjiang Group before Guangdong Zhujiang Construction Decoration becoming a subsidiary of the Company in late 2011. Having considered the availability of a steady income source through provision of the installation and decoration service, as advised by the management of the Company, the Group will procure Guangzhou Zhujiang Construction Decoration to provide such installation and decoration services for certain property projects developed by the Hanjiang Group for the three financial years ending 31 December 2014. As further advised by the management of the Company, the relevant contract prices are determined mainly with reference to the total gross floor areas and types of installation and decoration works of which are probably to be provided by the Group in respect of the property projects to be developed by the Hanjiang Group.

As advised by the Directors, they have taken into account the following factors in arriving the Annual Caps of the New Transaction 9:

- (a) the estimated aggregate gross floor areas of certain property projects of the Hanjiang Group, installation and decoration works of which are probably to be carried out by the Group for the three financial years ending 31 December 2014;

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- (b) the estimated unit installation and decoration fees receivable (together with the average thereof), based on the relevant pricing basis under the New Framework Agreement, by the Group for carrying out installation and decoration works for certain property projects mentioned in (a) above for the three financial years ending 31 December 2014; and
- (c) the respective rates charged by Guangdong Zhujiang Construction Decoration and other installation and decoration companies (which, as confirmed by the Directors, are Independent Third Parties) for carrying out similar installation and decoration works for property projects of the Group of similar grading in the vicinity for the three financial years ending 31 December 2014.

We have reviewed materials provided by the management of the Company including:

- (i) the New Framework Agreement;
- (ii) a schedule setting out information on the estimated installation and decoration fees receivable by the Group from the Hanjiang Group, including the estimated unit installation and decoration fees receivable by the Group (together with the average thereof) for, the name, location, type and estimated gross floor areas of, the property projects of the Hanjiang Group, the installation and decoration works of which are probably to be carried out by the Group, and the name of the relevant members of the Group, which is engaging in the business of installation and decoration services, to carry out such installation and decoration works for the Hanjiang Group for the three financial years ending 31 December 2014;
- (iii) installation and decoration contracts, on sample basis, respectively entered into between Guangdong Zhujiang Construction Decoration, as the service provider, and the Hanjiang Group and other property developers (which, as confirmed by the Directors, are Independent Third Parties) which engaged Guangdong Zhujiang Construction Decoration to carry out the installation and decoration works during the three financial years ended 31 December 2011 and for the three financial years ending 31 December 2014;
- (iv) installation and decoration contracts, on sample basis, entered into between the Group, as customer, and other installation and decoration companies (which, as confirmed by the Directors, are Independent Third Parties) in respect of the provision of installation and decoration services to the Group during the three financial years ended 31 December 2011 and for the three financial years ending 31 December 2014; and
- (v) reference materials for setting prices of installation and decoration works, including standards prescribed under 《北京市建築工程預算定額》 (Base Price for Budgeting of Construction and Installation Works, Beijing Municipal) setting an indicative base price for carrying out installation and decoration works for properties located in Beijing, and 《廣東省各專業工程計價辦法(2010年)》 (Basis for Calculating Professional Construction Works, Guangdong Province (2010)) and 《廣東省各專業綜



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合定額(2010年)》(Comprehensive Calculation of Construction Works, Guangdong Province (2010)) setting an indicative base price for carrying out installation and decoration works for properties located in Guangzhou.

As advised by the management of the Company, the estimated installation and decoration fees receivable by the Group for carrying out the installation and decoration works in respect of certain property projects of the Hanjiang Group can fluctuate and may not be comparable among different property projects of the Hanjiang Group or property projects of other property developers due to, among others, (i) the scope of installation and decoration works covered, (ii) the types of construction and decoration materials used, (iii) the class of property decorated, (iv) the geographic location of the property, and (v) the reputation of the installation and decoration firm. Notwithstanding the aforesaid, as confirmed by the management of the Company, the Company has estimated the average unit installation and decoration fee receivable by the Group for the property projects of the Hanjiang Group, the installation and decoration works of which are probably to be performed by the Group for the three financial years ending 31 December 2014, by taking the average of the estimated unit fees for each of the property projects, and are determined with reference to (a) the rates charged by other installation and decoration companies (which, as confirmed by the Directors, are Independent Third Parties) for providing similar installation and decoration works of similar scope in similar proximity, (b) the historical unit fees received by Guangdong Zhujiang Construction Decoration (together with the average thereof) for carrying out relevant installation and decoration works for similar property projects of the Hanjiang Group and other property developers (which, as confirmed by the Directors, are Independent Third Parties), and (c) conform to the price setting standards aforementioned, which are the latest available standards prescribed by the government on fees chargeable for the provision of similar installation and decoration works in the PRC. As further advised by the management of the Company, these relevant standards published by the government are generally applied in the PRC and have set out an indicative market range, computed after taking into consideration various factors, for the information of installation and decoration companies.

Having (i) reviewed the schedule of estimated average unit installation and decoration fee receivable by the Group, (ii) reviewed the installation and decoration contracts, on sample basis, entered into between Guangdong Zhujiang Construction Decoration, as the service provider, and other property developers (which, as confirmed by the Directors, are Independent Third Parties) which engaged Guangdong Zhujiang Construction Decoration to carry out the installation and decoration works during the three financial years ended 31 December 2011 and for the three financial years ending 31 December 2014; (iii) reviewed the installation and decoration contracts, on sample basis, entered into between the Group, as customer, and other installation and decoration companies (which, as confirmed by the Directors, are Independent Third Parties) during the three financial years ended 31 December 2011 and for the three financial years ending 31 December 2014 in respect of the provision of the installation and decoration services to the Group, and (iv) compared such estimated average unit fee against the historical average unit fee and rates respectively charged by other installation and decoration companies (which, as confirmed by the Directors, are Independent Third Parties) to the Group and the Group to other property developers which engaged the Group, as the service provider, for providing similar installation and decoration works for property projects of similar grading in the proximity, we considered that it is appropriate to make reference to the estimated average unit installation and decoration fee for the New Transaction 9, which are comparable to the abovementioned historical average unit fee received/

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charged by the Group as service provider pursuant to the relevant contracts entered into during the three financial years ended 31 December 2011 and fee range charged by the other installation and decoration companies (which, as confirmed by the Directors, are Independent Third Parties) on transactions of similar nature in the vicinity, in determining the Annual Caps of the New Transactions 9 for the three financial years ending 31 December 2014.

We have reviewed the schedule in respect of the estimated aggregate gross floor areas of certain property projects of the Hanjiang Group, installation and decoration works of which are probably to be carried out by the Group, for the three financial years ending 31 December 2014. Further to our discussion with the management of the Company, we were advised that the Group will procure Guangdong Zhujiang Construction Decoration to carry out the installation and decoration works for the Hanjiang Group as Guangdong Zhujiang Construction Decoration had been carrying out the installation and decoration works for certain development projects of the Hanjiang Group before becoming a subsidiary of the Company in late 2011, hence a steady income source of the Group is expected. Having considered the above, the estimated aggregate gross floor areas of certain property projects of the Hanjiang Group, installation and decoration works of which are probably to be carried out by the Group and which are one of the factors for determining the Annual Caps of the New Transaction 9, is being made by the Company's management in accordance with the plan of the Group to develop its business in carrying out installation and decoration works through the newly acquired subsidiary, Guangdong Zhujiang Construction Decoration, and the anticipation of the Group with regard to the demand of the Hanjiang Group for such services of the Group under the New Transaction 9 for three financial years ending 31 December 2014.

Having considered the above factors and reasons, in particular the execution of a separate agreement for each New Transaction 9 which will be consistent with the terms and principles contained in the New Framework Agreement and which will be arrived at after negotiations between the parties concerned (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and making references to the then prevailing market rates charged by other installation and decoration companies (which, as confirmed by the Directors, are Independent Third Parties) for providing similar installation and decoration services and the relevant standards stipulated by the relevant local government authorities of where the property projects are located, we concur with the Directors' view that the terms of the New Transaction 9 are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

In addition, in view of the above basis, in particular that (i) the estimated average unit installation and decoration fee receivable by the Group from the Hanjiang Group for carrying out installation and decoration works to certain property projects of the Hanjiang Group for the three financial years ending 31 December 2014 are comparable to the historical average unit installation and decoration fee charged by other installation and decoration companies and the rates charged by the Group for transactions of a similar nature as described above; and (ii) the estimation of the aggregate gross floor areas of certain property projects of the Hanjiang Group, installation and decoration works of which are probably are expected to be conducted by the Group, are being made by the Company's management in accordance with the plan of the Group to develop its business in carrying out installation and decoration works and the anticipation of the Group with regard to the demand of the Hanjiang Group for such services of the Group under the New



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Transaction 9 for the three financial years ending 31 December 2014, we concur with the Directors' view that the underlying bases adopted in determining the Annual Caps of the New Transaction 9 for the three financial years ending 31 December 2014 are fair and reasonable so far as the Company and the Shareholders are concerned as a whole. However, as the Annual Caps related to future events and are based upon assumptions that may or may not remain valid for the three financial years ending 31 December 2014, (and, in case the actual transaction amounts exceed the Annual Caps in future, the Company should re-comply with the reporting and announcement requirements and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules), we express no comments as to how closely the actual transaction amounts pursuant to the installation and decoration contracts shall correspond to the Annual Caps.

### **New Transaction 10 — Shop Lease**

Pursuant to the New Framework Agreement, the Group may, from time to time, and subject to the execution of separate agreement setting out the specific terms of each engagement, lease certain premises located in Guangzhou to the Hanjiang Group for use as shops. We were advised by the Directors that the tenancy agreement(s) under the New Framework Agreement shall be entered into by the Group and the Hanjiang Group for a term of one year and renewable annually, at a monthly rent representing an increment of not more than 5% of that under the previous tenancy and all the tenancy agreements under the New Transaction 10 will expire on or before 31 December 2014.

As set out in the New Framework Agreement, the terms of the New Transaction 10 under each tenancy agreement shall be arrived at after negotiations between the relevant parties (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and by making references to the then market rents for leasing the same properties or properties of similar grading to the Independent Third Parties in the vicinity.

As set out in the Letter from the Board, the New Transaction 10 has taken place since 2006, but terminated in 2009 due to the restructuring of the Hanjiang Group. Further to our discussion with the management of the Company, we were advised that the Hanjiang Group reconsiders the leases in 2012 due to its business needs. The Group, after taking into the consideration of (i) the prolonged cooperation and close business relationship between the Group and the Hanjiang Group and (ii) the rents receivable by the Group under the relevant leases are market rents charged to Independent Third Parties for leasing the same shop premises or premises of similar grading in the relevant vicinity, is of the view that the continuance of the New Transaction 10, each engagement of which will be entered into on normal commercial terms and in the ordinary and usual course of the business of the Group during the three financial years ending 31 December 2014, is in the interests of the Company and its Shareholders as a whole.

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## Basis for determining the Annual Caps

Set out below are the proposed Annual Caps of New Transaction 10 for each of the three financial years ending 31 December 2014.

	<b>Proposed Annual Caps</b>		
	<b>Year ending 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>
New Transaction 10 — Shop lease	3,298	3,444	3,616

As advised by the management the Company, the Group will lease out eight premises in Guangzhou in an aggregate size of approximately 6,380 sq.m. to the Hanjiang Group for use as shops. The relevant rents are determined mainly with reference to the total rentable areas.

As advised by the Directors, they have taken into account the following factors in arriving the Annual Caps of the New Transaction 10:

- (a) the location and estimation of the aggregate size of the relevant shop premises in Guangzhou to be leased by the Hanjiang Group pursuant to the proposed lease arrangement as agreed between the Group and the Hanjiang Group for the three financial years ending 31 December 2014;
- (b) the estimated monthly unit rents receivable, based on the relevant pricing basis under the New Framework Agreement, by the Group for leasing relevant shop premises mentioned in (a) above for the three financial years ending 31 December 2014;
- (c) the historical aggregate size of the shop premises in Guangzhou which were leased by the Hanjiang Group from the Group during the three financial years ended 31 December 2011;
- (d) the historical monthly unit rents received by the Group for leasing the relevant shop premises mentioned in (c) above during the three financial years ended 31 December 2011;
- (e) the prevailing rents quoted by other property owners (which, as confirmed by the Directors, are Independent Third Parties) for leasing similar shop premises of similar grading in the vicinity; and
- (f) the annual increment of not more than 5% in the rents for the New Transaction 10.

As set out in the Letter from the Board and further to our discussion with the management of the Company, all the tenancy agreements previously entered into between the Group and the Hanjiang Group for leasing the shop premises of the Group located in Guangzhou were terminated in 2009 due to the adjustment of business development plan and group restructuring of the

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Hanjiang Group. We are further advised by the management of the Company that, in the second half of 2011, the Hanjiang Group proposed to, and the Group agreed to, lease the shops premises of the Group located in Guangzhou commencing in 2012. As confirmed by the management of the Company, the relevant tenancy agreement(s) have yet to be entered into between the Group and the Hanjiang Group, and the current monthly rents charged to the Hanjiang Group for the period from January to May 2012 were determined by the Group with reference to the rates charged for leasing shop premises of similar grading in similar vicinity.

We have reviewed materials provided by the management of the Company including:

- (i) the New Framework Agreement;
- (ii) a schedule setting out the information on the estimated rents receivable by the Group from the Hanjiang Group for leasing the relevant shop premises in Guangzhou, including the estimated monthly unit rents receivable by the Group for, and the estimated aggregate size, the respective names of the tenants and the respective addresses of, the relevant shops premises to be leased by the Hanjiang Group in Guangzhou for the three financial years ending 31 December 2014;
- (iii) a schedule setting out the information on the historical rents received by the Group from the Hanjiang Group for leasing the same shop premises in Guangzhou, including the monthly unit rents received by the Group, the aggregate size, the respective names of the tenants and the respective addresses of, the shops premises leased by the Hanjiang Group in Guangzhou during the three financial years ended 31 December 2011;
- (iv) a schedule setting out the information on the prevailing rents quoted by other property owners (which, as confirmed by the Company, are Independent Third Parties) for leasing similar shop premises in the vicinity in Guangzhou, including the location of the rentable shops, the aggregate size, the range of the monthly unit rents to be charged, the allowable usage of the shops;
- (v) tenancy agreements, on sample basis, entered into between the Group and other tenants (which, as confirmed by the Directors, are Independent Third Parties) for leasing shop premises of similar grading in similar vicinity for the three financial years ending 31 December 2014; and
- (vi) extract of the quarterly Property Market Research Report issued by an property valuer (which, as confirmed by the Directors, is an Independent Third Party) engaged by the Company for carrying out independent research on the commercial properties market in four of the first-tier cities in the PRC, including information on the property leasing market for shopping malls in Guangzhou in 2011 (as set out in the Property Market Research Report, (1) the rents for shops in the first floor of shopping malls in Guangzhou on average increased by 3.2% in 2011; (2) it is expected that the supply of shop premises will increase and thus (3) the rents for shop premises will have limited increase in mid to long term).

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As advised by the management of the Company, in order to demonstrate whether the monthly unit rent receivable by the Group, which are applied to determine the Annual Caps of New Transaction 10 for the three financial years ending 31 December 2014, are determined with reference to, among others, prevailing rents, the schedule as mentioned in (iv) above has been prepared and provided by the Designated Department. The aforementioned schedule provided an indication that the estimated monthly unit rents receivable by the Group for leasing certain shop premises in Guangzhou to the Hanjiang Group, fall within the corresponding market range.

Having (i) reviewed the schedule in respect of the estimated monthly unit rent receivable by the Group, (ii) compared such estimated monthly unit rent against the schedule prepared by the Designated Department which provides an indicative regarding the prevailing rents quoted by other property owners (which, as confirmed by the Directors, are Independent Third Parties) for leasing similar shop premises in Guangzhou, (iii) reviewed the tenancy agreements, on sample basis, entered into by the Group with other tenants (which, as confirmed by the Directors, are Independent Third Parties) for leasing shop premises of similar grading in similar vicinity for the three financial years ending 31 December 2014, as well as (iv) reviewed the information on the property leasing market for shopping malls in Guangzhou in 2011 set out in the independent Property Market Research Report; further having (v) researched on the internet on the current market rents of the shops premises in Guangzhou, we considered that it is appropriate to make reference to the estimated monthly unit rent receivable by the Group for the New Transaction 10, which are comparable to the prevailing rents quoted by other property owners (which, as confirmed by the Directors, are Independent Third Parties) on transactions of similar nature in the vicinity, in determining the Annual Caps of the New Transaction 10 for the three financial years ending 31 December 2014.

We have reviewed the schedules in respect of the estimated aggregate size of shop premises in Guangzhou to be leased by the Hanjiang Group, for the three financial years ending 31 December 2014. Further to our discussion with the management of the Company, we were advised that the Group has rented out certain shops to the Hanjiang Group in the first four months of 2012, the current monthly rents charged to the Hanjiang Group were determined by the Group with reference to the rates charged by the Group for leasing shop premises of similar grading in similar vicinity to other tenants (which, as confirmed by the Directors, are Independent Third Parties). Having considered the above, the estimated aggregate size of shop premises in Guangzhou to be leased by the Hanjiang Group and which are one of the factors for determining the Annual Caps of the New Transaction 10, is being made by the Company's management in accordance with the anticipation of the Group for the three financial years ending 31 December 2014.

Having considered the above factors and reasons, in particular the execution of a separate agreement for each New Transaction 10 which will be consistent with the terms and principles contained in the New Framework Agreement and which will be arrived at after negotiations between the parties concerned (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and making references to the then prevailing rents charged by other property owners (which, as confirmed by the Directors, are Independent Third Parties) for leasing the similar shop premises of similar grading in the vicinity, we concur with the Directors' view that the terms of the New Transaction 10 are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

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In addition, in view of the above basis, in particular that (i) the estimated monthly unit rent receivable by the Group for leasing certain shop premises in Guangzhou to the Hanjiang Group for the three financial years ending 31 December 2014 are comparable to the prevailing rents for transactions of a similar nature as described above; and (ii) the estimation of the aggregate size of the shop premises in Guangzhou to be leased by the Hanjiang Group are being made by the Company's management in accordance with the anticipation of the Group for the three financial years ending 31 December 2014, we concur with the Directors' view that the underlying bases in determining Annual Caps of New Transaction 10 for the three financial years ending 31 December 2014 are fair and reasonable so far as the Company and the Shareholders are concerned as a whole. However, as the Annual Caps related to future events and are based upon assumptions that may or may not remain valid for the three financial years ending 31 December 2014, (and, in case the actual transaction amounts exceed the Annual Caps in future, the Company should re-comply with the reporting and announcement requirements and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules), we express no comments as to how closely the actual transaction amounts pursuant to the tenancy agreements shall correspond to the Annual Caps.

### ***Undertaking***

In view of the above, the Directors undertake that, at the time the relevant separate agreements are negotiated, concluded and executed among the Group and the Hanjiang Group, the management of the Company and/or the Directors will further determine and confirm whether the respective contract fees/costs for the property projects and the respective rents for premises leased between the Group and the Hanjiang Group under the respective New Transactions are made with reference to the then prevailing market rates charged by/to (as the case may be) Independent Third Parties and conformed to the price calculation basis set out under the relevant stipulated standards or guidelines prescribed by the local government authorities.

### ***Terms of the separate agreements to be entered into in relation to the New Transactions***

As mentioned in the relevant paragraphs above, separate agreements will be entered into between the Group and the Hanjiang Group when the parties enter into any New Transactions during the three financial years ending 31 December 2014. We have reviewed the relevant contracts, on sample basis, entered into between the Group and the Hanjiang Group, as well as those entered into between the Group and other contractors or service providers (which, as confirmed by the Directors, are Independent Third Parties) during the three financial years ended 31 December 2011, we noted that certain contracts with both the Hanjiang Group or other contractors or service providers or (in case the Group is the service provider) other customers (which, as confirmed by the Directors, are Independent Third Parties) (as the case may be) were entered into with a term longer than 3 years. We were advised by the management of the Company, the terms of the separate agreements, which are construction related, to be entered into in relation to New Transaction 1, New Transaction 2, New Transaction 5, New Transaction 8 and New Transaction 9, may be longer than 3 years, depending on the period of construction or related services and the respective nature and requirements of the construction work or related services. We have reviewed, on sample basis, (i) the aforesaid separate agreements previously entered into between the Group and the Hanjiang Group, and (ii) the agreements of similar nature entered into between the Group and other contractors or service providers or (in case the Group is the service

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provider) other customers (which, as confirmed by the Directors, are Independent Third Parties) (as the case may be) and noted that those agreements entered into between the Group and the independent contractors/service providers/customers were also longer than 3 years. As advised by the management of the Company, unlike other trading businesses or manufacturing industries, of which the business or production cycle is normally shorter than a year, the real estate industry, particularly for property developments, has a relatively longer business cycle from the planning stage to completion stage and normally take years to complete. It is normal business practice for property developers entering into construction and related services contracts with a term longer than 3 years.

In view of the above, we concur with the Directors' view that the separate agreement to be entered into in relation to the New Transactions which may exceed duration of 3 years is the normal business practice of the property development industry.

### 5. Principal terms of the Old Transaction and the basis for determining the relevant Annual Caps

Pursuant to service contracts entered into between the Group and the Hanjiang Group (the “Existing Service Contracts”), the Group has agreed to appoint the Hanjiang Group to carry out and the Hanjiang Group has agreed to conduct construction design works for certain property projects of the Group in Shanghai and Guangdong Province.

As advised by the Directors, the terms of the Old Transaction pursuant to the Existing Service Contract were arrived at after negotiations between the parties concerned (as confirmed by the Directors, all such negotiations shall be made by the parties on arm's length basis) and by making references to (i) the historical rates charged by construction design companies (which, as confirmed by the Directors, are Independent Third Parties) for undertaking similar construction design works on property projects in similar proximities during the three financial years ended 31 December 2011, (ii) the relevant standards, being 《工程勘察設計收費標準》 (Construction Inspection and Design Fees Standards), generally applied in the PRC and prescribed by the local government on fees chargeable for the provision of similar construction design works in the PRC.

#### Basis for determining the Annual Caps

Set out below are the Annual Caps of the Old Transaction for the three financial years ending 31 December 2014:

	<b>Proposed Annual Caps</b>		
	<b>Year ending 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>	<i>Approximate amount (RMB'000)</i>
Old Transaction — Construction design	34,690	2,408	—

## LETTER FROM CELESTIAL CAPITAL

Pursuant to the Existing Service Contracts, the Hanjiang Group would provide construction design works for certain property projects of the Group. The relevant contract prices, and in turn the Annual Caps for the Old Transaction for the three financial years ending 31 December 2014, were determined mainly with reference to the total area and types of construction design works in respect of the property projects to be completed by the Hanjiang Group in Shanghai and Guangdong Province. As advised by the Directors, (i) part of the construction design works under the Existing Service Contracts have been rendered by the Hanjiang Group on or before 2011, and (ii) according to the development schedule of the relevant property projects of the Group, the remaining part of the construction design works shall be rendered by the Hanjiang Group during 2012 and 2013 and the relevant contract prices payable by the Group pursuant to the Existing Service Contracts shall be approximately RMB34,690,000 and RMB2,408,000 for each of these two financial years respectively. Accordingly, the Annual Caps of the Old Transaction are set as RMB34,690,000, RMB2,408,000 and Nil for the three financial years ending 31 December 2014.

As advised by the Directors, the terms of the Existing Service Contracts were determined after taking into account the following factors:

- (i) the aggregate gross floor areas of certain property projects of the Group located in Shanghai and Guangdong Province, the construction design works of which determined to be carried out by the Hanjiang Group under the Existing Service Contracts for the three financial years ending 31 December 2014;
- (ii) the historical unit construction design fees paid by the Group to the Hanjiang Group for carrying out construction design works on the property projects in Shanghai and Guangdong Province during the three financial years ended 31 December 2011; and
- (iii) the historical rates charged by other construction design companies (which, as confirmed by the Directors, are Independent Third Parties) for carrying out similar construction design works for property projects of similar grading in the vicinity during the three financial years ended 31 December 2011.

We have reviewed materials provided by the management of the Company including:

- (i) samples of the Existing Service Contracts;
- (ii) schedules setting out the information on construction design fees payable by the Group to the Hanjiang Group as set out in the Existing Service Contracts for carrying out the construction design works in Shanghai and Guangdong Province (including the fees related to services rendered by the Hanjiang Group on or before 2011 and the remaining fees payable for services scheduled to be carried out by the Hanjiang Group in 2012 and 2013), the estimated unit construction design fees, the respective names, locations and gross floor areas of the property projects for which construction design works are required, the name of the relevant member of the Hanjiang Group, which is engaging in the business of property construction design, to carry out such design works for the Group in the two districts, the total gross floor areas of certain property projects of the Group the construction design works of which determined to be carried out by the Hanjiang Group;



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- (iii) a schedule setting out the information on the historical design fees paid by the Group to the Hanjiang Group, including the unit construction design fees, the respective names, locations and gross floor areas of the property projects for which construction design works were performed, the respective name of the relevant member of the Hanjiang Group, which was engaging in the business of construction design and which carried out such design works for the Group in Shanghai and Guangdong Province during the three financial years ended 31 December 2011;
- (iv) a schedule setting out the information on the historical rates charged by construction design companies (which, as confirmed by the Directors, are Independent Third Parties) for providing similar construction design works on property projects of similar grading in the vicinity, including the unit design fees charged by such other construction design firms (which, as confirmed by the Directors, are Independent Third Parties), the scope of their construction design works proved to the Group, and conformity of the fees charged by them to the standards stipulated by the local government for provision of construction design works in the PRC during the three financial years ended 31 December 2011;
- (v) construction design contracts, on sample basis, entered into between the Group and the other construction design companies (which, as confirmed by the Directors, are Independent Third Parties) during the three financial years ended 31 December 2011; and
- (vi) reference materials for setting prices of construction design works, including the standards, being 《工程勘察設計收費標準》 (Construction Inspection and Design Fees Standards) setting out an indicative base price for carrying out construction design works and generally applied in the PRC.

As advised by the management of the Company, as the estimated unit construction design fee may vary among different property projects of the Group owing to, among other, (i) the type of construction design works to be performed, (ii) the class of premises projects to be developed, (iii) the scope of the construction design works to be covered, and (iv) the reputation of the construction design firm, a direct comparison on the unit construction design fee would not be feasible. Notwithstanding the aforesaid, the Directors confirmed that in the course of determining the construction design fees payable under the Existing Service Contracts, references were made to the historical rates charged by other construction design companies (which, as confirmed by the Directors, are Independent Third Parties) for carrying out similar construction design works on property projects of similar grading in the vicinity and the historical construction design fees paid by the Group to the Hanjiang Group for carrying out similar construction design works in Shanghai and Guangdong Province under the Existing Service Contracts during the three financial years ended 31 December 2011, and the determination of such construction design fees conformed to the aforementioned standards prescribed by the local government on fees chargeable for the provision of similar construction design works in the PRC.

Having (i) reviewed the schedule in respect of the estimated unit construction design fee payable by the Group, (ii) reviewed the Existing Service Contracts, on sample basis, entered into by the Group with the Hanjiang Group during the three financial years ended 31 December 2011,



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(iii) compared such estimated unit fee against the historical unit construction design fee paid by the Group to the Hanjiang Group for carrying out the construction design works in Shanghai and Guangdong Province under the Existing Service Contracts, and (iv) compared against the historical rates charged by the construction design companies (which, as confirmed by the Directors, are Independent Third Parties), we considered that the estimated unit construction design fee payable by the Group for the Old Transaction under the Existing Service Contracts are comparable to the historical construction design fees paid by the Group to the Hanjiang Group and other construction design companies (which, as confirmed by the Directors, are Independent Third Parties) for transactions of similar nature during the three financial years ended 31 December 2011.

We have also reviewed the schedule in respect of the estimated aggregate gross floor areas of certain property projects of the Group in Shanghai and Guangdong Province, the construction design work of which are determined to be carried out by the Hanjiang Group pursuant to the Existing Service Contracts for 2012 and 2013. Further to our discussion with the management of the Company, we were advised that the Group did not intend to enter into any new service contracts for such construction design works with the Hanjiang Group and the Old Transaction will be discontinued after completion of the Existing Service Contracts.

Having considered the above factors and reasons, in particular the estimated unit construction design fee payable by the Group for the Old Transaction under the Existing Service Contracts are comparable to the historical unit construction design fee paid by the Group to the Hanjiang Group and other construction design companies (which, as confirmed by the Directors, are Independent Third Parties) for transactions of similar nature during the three financial years ended 31 December 2011, the separate agreement entered into pursuant to the Previous Framework Agreement which were arrived at after negotiations between the parties concerned and made reference to the historical market rates charged by other construction design companies (which, as confirmed by the Directors, are Independent Third Parties) for carrying out similar construction design works and the standards stipulated under 《工程勘察設計收費標準》 (Construction Inspection and Design Fees Standards), we concur with the Directors' view that the terms of the Old Transaction are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

In view of the above basis, in particular that (i) the estimated unit construction design fee payable by the Group to the Hanjiang Group for carrying out construction design works to certain property projects of the Group pursuant to the Existing Service Contracts for the three financial years ending 31 December 2014 are comparable to the historical unit construction design fee paid by the Group to the Hanjiang Group as well as to other construction design companies (which, as confirmed by the Directors, are Independent Third Parties) during the three financial years ended 31 December 2011; and (ii) the estimation of the aggregate gross floor areas, the construction design works of which are determined to be conducted by the Hanjiang Group pursuant to the Existing Service Contracts, being made by the Company's management in accordance with the Group's existing development plan in respect of the relevant property projects for the three financial years ending 31 December 2014, we concur with the Directors' view that the terms of the Old Transaction and the underlying bases adopted in determining the Annual Caps thereof for the three financial years ending 31 December 2014 are fair and reasonable so far as the Company and the Shareholders are concerned as a whole. However, as the Annual Caps related to future events and are based upon assumptions that may or may not remain valid for the three financial years

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ending 31 December 2014, (and, in case the actual transaction amounts exceed the Annual Caps in future, the Company should re-comply with the reporting and announcement requirements and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules), we express no comments as to how closely the actual transaction amounts pursuant to the construction design contracts shall correspond to the Annual Caps.

### **6. Requirements by the Listing Rules regarding the Continuing Connected Transactions**

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (1) the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:
  - in the ordinary and usual course of business of the Company;
  - either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than the terms available to or from (as appropriate) Independent Third Parties; and
  - in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.
- (2) the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Continuing Connected Transactions:
  - have received the approval of the Board;
  - are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;
  - have been entered into in accordance with the terms of the relevant agreements governing the Continuing Connected Transactions; and
  - have not exceeded the proposed Annual Caps.
- (3) the Company shall allow, and shall procure the relevant counter-parties to the Continuing Connected Transactions shall allow, the Company's auditors sufficient access to their records for the purpose of reporting on the Continuing Connected Transactions. The Board must state in the annual report whether its auditors have confirmed the matters stated in paragraph (2) above; and
- (4) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (1) and/or (2) above respectively.

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Having reviewed the annual reports of 2009 to 2011 regarding the confirmation by the independent non-executive Directors pursuant to paragraph (1) above for the last 3 years; and obtained and reviewed the auditors' letters regarding the confirmation by the auditors' of the Company pursuant to paragraph (2) above for the last 3 years, there were no irregularity noted.

In light of the annual review requirements for the Continuing Connected Transactions, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Continuing Connected Transactions and the Annual Caps not being exceeded, we are of the view that appropriate measures have been in place to govern the conduct of the Continuing Connected Transactions and to safeguard the interests of the Independent Shareholders.

### **7. Recommendation**

Having considered the principal factors and reasons referred to above, we are of the opinion that the New Framework Agreement and the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole, and the terms thereof as well as the Annual Caps are fair and reasonable so far as the Company and the Shareholders are concerned.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the SGM to approve the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps.

Yours faithfully,  
For and on behalf of  
**Celestial Capital Limited**

**Daphne Ng**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular 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 and debentures 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 were 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:

### The Company

#### *Long position in the Shares*

Name of Director	Number of Shares beneficially held		Approximate percentage of Shares in issue
	Personal	Corporate	
Mr. Chu	—	1,101,003,809 <sup>(Note 1)</sup>	63.42%
Mr. Au Wai Kin	—	34,500,000 <sup>(Note 2)</sup>	1.99%
Mr. Zhang Yi	90,000	—	0.01%

#### *Notes:*

1. Mr. Chu held 1,032,363,809 Shares through Sounda, a company wholly-owned by him, and 68,640,000 Shares through Hopson Education Funds, a company wholly-owned by him, Mr. Chu is a director of Sounda.
2. Mr. Au Wai Kin held 34,500,000 shares of the Company through a company wholly-owned and controlled by him.

Save as disclosed above, 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 were 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 as at the Latest Practicable Date.

Save as disclosed above, 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 as at the Latest Practicable Date.

No contract, commitment or agreement of significance in relation to the Company's business, in which any of the Directors had a material interest, subsisted as at the Latest Practicable Date.

On 11 May 2012, the Group and Mr. Chu entered into the following transactions:

- (a) 天津合生珠江房地產開發有限公司 (Tianjin Hopson Zhujiang Real Estate Development Limited), a cooperative joint venture established in the PRC in which the Company has 92.3% equity interest, and Mr. Chu entered into a land use right transfer agreement pursuant to which the Group disposed of a parcel of vacant land located at 中國天津市寶坻區周良莊鎮寶白公路西側610及611地塊 (Numbers 610 and 611, West Side, Baobai Highway, Zhou Liang Town, Baodi District, Tianjin, PRC) with a total site area of approximately 6,558.77 square metres to Mr. Chu at the consideration of RMB2,500,000; and
- (b) 廣東華南新城房地產有限公司 (Guangdong Huanan New City Real Estate Limited), a cooperative joint venture established in the PRC in which the Company has 100% equity interest and Mr. Chu entered into a land use right transfer agreement pursuant to which the Group disposed of a parcel of vacant land located at 中國廣東省廣州市番禺區南村鎮員崗村、官堂村 (南村鎮華南新城B2地塊) (Guan Tang Village, Yuan Gang Village, Southern Town, Panyu District, Guangzhou, Guangdong, PRC (Lot Number B2, Huanan New City, Southern Town)) with a total site area of 9,347.98 square metres. to Mr. Chu at the consideration of RMB29,258,305.

Save as disclosed above, none of the Directors had any interest, direct or indirect, in any asset which, since 31 December 2011, 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.

### 3. 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).

### 4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, being the date to which the latest published audited financial statements of the Group were made up.

### 5. EXPERT

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

Name	Qualification
Celestial Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Celestial Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Celestial Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein its letter of advice and references to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, Celestial Capital had no interest, direct or indirect, in any assets which since 31 December 2011, the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

### 6. SECRETARY

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

### 7. COMPETING BUSINESS

Mr. Lee Tsung Hei, David, an independent non-executive Director, is a director of each of DS Capital Group Co Ltd; DH Capital Ltd; DH Capital (HK) Ltd; DS Transportation Interchange Development Ltd; Guangzhou DHC Investment Advisory Ltd; City Development Management (China) Ltd and DHC Development Management Co Ltd (collectively, the “DS Capital Group”) and the Chairman of the Investment Committee of Cheever Real Estate Master Fund SPC (“Cheever”). The DS Capital Group and Cheever have the property development and property investment businesses.

Save as disclosed above, none of the Directors and his/her respective associates has an interest in a business which competes or may compete, either directly or indirectly, with the Company's business.

#### **8. 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 3305–3309, 33/F, Jardine House, 1 Connaught Place, Central, Hong Kong from 9:30 a.m. to 5:00 p.m. during the period commencing from 26 June 2012 to 13 July 2012 (both dates inclusive):

- (a) the New Framework Agreement; and
- (b) the Previous Framework Agreement.

#### **9. MISCELLANEOUS**

- (a) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business in Hong Kong is at Suites 3305–3309, 33/F, Jardine House, 1 Connaught Place, Central, Hong Kong.
- (b) The Hong Kong branch registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited which is situated at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The English text of this circular will prevail over the Chinese text in the event of inconsistency.



合 生 創 展 集 團 有 限 公 司\*

**HOPSON DEVELOPMENT HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 754)**

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

**NOTICE IS HEREBY GIVEN** that a special general meeting of Hopson Development Holdings Limited (“Company”) will be held at Alexandra Room, 2/F, Mandarin Oriental, 5 Connaught Road Central, Hong Kong on Friday, 13 July 2012 at 3:00 p.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** the framework agreement (the “New Framework Agreement”) dated 11 May 2012 entered into between the Company (together with its subsidiaries, collectively the “Group”) and 廣東韓江建築安裝工程有限公司 (Guangdong Hanjiang Construction Installation Project Limited\*) (“Hanjiang” together with its subsidiaries and associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited), the “Hanjiang Group”) and the transactions to be entered into between the Group and the Hanjiang Group contemplated thereunder (the “New Transactions”) together with the provision of construction design services by the Hanjiang Group to the Group pursuant to contracts entered into between them prior to 31 December 2011 (the “Old Transaction” together with the New Transactions, collectively the “Continuing Connected Transactions”) which is described and defined as “Old Transaction” in the circular of the Company dated 26 June 2012 (the “Circular”), a copy of which is tabled at the meeting for identification purpose, be and are hereby approved, confirmed and ratified; the maximum aggregate annual value of each of the Continuing Connected Transactions for the three financial years ending 31 December 2014 proposed by the directors of the Company (“Directors”) as set out in the Circular be approved; and any one Director be and is hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things on behalf of the Company as he may in his discretion consider necessary or desirable for the purposes of or in connection with the implementation of the New Framework Agreement and the Continuing Connected Transactions.”

By Order of the Board  
**Hopson Development Holdings Limited**  
**Zhang Yi**  
*Executive Director*

Hong Kong, 26 June 2012

\* for identification purposes only



*Principal Office:*

Suites 3305–3309

33rd Floor, 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 3305–3309, 33rd Floor, 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 register of members of the Company will be closed from Tuesday, 10 July 2012 to Friday, 13 July 2012 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for attending and voting at the special general meeting, all transfer of shares accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 9 July 2012.
- (4) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.