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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

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

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合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Stock Code: 754)

(Incorporated in Bermuda with limited liability)

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

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
AND
CONNECTED TRANSACTION**

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



SOMERLEY LIMITED

A letter from the Board is set out on pages 6 to 20 of this circular. A letter from the Independent Board Committee is set out on pages 21 to 22 of this circular. A letter from Somerley Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 54 of this circular.

A notice convening the SGM to be held at Annapurna Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Wednesday, 9 December 2009 at 10:30 a.m. is set out on pages 79 to 80 of this circular.

Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the principal office of the Company at Suites 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 of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

* *for identification purposes only*

23 November 2009

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DEFINITIONS

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

“Acquisition”	acquisition of the entire equity capital in Panyu Zhujiang pursuant to the terms of the Panyu Agreement
“Acquisition Consideration”	consideration for the Acquisition
“Archibald”	Archibald Properties Limited (愛寶置業有限公司), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“associate”	the meaning given to that term in the Listing Rules
“Balance”	the difference between the Acquisition Consideration and the Cheerocean Consideration
“Board”	the board of Directors
“Cheerocean”	Cheerocean Investments Limited (超洋投資有限公司), a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Cheerocean Consideration”	consideration for the Cheerocean Share
“Cheerocean Share”	one (1) share in the issued share capital of Cheerocean
“Cheerocean Share Disposal”	the transfer and sale of the Cheerocean Share by the Group to Hanjiang pursuant to the Panyu Agreement
“Company”	Hopson Development Holdings Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition and the Cheerocean Share Disposal
“Consideration Shares”	an aggregate of up to 204,925,468 new Shares to be allotted and issued to Mr. Chu and/or his nominee(s) pursuant to the terms and conditions of the Panyu Agreement
“Costs and Compensation”	collectively, the costs and compensation for the clearance and settlement of the Lands, the initial development costs of the Lands, the land transfer price and all other costs and expenses required for obtaining the land use right of the Lands or any part thereof
“Decision”	關於撤銷《建設用地規劃許可證》的決定 (Decision in relation to the revocation of “Planning Permit for Construction Land”) issued by Guangzhou Town Planning Bureau on 28 March 2007

DEFINITIONS

“Default”	Panyu Zhujiang’s failure to transfer or procure the transfer of the land use right in respect of Land-1 and Land-2 to the Joint Venture Company pursuant to the Joint Venture Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guangzhou Land Bureau”	廣州市國土資源和房產管理局 (Guangzhou City State Land Resources and Real Estate Management Bureau)
“Guangzhou Town Planning Bureau”	廣州市規劃局 (Guangzhou Town Planning Bureau)
“Hanjiang”	廣東韓江建築安裝工程有限公司 (Guangdong Hanjiang Construction Installation Project Limited), a company established in the PRC
“Hanjiang Group”	Hanjiang and its subsidiaries and associates
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hopeson”	Hopeson Holdings Limited (合生集團有限公司), a company incorporated in Hong Kong and a wholly owned subsidiary of the Company
“Independent Board Committee”	an independent board committee, comprising Mr. Yuen Pak Yiu, Philip, Mr. Lee Tsung Hei, David and Mr. Wong Shing Kay, Oliver, all being the independent non-executive Directors, to advise the Independent Shareholders of the Company in respect of the Panyu Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than Sounda and its associates
“Joint Venture Agreement”	中外合作廣東華南新城房地產有限公司合同（修訂）(Sino-Foreign Co-operative Contract in relation to the Joint Venture Company (Revised)) dated 23 September 2004 made between Hopeson, Archibald and Panyu Zhujiang
“Joint Venture Company”	廣東華南新城房地產有限公司 (Guangdong Huanan New City Real Estate Limited), a sino-foreign co-operative joint venture established under the laws of the PRC between Hopeson, Archibald and Panyu Zhujiang
“JV Lands”	Land-1 and Land-2B

DEFINITIONS

“Land-1”	the land with a site area of approximately 981 Chinese acres (equivalent to approximately 653,358.5 square meters) which was approved to Panyu Zhujiang pursuant to Permit No. 033341
“Land-2”	the land with a site area of approximately 1,027 Chinese acres (equivalent to approximately 684,663 square meters) which was approved to Panyu Zhujiang pursuant to Permit No. 033342
“Land-2A”	such part of Land-2 with a site area of approximately 497 Chinese acres (equivalent to approximately 331,291 square meters) in respect of which Guangzhou Land Bureau has agreed to transfer its land use right to Panyu Zhujiang pursuant to the Land Grant Contract
“Land-2B”	such part of Land-2 excluding Land-2A, with a site area of approximately 530 Chinese acres (equivalent to approximately 353,372 square meters)
“Land-3”	the land with a site area of approximately 997 Chinese acres (equivalent to approximately 664,699.9 square meters) which was approved to Panyu Zhujiang pursuant to Permit No. 033343
“Lands”	collectively Land-1, Land-2 and Land-3, which are located adjacent to each other between the south side of Zhujiang River bank of Nan Village Town and the north side of South Road in Panyu of Guangdong Province
“Land Grant Contract”	國有土地使用權出讓合同 (Agreement for the transfer of the land use right of state-owned land) in respect of Land-2A dated 31 August 2004 and made between Panyu Zhujiang and Guangzhou Land Bureau
“Last Trading Day”	2 November 2009
“Latest Practicable Date”	18 November 2009, being the latest practicable date for ascertaining certain information for inclusion in this circular
“Lejing Land”	the land with a site area of approximately 92 Chinese acres (equivalent to approximately 61,500 square meters) located in 海珠區廣州大道以西，康樂西圍新村以南 (on the west side of the Guangzhou Main Road, and the south to Kang Le Xi Wei New Village, Haizhu District)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Chu”	Mr. Chu Mang Yee, the chairman of the Board

DEFINITIONS

“Nan Cun Zhen Company”	廣州市番禺區南村鎮經濟發展總公司 (Guangzhou City Panyu District Nan Cun Zhen Economic Development Holding Company), an independent third party
“Panyu Agreement”	the share transfer agreement dated 2 November 2009 made between Hopeson, Hanjiang and Mr. Chu in relation to the Acquisition and the Cheerocean Share Disposal
“Panyu District Land Bureau”	廣州市番禺區國土資源和房產管理局 (Guangzhou City Panyu District State Land Resources and Real Estate Management Bureau)
“Panyu Town Planning Bureau”	番禺市規劃局 (Panyu Town Planning Bureau)
“Panyu Zhujiang”	番禺珠江房地產有限公司 (Panyu Zhujiang Real Estate Limited) a limited liability company established in the PRC, whose equity capital is owned as to 99% by Hanjiang and as to 1% by Nan Cun Zhen Company
“Permit”	建設用地規劃許可證 (Planning Permit for Construction Land)
“PRC”	the People’s Republic of China
“Refund”	Costs and Compensation paid by the Group in respect of Land-1 and Land-2 together with interests accrued thereon
“RMB”	Renminbi
“SGM”	a special general meeting of the Company to be convened to approve, among other things, the Acquisition, the Cheerocean Share Disposal and the Share Issue
“Shares”	the ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Share Issue”	the allotment and issue of the Consideration Shares to Mr. Chu pursuant to the terms of the Panyu Agreement
“Sounda”	Sounda Properties Limited, a company incorporated in the British Virgin Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Taijing”	廣東合生泰景房地產有限公司 (Guangdong He Sheng Taijing Real Estate Company Limited), a limited liability company established in the PRC, and a wholly-owned subsidiary of Cheerocean
“Valuer”	DTZ Debenham Tie Leung Limited, an independent valuer
“1999 Announcement”	the announcement issued by the Company on 7 December 1999 in relation to, among others, the formation of the Joint Venture Company
“2004 Announcement”	the announcement issued by the Company on 23 June 2004 in relation to, among others, the acquisition by the Group of Panyu Zhujiang’s 39% equity interest in the Joint Venture Company
“60mu Land”	the land with a site area of approximately 60 Chinese acres (equivalent to approximately 40,000 square meters) located at 廣東番禺南村鎮陳邊村 (Nan Village Town Chen Bian Village, Panyu, Guangdong)

In this circular, certain amounts quoted in RMB have been translated into Hong Kong dollars at the reference rate of HK\$1.00 to RMB0.88153 for information purposes only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be, converted at that or any other rate or at all.

LETTER FROM THE BOARD



合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Stock Code: 754)

(Incorporated in Bermuda with limited liability)
website: <http://www.irasia.com/listco/hk/hopson>

Executive Directors:

CHU Mang Yee (Chairman)
XIANG Bin (Deputy Chairman)
CHEN Chang Ying
AU Wai Kin
XUE Hu
ZHAO Mingfeng

Independent Non-executive Directors:

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

Principal Office:

Suites 3305–3309
33/F, Jardine House
1 Connaught Place
Central
Hong Kong

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

23 November 2009

To the Shareholders

Dear Sir and Madam,

1. INTRODUCTION

On 2 November 2009, the Company announced that the Group, through Hopeson, a wholly-owned subsidiary of the Company, entered into the Panyu Agreement with Hanjiang. Pursuant to the Panyu Agreement, Hanjiang has conditionally agreed to transfer and procure the transfer to Hopeson and/or its nominee(s) the entire equity capital in Panyu Zhujiang for the Acquisition Consideration; and the Group has conditionally agreed to transfer and procure the transfer to Hanjiang the Cheerocean Share for the Cheerocean Consideration. The Balance, being the difference between the Acquisition Consideration and the Cheerocean Consideration, payable by the Group for the Acquisition will be settled by means of the Share Issue in favour of Mr. Chu. Pursuant to the Panyu Agreement, subject to the maximum liability of RMB3,600,000,000 (equivalent to approximately HK\$4,083,809,000), Mr. Chu has agreed to guarantee the due and punctual performance by Hanjiang of its obligations in relation to the JV Lands under the Panyu Agreement.

Hanjiang, a company owned by the brother of Mr. Chu as to 90% and the brother-in-law of Mr. Chu as to 10%, is a connected person of the Company under the Listing Rules. Mr. Chu, being the controlling Shareholder (through Sounda) and the chairman of the Board, is a connected person of the

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LETTER FROM THE BOARD

Company. Accordingly, the Acquisition, the Cheerocean Share Disposal and the Share Issue constitute connected transactions under the Listing Rules and are subject to the approval of the Independent Shareholders of the Company at the SGM under the Listing Rules. Sounda and its associates will abstain from voting at the SGM in respect of the proposed resolution to approve the Acquisition, the Cheerocean Share Disposal and the Share Issue. As one or more of the applicable percentage ratios to the Acquisition under the Listing Rules are more than 5% but less than 25%, the Acquisition and the Cheerocean Share Disposal also constitute discloseable transactions of the Company under the Listing Rules.

The purpose of this circular is to give you (i) further information on the Acquisition, the Cheerocean Share Disposal and the Share Issue; (ii) valuation reports of the JV Lands, the 60mu Land, the Lejing Land and the 1% equity interest of the Joint Venture Company; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company in relation to the Acquisition, the Cheerocean Share Disposal and the Share Issue; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders of the Company in relation to the Acquisition, the Cheerocean Share Disposal and the Share Issue; (v) a notice of the SGM; and (vi) other information as required under the Listing Rules.

2. PRINCIPAL TERMS OF THE PANYU AGREEMENT

On 2 November 2009, the Group, through Hopeson, its wholly-owned subsidiary, Hanjiang and Mr. Chu entered into the Panyu Agreement, the principal terms of which are as follows:

Date: 2 November 2009

Parties:

- (1) Hopeson;
- (2) Hanjiang, being a company owned by the brother of Mr. Chu as to 90% and the brother-in-law of Mr. Chu as to 10%, is a connected person of the Company under the Listing Rules; and
- (3) Mr. Chu, as guarantor for the due performance by Hanjiang of its obligations under the Panyu Agreement in relation to the JV Lands. Mr. Chu, being the controlling Shareholder of the Company (through Sounda) and the chairman of the Board, is a connected person of the Company under the Listing Rules.

Settlement agreement: For so long as Hanjiang has duly observed its obligations under the Panyu Agreement, including the Completion of the Acquisition and the due performance of its obligations mentioned under the paragraph headed “Other Obligations of Hanjiang” in this section, the Group shall withhold taking any legal actions against Hanjiang or Panyu Zhujiang in relation to the Default (for details, please see the section headed “Reasons and benefits of the transactions” below).

LETTER FROM THE BOARD

Asset to be acquired: The entire equity capital in Panyu Zhujiang. Upon Completion of the Acquisition, the assets of Panyu Zhujiang shall consist of the JV Lands (subject to the due and punctual performance by Hanjiang of its obligations mentioned under the paragraph headed “Other Obligations of Hanjiang” below), 1% equity interest in the Joint Venture Company and the 60mu Land. Except as aforementioned, there will be no other assets or liabilities (which include existing or contingent liabilities) in Panyu Zhujiang. Hanjiang will be responsible for settling and discharging all the debts and liabilities of Panyu Zhujiang which exist on or before the date of Completion. Land-2A will be retained by Hanjiang and will not be transferred to the Group under the Panyu Agreement.

Asset to be disposed of: Cheerocean Share, representing the entire issued share capital of Cheerocean, an indirect wholly-owned subsidiary of the Company. The sole asset of Cheerocean is the entire equity capital in Taijing which, in turn, holds the Lejing Land. Upon Completion of the Cheerocean Share Disposal, Cheerocean shall have no other assets or liabilities except the entire equity capital in Taijing and Taijing shall have no other assets or liabilities except the Lejing Land.

Consideration: For the settlement of the parties’ dispute in relation to Land-1 and Land-2, Hanjiang has agreed to repay the Costs and Compensation that the Group had paid through the Joint Venture Company in respect of Land-1 and Land-2, together with interests accrued thereon at the rate of 6.29%, being the average of the effective borrowing rates of the Group from 2000 to 2009, in the aggregate sum of RMB689,683,000 (equivalent to approximately HK\$782,370,000) (the “Refund”).

Subject to the adjustment mechanism as stated below, the Acquisition Consideration for the Acquisition is RMB3,346,073,000 (equivalent to approximately HK\$3,795,756,000), which was determined after arm’s length negotiations between the Group and Hanjiang with reference to: (a) the fair value of the 1% equity interest in the Joint Venture Company of RMB35,756,000 (equivalent to approximately HK\$40,561,000) as appraised as at 30 September 2009 by the Valuer using the purchase method with reference to the fair value of the assets and liabilities of the Joint Venture Company; (b) the fair value of the 60mu Land of RMB400,000,000 (equivalent to approximately HK\$453,757,000) as appraised by the Valuer as at 30 September 2009; and (c) RMB2,910,317,000 (equivalent to approximately HK\$3,301,438,000) being the difference between (i) the negotiated price of the JV Lands of RMB3,600,000,000 (equivalent to approximately HK\$4,083,809,000) and (ii) the Refund.

LETTER FROM THE BOARD

The Cheerocean Consideration for the sale of the Cheerocean Share is RMB960,000,000 (equivalent to approximately HK\$1,089,016,000) representing the fair value of the Lejing Land, as appraised by the Valuer, as at 30 September 2009. The Cheerocean Consideration is not subject to any adjustment mechanism.

The Balance, being the difference between the Acquisition Consideration and the Cheerocean Consideration, in the sum of RMB2,386,073,000 (equivalent to approximately HK\$2,706,741,000) shall be settled by means of the Share Issue in favour of Mr. Chu, who, in return, has undertaken to the Group to pay the Balance to Hanjiang on or before Completion.

The Acquisition Consideration is subject to the following adjustment mechanism. The current plot ratio of the 60mu Land which has been approved by the relevant PRC authority (“approved plot ratio”) is 1.4. The fair value of RMB400,000,000 of the 60mu Land was appraised based upon such approved plot ratio of 1.4. Panyu Zhujiang has applied for the increase in the plot ratio of the 60mu Land. If such application is successful and the approved plot ratio is higher than 1.4, the Acquisition Consideration shall be adjusted upward by 50% of the increase in the fair value of the 60mu Land. If the adjusted amount can be ascertained before Completion, it would be included as part of the Acquisition Consideration, otherwise, the Group shall pay to Hanjiang the adjusted amount within 7 working days after such amount is being ascertained. The fair value of the 60mu Land with different approved plot ratios are agreed by the parties as follows:

Approved plot ratio	Fair Value (RMB)
1.4	400,000,000
2.24	640,000,000
3.0	820,000,000
3.2	850,000,000
3.5 or above	910,000,000

The adjustment to the Acquisition Consideration that may be made pursuant to this adjustment mechanism will not exceed RMB255,000,000 (equivalent to approximately HK\$289,270,000). All the land transfer price and tax payable to the government for the increase in the approved plot ratio shall be shared by the Group and Hanjiang in equal shares.

LETTER FROM THE BOARD

Share Issue:

Conditional upon the fulfillment of all the conditions set forth under the paragraphs headed “Conditions” below, for payment of the Balance pursuant to the Panyu Agreement, the Company shall issue the Consideration Shares to Mr. Chu and/or his nominee(s) at an issue price equivalent to the average closing price of the Share quoted on the Stock Exchange for the 10 consecutive trading days immediately before the date of the Panyu Agreement, being HK\$14.62 per Consideration Share. The issue price was arrived at after arm’s length negotiation between the Group and Mr. Chu. Using this Share Issue to pay the Balance will help reduce the cash outlay that may be required for the Acquisition. The Directors consider that the issue price is fair and reasonable as far as the Company is concerned and the Share Issue is in the interests of the Company and its Shareholders as a whole.

The issue price of HK\$14.62 represents:

- (i) a premium of approximately 3.10% to the closing price of HK\$14.18 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 4.28% over the average closing price of approximately HK\$14.02 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 13.51% to the closing price of HK\$12.88 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Up to 204,925,468 Shares (taking into account the adjustment mechanism set forth in the paragraphs headed “Consideration” above) will be issued to Mr. Chu under the Share Issue, representing approximately 12.87% of the existing issued share capital of the Company of 1,592,368,346 Shares as at the Latest Practicable Date; and approximately 11.4% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will, upon issue and allotment, rank pari passu with the existing Shares in issue. There is no restriction on the subsequent disposal of the Consideration Shares by Mr. Chu.

The Share Issue will take place simultaneously with the Completion of the Acquisition and the Cheerocean Share Disposal.

LETTER FROM THE BOARD

The Directors proposed to seek approval from the Shareholders at the SGM to issue the Consideration Shares. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions:

Completion shall be conditional upon the fulfillment of all of the following conditions:

- (a) Hanjiang having obtained all necessary approvals or consents which may be required for the Acquisition, including but without limitation, the waiver by Nan Cun Zhen Company of its pre-emption right over Hanjiang's 99% equity interest in Panyu Zhujiang, and its consent for selling and transferring its 1% equity interest in Panyu Zhujiang to Hopeson in the manner (including the time of completion of the transfer) as Hopeson shall direct. Hanjiang shall be responsible for paying the price for acquiring Nan Cun Zhen Company's 1% equity interest in Panyu Zhujiang;
- (b) Hopeson being satisfied with its due diligence review and investigation in respect of Panyu Zhujiang;
- (c) the Independent Shareholders of the Company having passed all necessary resolution(s) at the SGM approving the Panyu Agreement and the transactions contemplated thereunder;
- (d) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, all of the Consideration Shares, which approval not having been revoked prior to the issue and delivery of the Consideration Shares to Mr. Chu and/or his nominee(s);
- (e) Hopeson having obtained the valuation reports on each of the Lejing Land, the JV Lands, the 60mu Land and the 1% equity interest in the Joint Venture Company, issued by an independent valuer acceptable to Hopeson;
- (f) Hanjiang and Panyu Zhujiang having obtained all necessary approvals and completed all necessary filings and registrations for the Acquisition and presented to Hopeson proofs of such approvals, filings and registrations;

LETTER FROM THE BOARD

- (g) the shareholders of Panyu Zhujiang having approved the Acquisition and provided to Hopeson a certified copy of the resolutions approving the sale by Hanjiang and Nan Cun Zhen Company of their respective equity interests in Panyu Zhujiang to Hopeson or its nominee and any consequential change to the constitutional documents of Panyu Zhujiang;
- (h) Panyu Zhujiang having obtained all necessary approvals and completed all necessary filings and registrations for the changes in the directors and managing director of Panyu Zhujiang in accordance with the Group's directions;
- (i) the representations, warranties and undertakings given by Hanjiang under the Panyu Agreement being true and accurate in all material respects as of the date of Completion;
- (j) the representations, warranties and undertakings given by Hopeson under the Panyu Agreement being true and accurate in all material respects as of the date of Completion;
- (k) all other approvals or consents necessary or appropriate for or in connection with the transactions contemplated under the Panyu Agreement having been obtained by the Group and Hanjiang;
- (l) the Group and Hanjiang having complied with their respective obligations under the Panyu Agreement;
- (m) there being no material adverse change in the circumstances of each of Panyu Zhujiang, Cheerocean and Taijing;
- (n) Hanjiang having obtained all necessary approvals and completed all necessary filings and registrations for the Cheerocean Share Disposal, if necessary under PRC laws; and
- (o) Hopeson having obtained a legal opinion issued by a firm of PRC lawyers appointed by or acceptable to Hopeson confirming the legality of the transactions contemplated under the Panyu Agreement under PRC laws and regulations.

The Panyu Agreement shall be terminated automatically and none of the parties to the Panyu Agreement shall have any claim against the other party save in respect of any antecedent breaches if any of the above conditions is not satisfied (unless waived as to the above conditions (b), (e) and (h) to (n) by the Group) within 6 months after the date of the Panyu Agreement or such other date as the parties to the Panyu Agreement may agree.

LETTER FROM THE BOARD

**Other Obligations of
Hanjiang:**

Hanjiang has undertaken to the Group to perform and complete all necessary prophase construction and preparation works and administrative formalities in relation to the JV Lands within a period of 1 year after the signing of the Panyu Agreement to the intent that Panyu Zhujiang will be granted the land use right in respect of the JV Lands for the permitted land use of economic housing (安居工程) within the said time period. Hanjiang shall bear all the costs and expenses for completing the aforementioned works and formalities. Any additional land transfer fees or premium or taxes payable to the government for re-designating the permitted land use of the whole or part of the JV Lands to commodity residential/commercial housing purpose shall be paid by the Group.

Guarantee:

Subject to the maximum liability of RMB3,600,000,000, Mr. Chu has agreed to guarantee the due and punctual performance by Hanjiang of its obligations in relation to the JV Lands under the Panyu Agreement.

Completion:

Completion shall take place within 5 working days following satisfaction (or waiver) of all the conditions precedent to the Panyu Agreement except that transfer of Nan Cun Zhen Company's 1% equity interest in Panyu Zhujiang shall take place at such time as Hopeson shall direct. The Acquisition, the Cheerocean Share Disposal and the Share Issue will take place simultaneously on the date of Completion.

3. INFORMATION ON PANYU ZHUJIANG, CHEEROCEAN AND TAIJING

Panyu Zhujiang is principally engaged in property development and management. Based on the unaudited management accounts of Panyu Zhujiang, its net asset value as at 30 September 2009 was approximately HK\$15,028,482. As the development of the 60mu Land and the JV Lands have not yet completed, Panyu Zhujiang recorded a loss before and after taxation of approximately HK\$2.9 million and HK\$4.7 million respectively for the financial year ended 31 December 2007, and a loss before and after taxation of approximately HK\$1.3 million and HK\$1.7 million respectively for the financial year ended 31 December 2008.

Upon Completion of the Acquisition, the assets of Panyu Zhujiang will consist of the JV Lands (subject to the due and punctual performance by Hanjiang of its obligations mentioned under the paragraph headed "Other Obligations of Hanjiang" in the section headed "Principal Terms of the Panyu Agreement"), 1% equity interest in the Joint Venture Company and the 60mu Land.

The JV Lands are of a total site area of approximately 1,500 Chinese acres (equivalent to approximately 1,000,000 square meters) and the 60mu Land is of a total site area of approximately 60 Chinese acres (equivalent to approximately 40,000 square meters). Both are located in the prime area of Panyu District, Guangdong Province and are suitable for large scale development.

LETTER FROM THE BOARD

The 60mu Land was acquired by Panyu Zhujiang from Panyu District Land Bureau in 2002 and the land transfer price was approximately RMB1,716,000 (equivalent to approximately HK\$1,947,000). The 60mu Land is designated for commodity residential/commercial housing purpose and as appraised by the Valuer, has a fair value of RMB400,000,000 (equivalent to approximately HK\$453,757,000) as at 30 September 2009.

The JV Lands were granted to Panyu Zhujiang for developing economic housing pursuant to certain Permits. Panyu Zhujiang is in the course of completing the formalities for obtaining the land use right in respect of the JV Lands. Although the JV Lands are now approved for economic housing purpose, the Group was informed by Hanjiang that Panyu Zhujiang has applied to the government for re-designating part of the JV Lands for commodity residential/commercial housing purpose. The JV Lands, as appraised by the Valuer, has a fair value of RMB6,500,000,000 (equivalent to approximately HK\$7,373,544,000) as at 30 September 2009. According to the legal advice of an independent PRC law firm engaged by the Company, there are two kinds of economic housing, namely affordable housing (經濟適用住房) and price-limit housing (限價房). Sales prices of both affordable housing and price-limit housing are subject to restriction imposed by the relevant government authorities, and are normally lower than the commodity residential properties located in the nearby area. There is no pre-set formula for determining the sales prices of price-limit housing, but in the case of affordable housing, their sales prices would not be higher than 3% over cost incurred by the developer. This pricing formula on affordable housing is set out in the 《國家計委、建設部關於印發經濟適用住房價管理辦法的通知》(Notice for Publication of Administrative Measures on Pricing of Economically Affordable Housing issued by the State Planning Commission and the Ministry of Construction) issued by the National Development and Reform Commission 國家發展和改革委員會 (formerly known as the State Development Planning Commission 國家發展計劃委員會) and the 《經濟適用住房管理辦法》(Administrative Measures on Economically Affordable Housing) jointly issued by seven relevant government authorities in the PRC. As at the Latest Practicable Date, the type of economic housing that can be developed on the JV Lands has not yet been confirmed or approved by the relevant government authority.

As at the Latest Practicable Date, the JV Lands are still pending pre-development site formation and preparation works, and the 60mu Land is pending clearance works. Under the existing PRC rules and regulations, where a party is granted with the land use right of a piece of land, it is obliged to develop the land in accordance with the permitted land use before the date stipulated in the relevant land grant contract. If the development does not commence within the stipulated time period without the prior consent of the relevant government authority, and the delay is not due to force majeure, any act of the government or relevant government departments, the government may commence investigation thereof after serving upon the registered owner a notice of investigation of idle land (閑置土地調查通知書), and may thereafter, depending on the findings of such investigation, declare the land as idle land by serving on the registered owner thereof a notice of confirmation of idle land (閑置土地認定通知書). The land may then be recovered by the government without compensation to the registered owner. As confirmed by Hanjiang, as at the Latest Practicable Date, Panyu Zhujiang has not received any of the aforesaid notices in relation to the 60mu land. According to the legal advice given by an independent PRC law firm engaged by the Company to advise on this matter, since no such notices have been served on Panyu Zhujiang, the 60mu Land is not, and would not be classified as or deemed to be, idle land.

LETTER FROM THE BOARD

Under the Panyu Agreement, Hanjiang has represented and warranted to the Group, among others, that nothing has or would have occurred which may adversely affect Panyu Zhujiang's land use right in respect of the 60m Land on the respective dates of the Panyu Agreement and Completion and has agreed to indemnify the Group against all losses and damages that may arise should the 60mu Land be treated as idle land in breach of the said representation and warranty. According to the latest audited financial statements of Hanjiang for the year ended 31 December 2008 provided by Hanjiang to the Group, Hanjiang had substantial net assets of approximately RMB3,300 million and its operations are profitable. As disclosed in the Company's circular to the Shareholders dated 21 May 2009, there have been continuing connected transactions between the Group and Hanjiang Group for the provision of property constructions and other services by Hanjiang Group to the Group. For the year ended 31 December 2008, total fees incurred by the Group to Hanjiang Group for those transactions amounted to approximately RMB2,100 million. According to the legal advice given by an independent law firm engaged by the Company, in the event that Hanjiang is obliged to indemnify the Group for losses arising from the 60mu Land being treated as idle land, the Group may set-off such amount against any payables due to Hanjiang Group. In the circumstances, the Board considered that the risk to the Group that the 60mu Land may be treated as idle land by the relevant PRC government authority is covered.

Under the Panyu Agreement, Hanjiang has also covenanted to provide the Group with invoices amounting to RMB3,600 million in respect of the JV Lands and invoices amounting to RMB400 million in respect of the 60mu Land. With reference to the existing PRC rules and regulations and on the basis that Hanjiang will provide the invoices as aforesaid, the Board considered that land appreciation tax ("LAT") would not arise in respect of the JV Lands and the 60mu Land (assuming its plot ratio is 1.4). According to the legal advice given by an independent law firm engaged by the Company, should Hanjiang fail to perform the above obligation, the Group shall be able to recover against Hanjiang for all losses arising from its breach of the Panyu Agreement.

In the event that the approved plot ratio of the 60mu Land is higher than 1.4, the fair value of the 60mu Land would exceed RMB400 million and LAT may arise. However, based on the relevant PRC rules and regulations, it is estimated that the LAT would be lower than the 50% concession given to the Group in case the approved plot ratio exceeds 1.4. Pursuant to the Panyu Agreement, the consideration for the 60mu Land would be adjusted upward by 50% of the increase in fair value of the 60mu Land.

The fair value as at 30 September 2009 attributable to the 1% equity interest in the Joint Venture Company owned by Panyu Zhujiang, as appraised by the Valuer based on purchase method (with reference to the fair value of the Joint Venture Company's assets and liabilities) is RMB35,756,000. Based on the relevant PRC rules and regulation, LAT is payable for the 1% equity interest in the Joint Venture Company; and the amount thereof is estimated to be approximately RMB11 million,

Cheerocean is principally engaged in the holding of the entire equity interest in Taijing, which in turn, is principally engaged in the holding of the Lejing Land. The Lejing Land, as appraised by the Valuer, has a fair value of RMB960,000,000 (equivalent to approximately HK\$1,089,016,000) as at 30 September 2009.

Based on the unaudited consolidated management accounts of Cheerocean, its net liabilities as at 30 September 2009 were approximately HK\$2,076,537. As the development of the Lejing Land has not yet completed, Cheerocean has not yet generated any revenue. For each the two financial years ended 31 December 2008, Cheerocean did not have any profit or loss reported in its profits and loss account.

LETTER FROM THE BOARD

Upon Completion, Cheerocean will cease to be a subsidiary of the Company; Panyu Zhujiang and the Joint Venture Company will become indirect wholly-owned subsidiaries of the Company.

4. REASONS AND BENEFITS OF THE TRANSACTIONS

The Group is principally engaged in property development in various cities in the PRC including Guangzhou, Beijing, Shanghai and Tianjin.

Hanjiang is principally engaged in the business of property construction in the PRC.

Reference is made to the Company's 1999 Announcement and 2004 Announcement in relation to the formation of the Joint Venture Company with Panyu Zhujiang and the acquisition of, among others, 39% equity interest in the Joint Venture Company from Panyu Zhujiang by the Group respectively.

The Joint Venture Company was formed in February 2000 as a sino-foreign co-operative joint venture in the PRC for the development and construction of commodity property on the Lands. The Joint Venture Company was initially owned as to 60% equity interest by the Group, through Archibald, a wholly-owned subsidiary of the Company, and as to the remaining 40% equity interest by Panyu Zhujiang.

As disclosed in the 2004 Announcement, in September 2004, Panyu Zhujiang transferred to Hopeson, a wholly owned subsidiary of the Company, its 39% equity interest in the Joint Venture Company at a consideration of RMB113,685,300, representing the original capital injected by Panyu Zhujiang to the Joint Venture Company in 2000, which was unrelated to Land-1 and Land-2. As a result of such equity transfer, the Group, through Hopeson and Archibald, and Panyu Zhujiang own 99% and 1% equity interest in the Joint Venture Company respectively.

Pursuant to certain Permits issued in favour of Panyu Zhujiang in respect of the Lands, Panyu Town Planning Bureau had granted Panyu Zhujiang the development rights over the Lands for economic housing purpose. Under the Joint Venture Agreement, Panyu Zhujiang would be responsible for transferring or procuring the transfer of the land use rights in respect of the Lands to the Joint Venture Company; and the Joint Venture Company would be responsible for paying the Costs and Compensation in respect of the Lands. The Group has thus far, through the Joint Venture Company, paid a total sum of approximately RMB463,926,000 for the Costs and Compensation in respect of Land-1 and Land-2.

In 2000, the permitted land use of Land-1 and Land-2 was approved to be changed from economic housing to commodity residential/commercial housing. Pursuant to certain government approvals obtained in 2002, the Joint Venture Company obtained the Permit in respect of Land-2.

In 2002, the Joint Venture Company was granted the land use right certificate in respect of Land-3, which is now being developed into the Huanan New City with a total saleable gross floor area of approximately 782,281 square meters.

Due to a change in land policies in 2004, notwithstanding the fact that the Joint Venture Company had obtained the Permit in respect of Land-2 since 2002, in August 2004, Panyu Zhujiang, pursuant to the instruction of the Guangzhou Land Bureau, entered into the Land Grant Contract in respect of Land-2A. Under the Land Grant Contract, Panyu Zhujiang was granted the land use right in respect of Land-2A.

LETTER FROM THE BOARD

In March 2007, Guangzhou Town Planning Bureau issued the Decision which revoked the approvals previously granted for changing the permitted land use of Land-1 and Land-2B and the Permit in respect of Land-2 granted to the Joint Venture Company. As a result, since 2007, the permitted land use of Land-1 and Land-2B has been changed back from commodity residential/commercial housing to economic housing; and the Permit in respect of Land-2 was reverted to Panyu Zhujiang. The Permit in respect of Land-1 has at all times been issued to Panyu Zhujiang, no transfer thereof to the Joint Venture Company has ever been effected.

As at the Latest Practicable Date, only the land use right of Land-3 has been granted to the Joint Venture Company pursuant to the Joint Venture Agreement. The Permits in respect of the JV Lands, and the land use right of Land-2A, remain vested in Panyu Zhujiang. As at the Latest Practicable Date, Land-2A is still vacant and no construction or development works have been carried out thereon.

It has been Panyu Zhujiang's contention that under the prevailing land policies and the laws and regulations of the PRC, the transfer of the Permits in respect of the JV Lands from Panyu Zhujiang to the Joint Venture Company is no longer permissible, and hence, Panyu Zhujiang is relieved of the relevant obligations under the Joint Venture Agreement by the force majeure provisions thereof. The argument that force majeure is an available defence to Panyu Zhujiang is shared by one of the independent PRC law firms engaged by the Company to advise on the matter.

On the other hand, according to the legal advice obtained by the Company from another independent PRC law firm, under the prevailing land policies and laws and regulations of the PRC, the Joint Venture Company cannot seek specific performance for the transfer of the JV Lands by Panyu Zhujiang to the Joint Venture Company, and the Joint Venture Agreement cannot be performed any further. Notwithstanding this, the Company's independent PRC law firm advised that, Panyu Zhujiang's failure to transfer or procure the transfer of the land use right in respect of Land-1 and Land-2 to the Joint Venture Company ("Default") constituted a breach of the Joint Venture Agreement. Yet, the Company was further advised that it was arguable if the change in government land policies in 2004 was foreseeable by Panyu Zhujiang at the time the Joint Venture Agreement was entered into in September 2004, hence Panyu Zhujiang's contention that such change was a force majeure event which could relieve it from any liability owed to Hopeson and Archibald as a result of the Default is not wholly without merit.

Thus, on the one hand, the legal opinion with regard to the liability of Panyu Zhujiang for the Default diverged, while on the other hand, it was the common advice of both independent PRC law firms engaged by the Company that transfer of the Permits in respect of the JV Lands to the Joint Venture Company pursuant to the Joint Venture Agreement is no longer permissible under the prevailing government policies in the PRC.

In view of the different legal opinion received by the Company with regard to the liability of Panyu Zhujiang for the Default, and the fact that transfer of the Permits in respect of the JV Lands to the Joint Venture Company is no longer permissible under the prevailing government policies in the PRC, it is uncertain if the Group could succeed in any claim against Panyu Zhujiang for the Default, and even if it did, it would be unlikely that the Group would be awarded of any interests in the JV Lands.

LETTER FROM THE BOARD

The JV Lands and the 60mu Land are both located in the prime area of Panyu District, Guangdong Province with superb scenery which are rarely available in the district nowadays. Although the JV Lands are now designated for economic housing purpose, the Group was informed by Hanjiang that Panyu Zhujiang has applied to the government for re-designating part of the JV Lands for commodity residential/commercial housing purpose. The land supply in the prime area of Panyu District has been scarce, and both the demand and property prices are on the rise. Given the large land size and the superb scenery, the JV Lands and the 60mu Land would offer great development potential and are suitable for large scale development. In view of the high market demand and the rising property prices, the profitability potential of the JV Lands and the 60mu Land would be very impressive. The Acquisition would allow the Group to maintain its interests in the JV Lands and hence its land bank in the district, which would bring forth substantial development and profitability opportunity to the Group.

The payment of the Refund would allow the Group to recoup in full the Costs and Compensation that it had paid in respect of Land-1 and Land-2 pursuant to the Joint Venture Agreement together with interest thereon.

In the premises, the Panyu Agreement would allow the Group to maintain a substantial part of the interest and business opportunity which the Group would have enjoyed had Panyu Zhujiang duly observed and performed its obligations under the Joint Venture Agreement in respect of the Lands, without incurring any possible future costs and any inherent litigation risks if formal legal proceedings were to be instituted against Panyu Zhujiang for breach of the Joint Venture Agreement. The Directors (excluding the independent non-executive Directors whose opinion is set forth in the letter from the Independent Board Committee set out on pages 21 to 22 of this circular) therefore consider that the entry into the Panyu Agreement is in the interests of the Company and its Shareholders as a whole.

On the other hand, the Lejing Land is located in the Western part of Haizhu District and is surrounded by wholesale markets and villages. This busy commercial district has a relatively poor environment with high volume of pedestrian flow and traffic noise. The land is relatively small in size. The Lejing Land is therefore only suitable for mid range residential properties and is of limited development potential.

The Cheerocean Share Disposal and the Share Issue, as means of payment of the Acquisition Consideration, will help reduce the cash outlay that may be required for the Acquisition.

The terms and conditions of the Panyu Agreement were arrived at after arm's length negotiation between the Group and Hanjiang. The Directors (excluding the independent non-executive Directors whose opinion is set forth in the letter from the Independent Board Committee set out on pages 21 to 22 of this circular) consider that the terms of the Panyu Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

5. FINANCIAL EFFECT OF THE TRANSACTIONS

Upon Completion, Panyu Zhujiang will become a wholly owned subsidiary of the Group. Accordingly, the financial results and the financial position of Panyu Zhujiang will be consolidated into the financial accounts of the Group. It is presently estimated that, Completion will result in an estimated net gain before expenses of approximately RMB837,000,000 (equivalent to approximately HK\$949,485,000) to the Group (*Note*). The estimated net gain is calculated based on the difference

LETTER FROM THE BOARD

between the Cheerocean Consideration and the consolidated net asset of Cheerocean. No gain or loss is expected to be arising from the Acquisition because there shall be no difference between the Acquisition Consideration and the net asset value of Panyu Zhujiang.

Note: The net gain before expenses of approximately RMB713,000,000 (equivalent to approximately HK\$808,000,000) as disclosed in the Company's announcement dated 2 November 2009 incorrectly accounted for a write-off of certain inter-company receivable balances. As a result, the cost of net assets being disposed of was inflated by approximately RMB124 million (equivalent to approximately HK\$141,485,000).

6. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company conducted a placing on 3 June 2009 for 120,000,000 Shares at an issue price of HK\$13.3 per Share raising net proceeds of approximately HK\$1,579,900,000 for general working capital purpose. Save for the above, the Company had not conducted any other fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

7. EFFECTS OF THE SHARE ISSUE ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structure of the Company immediately before and after the completion of the Share Issue is set out below:

	As at the Latest Practicable Date		Immediately after completion of the Share Issue	
	No. of Shares	Approx. percentage	No. of Shares	Approx. percentage
Sounda Properties Limited				
<i>(Note)</i>	915,542,346	57.5%	1,120,467,814	62.34%
Public shareholders	<u>676,826,000</u>	<u>42.5%</u>	<u>676,826,000</u>	<u>37.66%</u>
	<u><u>1,592,368,346</u></u>	<u><u>100%</u></u>	<u><u>1,797,293,814</u></u>	<u><u>100%</u></u>

Note: Sounda Properties Limited is owned by Mr. Chu

8. LISTING RULES IMPLICATIONS

Hanjiang, a company owned by the brother of Mr. Chu as to 90% and the brother-in-law of Mr. Chu as to 10%, is a connected person of the Company under the Listing Rules. Mr. Chu, being the controlling Shareholder (through Sounda) and the chairman of the Board, is a connected person of the Company. Accordingly, the Acquisition, the Cheerocean Share Disposal and the Share Issue constitute connected transactions under the Listing Rules and are subject to the approval of the Independent Shareholders of the Company at the SGM under the Listing Rules. Sounda and its associates will abstain from voting at the SGM in respect of the proposed resolution to approve the Acquisition, the Cheerocean Share Disposal and the Share Issue. As one or more of the applicable percentage ratios to the Acquisition under the Listing Rules are more than 5% but less than 25%, the Acquisition and the Cheerocean Share Disposal also constitute discloseable transactions of the Company under the Listing Rules.

LETTER FROM THE BOARD

9. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Acquisition, the Cheerocean Share Disposal and the Share Issue under the Panyu Agreement.

Somerley Limited, an independent financial adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Acquisition, the Cheerocean Share Disposal and the Share Issue under the Panyu Agreement.

10. SGM

A notice convening the SGM is set out on pages 79 to 80 of this circular. At the SGM, a resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Acquisition, the Cheerocean Share Disposal and the Share Issue.

A form of proxy for use by the Shareholders at the SGM is enclosed with this circular. If you are unable to attend the SGM in person, you are strongly urged to complete and return the form of proxy in accordance with the instructions printed thereon, and to lodge it with 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 meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjourned meeting (as the case may be) should you so wish.

11. FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders set out on pages 21 to 22 of this circular and the advice from Somerley Limited to the Independent Board Committee and the Independent Shareholders set out on pages 23 to 54 of this circular.

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

As at the date hereof, the executive Directors are CHU Mang Yee (Chairman), XIANG Bin, CHEN Chang Ying, AU Wai Kin, XUE Hu and ZHAO Mingfeng, and the independent non-executive Directors are YUEN Pak Yiu, Philip, LEE Tsung Hei, David and WONG Shing Kay, Oliver.

By Order of the Board
Chu Mang Yee
Chairman



合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Stock Code: 754)

(Incorporated in Bermuda with limited liability)

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

To the Shareholders

23 November 2009

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
AND
CONNECTED TRANSACTION**

INTRODUCTION

We refer to the circular dated 23 November 2009 issued by the Company, of which this letter forms part ("Circular"). Terms used in this letter shall have the same meanings defined elsewhere in the Circular unless the context requires otherwise.

The Independent Board Committee comprising Messrs. Yuen Pak Yiu, Philip, Lee Tsung Hei, David and Wong Shing Kay, Oliver has been appointed to advise you in respect of the Panyu Agreement, the Acquisition, the Cheerocean Share Disposal and the Share Issue, details of which are set out in the Circular. Somerley Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Panyu Agreement, the Acquisition, the Cheerocean Share Disposal and the Share Issue.

RECOMMENDATION

We wish to draw your attention to the Letter from the Board as set out on pages 6 to 20 of this Circular, and the letter from Somerley Limited which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Panyu Agreement, the Acquisition, the Cheerocean Share Disposal and the Share Issue as set out on pages 23 to 54 of this Circular.

* for identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of Somerley Limited and the principal factors and reasons considered by Somerley Limited, we consider that the terms of the Panyu Agreement, the Acquisition, the Cheerocean Share Disposal and the Share Issue 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 Panyu Agreement, the Acquisition, the Cheerocean Share Disposal and the Share Issue at the SGM.

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

Yuen Pak Yiu, Philip
*Independent Non-Executive
Director*

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

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

LETTER FROM SOMERLEY LIMITED

The following is the text of a letter of advice to the Independent Board Committee and Independent Shareholders from Somerley Limited setting out their opinion regarding the Discloseable and Connected Transactions for the purpose of incorporation into this circular:



SOMERLEY LIMITED

10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

23 November 2009

To: *the Independent Board Committee
and the Independent Shareholders*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Panyu Agreement entered into among the Company, Hanjiang and Mr. Chu on 2 November 2009. Details of the Panyu Agreement are contained in the circular to the Shareholders dated 23 November 2009 (the “Circular”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As at the Latest Practicable Date, the Company was owned as to approximately 57.50% by Mr. Chu, who is the chairman of the Board, and Hanjiang was currently owned as to 90% by the brother of Mr. Chu, and the remaining 10% by the brother-in-law of Mr. Chu. Accordingly, the transactions as contemplated under the Panyu Agreement among the Company, Hanjiang and Mr. Chu will constitute connected transactions of the Company and be subject to approval by Independent Shareholders by way of poll pursuant to the Listing Rules.

The Independent Board Committee comprising all of the three independent non-executive Directors, namely Mr. Yuen Pak Yiu, Philip, Mr. Lee Tsung Hei, David and Mr. Wong Shing Kay, Oliver, has been formed to advise the Independent Shareholders in respect of the terms of the Panyu Agreement. We, Somerley Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our advice, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group and have assumed that they are true, accurate and complete as at the date of the Circular and will remain so up to the time of the SGM. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided

LETTER FROM SOMERLEY LIMITED

to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. However, we have not conducted any independent investigation into the business and affairs of each of the Group (including the Joint Venture Company, Cheerocean and Taijing, which are the subject matters of the Panyu Agreement), Panyu Zhujiang, Hanjiang and their respective associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Panyu Agreement are fair and reasonable from a financial point of view and insofar as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Background to and reasons and benefits for entering into the Panyu Agreement

(i) *Background of the Group*

The Group is principally engaged in property development in the PRC, and is specialised in the development of medium to large-scale residential properties. In terms of land bank, the Group is currently one of the largest property developers in the PRC. The Group is also involved in some ancillary property related businesses, including property investment, property management and hotel operations.

The Group has its principal focus on the three core economic zones in the PRC, namely Pearl River Delta in Southern China, Huanbohai Area in Northern China and Yangtze River Delta in Eastern China, with major investments made in the first tier cities such as Guangzhou, Beijing, Tianjin and Shanghai over the past few years. Among the first tier cities in which the Group has a presence, Guangzhou is the place where the Group has the largest number of property development projects. The Group also has substantial experience in the development of large-scale property projects, for example, the Guangzhou Huajing New City, the Jingjin New Town, the Huizhou World Island Project and the Huanan New City (which is being developed by the Joint Venture Company, the minority interest of which will be acquired by the Group pursuant to the Panyu Agreement). The management of the Company believes that the brand recognition of the Group's developed properties enhances the Group's position and the marketability of its future projects.

LETTER FROM SOMERLEY LIMITED

(ii) *The Acquisition, the Cheerocean Share Disposal and the Share Issue pursuant to the Panyu Agreement*

Pursuant to the Panyu Agreement, the Group has agreed to acquire from Hanjiang the entire equity interest of Panyu Zhujiang, which at Completion would hold (i) a 1% equity interest in the Joint Venture Company; (ii) the JV Lands; and (iii) the 60mu Land. Consideration for the Acquisition will be satisfied by (a) the Group transferring its entire equity interest in Cheerocean to Hanjiang; and (b) the balance shall be paid by cash raised from the Share Issue made to Mr. Chu.

(a) *Background of the Joint Venture Company*

The Joint Venture Company was formed in February 2000 in the PRC as a sino-foreign co-operative joint venture, initially owned as to 60% by Archibald, a wholly-owned subsidiary of the Company, and as to the remaining 40% by Panyu Zhujiang, a non-wholly owned subsidiary of Hanjiang. The original purpose of setting up the Joint Venture Company was principally for the development of Huanan New City on the Lands with a total site area of approximately 3,000 Chinese acres and located in the Panyu District, Guangzhou. Panyu Zhujiang has undertaken to transfer or procure the transfer of the Lands' titles to the Joint Venture Company for the development of the Huanan New City project, and the Joint Venture Company would be responsible for paying the Costs and Compensation in respect of the Lands.

In September 2004, the Group completed the acquisition of a 39% equity interest in the Joint Venture Company from Panyu Zhujiang at a consideration of RMB113,685,300 (the "2004 Acquisition"). The Directors had stated that consideration for the 2004 Acquisition of RMB113,685,300 was determined on the basis of the capital contribution by Panyu Zhujiang to the Joint Venture Company in 2000. Upon completion of the 2004 Acquisition, the Joint Venture Company was owned as to 99% by the Group and as to the remaining 1% by Panyu Zhujiang and the Joint Venture Agreement was entered into to govern the respective rights and obligations of the joint venture partners.

LETTER FROM SOMERLEY LIMITED

(b) *Details of the Lands and the 60mu Land*

Set out below is the current status of the Lands and the 60mu Land:

	Site area (Chinese acres)	Permitted land use	Permits/land use rights issued in favour of
<i>The Lands</i>			
Land-1 (<i>Note</i>)	981	Economic housing	Panyu Zhujiang
Land-2A	497	Commodity residential/ commercial housing	Panyu Zhujiang
Land-2B (<i>Note</i>)	530	Economic housing	Panyu Zhujiang
Land-3	997	Commodity residential/ commercial housing	Joint Venture Company
	3,005		
 <i>The 60mu Land</i>			
	60	Commodity residential/ commercial housing	Panyu Zhujiang

Note: Land-1 and Land-2B, with an aggregate site area of approximately 1,511 Chinese acres, together represent the JV Lands which would be acquired by the Group pursuant to the Panyu Agreement. It was agreed between the Group and Hanjiang that Land-2A would not be transferred to the Group.

The Lands are situated in Panyu District, Guangzhou, along the Pearl River, with a total site area of approximately 3,005 Chinese acres (or approximately 2 million square meters) and are divided into Land-1, Land-2 and Land-3, which are located adjacent to each other. Prior to the formation of the Joint Venture Company, Panyu Zhujiang was issued certain Permits whereby it was allowed to develop economic housing (安居工程) over the Lands. In 2000, Panyu Zhujiang obtained approval from Panyu Town Planning Bureau to change the permitted land use of the Lands from economic housing to commodity residential/commercial housing.

When the Joint Venture Company was formed in February 2000, it was agreed that capital injections would be contributed by the Group and Panyu Zhujiang according to their respective equity interest percentages in the Joint Venture Company, and Panyu Zhujiang would transfer or procure the transfer of the Lands' titles to the Joint Venture Company for the development of the Huanan New City project, and the Joint Venture Company would be responsible for paying the Costs and Compensation in respect of the Lands.

Pursuant to certain government approvals, Permits were issued in favour of the Joint Venture Company in respect of Land-2 and Land-3 in 2002 and 2001 respectively. Land use right certificates were further issued to the Joint Venture Company in 2002 in respect of Land-3. The Joint Venture Company proceeded with the development of Land-3, which is now being developed into the Huanan New City with a total site area

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of approximately 653,359 square meters and saleable gross floor area of approximately 782,281 square meters. Out of the 781,281 square meters, approximately 579,837 square meters has been sold up to 30 June 2009.

Due to a change in land policies in 2004, notwithstanding the fact that the Joint Venture Company had obtained the Permit in respect of Land-2 since 2002, Panyu Zhujiang, pursuant to the instruction of the Guangzhou Land Bureau, entered into the Land Grant Contract in respect of Land-2A in August 2004. Under the Land Grant Contract, Panyu Zhujiang was granted the right to develop commodity residential/commercial housing over Land-2A.

In March 2007, Guangzhou Town Planning Bureau issued the Decision which revoked the approvals previously granted for changing the permitted land use of Land-1 and Land-2B to commodity residential/commercial housing, and the Permit in respect of Land-2 originally granted to the Joint Venture Company in 2002. As a result, the permitted land use of Land-1 and Land-2B has been changed back to economic housing since 2007, and the Permit in respect of Land-2 reverted to Panyu Zhujiang. The Permit in respect of Land-1 has at all times been issued to Panyu Zhujiang and no transfer thereof to the Joint Venture Company has ever been effected.

As at the Latest Practicable Date, only the land use right of Land-3 had been granted to the Joint Venture Company. Despite of the terms stipulated in the Joint Venture Agreement, the Permits in respect of the JV Lands (i.e. Land-1 and Land-2B) and the entitlement to the land use right of Land-2A remain vested in Panyu Zhujiang. On the other hand, the Group has already incurred Costs and Compensation of approximately RMB463.9 million in respect of Land-1 and Land-2 up to the date of the Panyu Agreement.

According to the management of the Group, the PRC government has adopted the policy of providing economic housing which aims to offer reliefs to the housing problem faced by middle-to-low income families. Under the policy of economic housing, affordable housing is provided to middle-to-low income families and other eligible persons, and sale of such properties is restricted to eligible families with income below certain threshold. According to the legal advice of an independent PRC law firm engaged by the Company, there are two types of economic housing, namely affordable housing (經濟適用住房) and price-limit housing (限價房). Sales prices of both affordable housing and price-limited housing are subject to restriction imposed by the relevant government authorities, and are normally lower than the commodity residential properties located in the nearby area. There is no pre-set formula for determining the sales prices of price-limit housing, but in the case of affordable housing, their sales prices would not be higher than 3% over cost incurred by the developer. This pricing formula on affordable housing is set out in the 《國家計委、建設部關於印發經濟適用住房價管理辦法的通知》(“Notice for Publication of Administrative Measures on Pricing of Economically Affordable Housing issued by the State Planning Commission and the Ministry of Construction”) issued by the National Development and Reform Commission 國家發展和改革委員會 (formerly known as the State Development Planning Commission 國家發展計劃委員會) and the 《經濟適用住

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房管理辦法》(“Administrative Measures on Economically Affordable Housing”) jointly issued by seven relevant government authorities in the PRC. The final pricing of the completed properties is usually fixed and announced to the public by the relevant government authorities before commencement of construction, or no later than the commencement of sales activities if the pricing could not be fixed at the time when construction commenced. As at the Latest Practicable Date, the type of economic housing that can be developed on the JV Lands has not yet been confirmed or approved by the relevant government authority.

As the profit margin for development of economic housing is lower than that from development of commodity residential housing, land use rights for lands designated for economic housing are usually sold at a discount to lands allowed to be developed into commodity residential/commercial housing. Management of the Group also informed us that although the government authorities would not guarantee or underwrite the sales, such properties are usually over-subscribed by eligible families since they are normally priced lower than commodity housing.

The 60mu Land is another piece of land situated also in Panyu District, next to the JV Lands, with a site area of approximately 60 Chinese acres (approximately 40,000 square meters) and a plot ratio of 1.4. Panyu Zhujiang has obtained the land use right to develop the 60mu Land into commodity residential/commercial housing. Panyu Zhujiang has applied for an increase in the plot ratio of the 60mu Land, but up to the Latest Practicable Date, no response has been obtained from the relevant government authorities.

As at the Latest Practicable Date, the JV Lands were still pending pre-development site formation and preparation works, and the 60mu Land was pending clearance works.

(c) *Background of the Cheerocean and the Lejing Land*

Cheerocean is a wholly-owned subsidiary of the Company and its principal asset is the entire equity interest in Taijing, which in turn principally holds the Lejing Land. The Lejing Land is located in the western part of Haizhu District. The Directors consider that this land has a relatively poor development potential because it is surrounded by wholesale markets and villages and is affected by a high volume of pedestrian flow and traffic noise. The Lejing Land is relatively small in size. The Lejing Land is therefore, in the opinion of the Directors, only suitable for mid range residential properties and is of limited development potential.

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(d) *Reasons for entering into the Panyu Agreement*

As mentioned above, the change in the land policies in 2004 and the Decision issued in March 2007 changed the permitted land use of the JV Lands back to economic housing, and the Permit in respect of Land-2 reverted to Panyu Zhujiang. Panyu Zhujiang believes that the transfer of the Permits in respect of the JV Lands to the Joint Venture Company is no longer permissible under the prevailing PRC rules and regulations. As a result, Panyu Zhujiang considered itself relieved of the relevant obligations under the Joint Venture Agreement by the force majeure provision thereof. This view is shared by one of the independent PRC law firms engaged by the Company. Another independent PRC law firm engaged by the Company advised that the failure of Panyu Zhujiang to transfer or procure to transfer of Land-1 and Land-2 to the Joint Venture Company constituted a breach of the Joint Venture Agreement. In any case, it was the common advice of both independent PRC law firms that transfer of the Permits in respect of the JV Lands to the Joint Venture Company pursuant to the Joint Venture Agreement is no longer permissible.

In view of the above and the uncertainty of outcome of any claim against Panyu Zhujiang, the Directors concluded that resolving the dispute amicably is beneficial to the Shareholders. The Directors further considered that the JV Lands are located in the prime area of Panyu District and that a plot of land of such significant size is rarely available in the district nowadays. Given that the transfer of the Permits in respect of the JV Lands to the Joint Venture Company is no longer permissible pursuant to the Joint Venture Agreement, the Group and Hanjiang entered into the Panyu Agreement on 2 November 2009 whereby the Group would acquire from Hanjiang the entire equity interest of Panyu Zhujiang, which would at Completion hold the JV Lands, the 60mu Land and the 1% equity interest in the Joint Venture Company. The JV Lands comprise only Land-1 and Land-2B, as Land-3 has already been legitimately transferred to and being developed by the Joint Venture Company, and it was agreed between the Group and Hanjiang that Land-2A would not be transferred to the Group.

It is stated in the “Letter from the Board” in this Circular that Panyu Zhujiang has applied to the government for re-designating part of the JV Lands from economic housing to commodity residential/commercial housing purpose. If successful, it is expected that development of the JV Lands would bring higher profitability, which is in the interests of the Group. It is further stated in the “Letter from the Board” that if the final approved plot ratio of the 60mu Land is higher than 1.4, the Acquisition Consideration shall be adjusted upward by only 50% of the increase in fair value of the 60mu Land, which is in the interests of the Group.

(e) *Reasons for the Share Issue*

The Balance, being the excess of the consideration for the Acquisition by the Group over that of the Cheerocean Share Disposal of approximately RMB2,386.1 million (or approximately HK\$2,706.7 million) would be satisfied by the Company issuing Consideration Shares to Mr. Chu, who in return has undertaken to the Group to pay the Balance to Hanjiang on or before Completion. The Directors have considered

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alternative financing methods such as bank borrowings and rights issue. In order to avoid payment of interest expense and having considered the Group's current financial position, working capital requirement and gearing, the maturity of the Group's bank borrowings and convertible bonds, the Directors are of the view that obtaining further bank borrowings to finance the Balance may not be in the interests of the Shareholders. The Directors are also of the view that a rights issue would not be in the interests of the Shareholders, having considered the legal, administrative and underwriting cost required for a rights issue, which may not be justified as measured against the size of the required funding (i.e. a capital requirement of approximately HK\$2,706.7 million as compared with the Company's market capitalisation of approximately HK\$20,510 million as at the Latest Practicable Date). Consequently, the Directors decided that the issue of the Consideration Shares is the preferred fund raising method.

2. Principal terms of the Panyu Agreement

(i) *Subject matters*

Pursuant to the Panyu Agreement, the Group would acquire a 100% equity interest in Panyu Zhujiang. Hanjiang currently holds 99% of equity interest of Panyu Zhujiang, while the remaining 1% is held by Nan Cun Zhen Company, an independent third party to the Group and Hanjiang. As a condition precedent to the Panyu Agreement, Hanjiang agreed to obtain consent from Nan Cun Zhen Company to transfer its 1% equity interest in Panyu Zhujiang to the Group, and Hanjiang will be responsible for paying the consideration for Nan Cun Zhen Company to sell its 1% equity interest in Panyu Zhujiang.

Panyu Zhujiang will hold the following upon Completion:

1. The JV Lands, which comprise Land-1 and Land-2B, with a total site area of approximately 1,511 Chinese acres;
2. The 60mu Land, with a site area of approximately 60 Chinese acres; and
3. 1% equity interest in the Joint Venture Company.

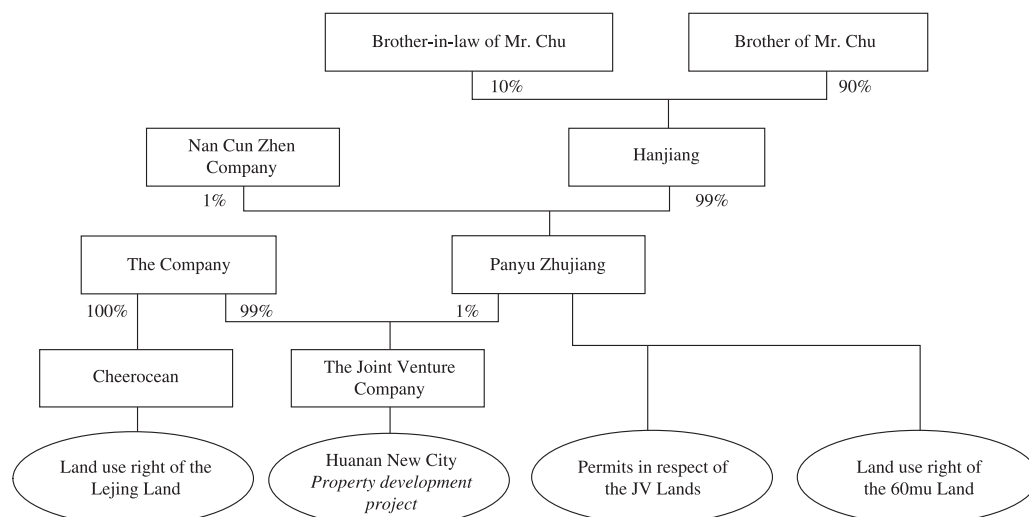
It has been agreed under the Panyu Agreement that upon Completion, there will be no other assets or liabilities (which include existing or contingent liabilities) in Panyu Zhujiang.

The Group will also dispose of its 100% equity interest in Cheerocean, the main asset of which is the 100% equity interest in Taijing, which holds the Lejing Land, with a site area of approximately 92 Chinese acres.

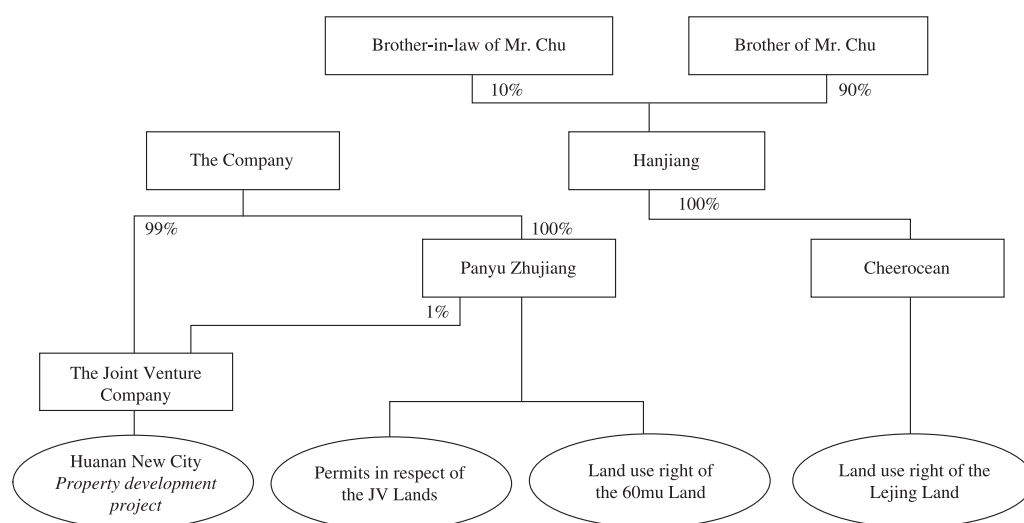
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Set out below is the simplified shareholding structure of the Joint Venture Company and Panyu Zhujiang immediately before and after Completion:

Immediately before Completion



Immediately after Completion



To settle the dispute over Panyu Zhujiang's Default, i.e. Panyu Zhujiang's failure in transferring or procuring the transfer of the land use rights in respect of Land-1 and Land-2 to the Joint Venture Company pursuant to the Joint Venture Agreement, the Group and Hanjiang agreed in the Panyu Agreement that, for so long as Hanjiang has duly observed its obligations under the Panyu Agreement, including the completion of the Acquisition and the due performance of its obligations under the Panyu Agreement, the Group shall withhold taking any legal action against Hanjiang or Panyu Zhujiang in relation to the Default.

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Hanjiang has also undertaken under the Panyu Agreement to obtain proper legal title of the JV Lands and to perform and complete all necessary pre-development site formation and preparation works for the JV Lands, at Hanjiang's own expense, within one year after the signing of the Panyu Agreement. Mr. Chu has agreed to guarantee, subject to a maximum liability of RMB3.6 billion (which is the agreed price for the JV Lands), the due and punctual performance by Hanjiang of its obligations in relation to the JV Lands under the Panyu Agreement.

In connection with the 60mu Land, relevant land use right certificates were issued to Panyu Zhujiang in 24 September 2001 and 7 March 2005. As at the Latest Practicable Date, the development of the 60mu Land is yet to commence. According to the Company's PRC legal adviser, the 60mu Land would only be treated as idle land after Panyu Zhujiang has been served with a written confirmation thereof from the relevant government authority. As at the Latest Practicable Date, Panyu Zhujiang has not received such notification by the relevant PRC government authority.

In order to address the risk that the 60mu Land may be treated as idle land by the relevant PRC government authority, the Group has agreed with Hanjiang in the Panyu Agreement that Hanjiang will indemnify the Group of penalties or any other losses that may arise should the 60mu Land be treated as idle land. According to the latest audited financial statements of Hanjiang for the year ended 31 December 2008 provided by the management of the Group, Hanjiang had substantial net assets of approximately RMB3.3 billion and its operations were profitable. There are also continuing connected transactions between the Group and the Hanjiang Group and the nature of the transactions involves provision of property constructions and other services by Hanjiang Group to the Group, details of which are contained in the circular to the Shareholders dated 21 May 2009. The Company has informed us that total fees incurred by the Group to Hanjiang Group for those transactions amounted to approximately RMB2.1 billion for the year ended 31 December 2008. According to the Company's PRC legal adviser, in the event that Hanjiang has to honor its obligation to pay for penalties or any other losses arising from the 60mu Land being treated as idle land, the Group may set-off such amount against any payables due to Hanjiang Group. In the circumstances, the risk to the Company arising from the subject issue is covered.

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(ii) *Consideration*

The Acquisition Consideration is approximately RMB3,346,073,000 (or approximately HK\$3,795,756,000), which comprises:

	<i>RMB</i>
1. the consideration for the JV Lands of RMB3,600,000,000 (or approximately HK\$4,083,809,000);	3,600,000,000
2. the consideration for the 60mu Land of RMB400,000,000 (or approximately HK\$453,757,000);	400,000,000
3. the consideration for the 1% equity interest in the Joint Venture Company of RMB35,756,000 (or approximately HK\$40,561,000); and	35,756,000
4. Less: the Refund, being the Costs and Compensation that the Group had paid through the Joint Venture Company in respect of Land-1 and Land-2, together with interests accrued thereon at the rate of 6.29%, being the average of the effective borrowing rates of the Group from 2000 to 2009, in the aggregate sum of RMB689,683,000 (or approximately HK\$782,370,000).	(689,683,000)
Acquisition Consideration	3,346,073,000
Less: Cheerocean Consideration	<u>(960,000,000)</u>
The Balance	<u><u>2,386,073,000</u></u>

As mentioned in the section above headed “Background to and reasons and benefits for entering into the Panyu Agreement”, Panyu Zhujiang has applied for the increase in the plot ratio of the 60mu Land. It was agreed under the Panyu Agreement that if such application is successful and the approved plot ratio is higher than 1.4, the fair value of the 60mu Land would be increased and the Acquisition Consideration would be adjusted upward by 50% of the increase in the fair value of the 60mu Land (the “Additional Sum”) as follows:

Approved plot ratio	Fair value (RMB'000)
1.4	400,000
2.24	640,000
3.0	820,000
3.2	850,000
3.5 or above	910,000

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As it is expected that additional land use right consideration and related tax may have to be paid to the relevant government authorities if the plot ratio is adjusted upward, it is further agreed in the Panyu Agreement that any additional costs to be paid to the relevant government authorities would be shared equally by the Group and Hanjiang. The above upward adjustment, before deduction of any additional costs, is not expected to exceed RMB255,000,000 ((RMB910,000,000 – RMB400,000,000) / 2).

The Balance of approximately RMB2,386,073,000 (or approximately HK\$2,706,741,000), together with the Additional Sum if such amount can be ascertained before Completion, shall be settled by the Share Issue to Mr. Chu, who, in return, has undertaken to the Group to pay the Balance, and the Additional Sum if applicable, to Hanjiang on or before Completion.

If the upward adjustment can only be ascertained after Completion, the Group would have to pay to Hanjiang such amount in cash, which would not exceed RMB255 million (or approximately HK\$289 million).

As mentioned in the section above headed “Background to and reasons and benefits for entering into the Panyu Agreement”, Panyu Zhujiang has applied to the government for re-designating part of the JV Lands from economic housing to commodity residential/commercial housing purpose. It was agreed under the Panyu Agreement that the Group would bear any additional land use right consideration and related tax that may have to be paid to the relevant government authority as a result of the re-designation of the permitted land use of the JV Lands.

(iii) *The Share Issue*

The Company shall issue to Mr. Chu or his nominee not more than 204,925,468 Consideration Shares, which includes any shares that may be issued for satisfying the payment of the Additional Sum. The issue price of HK\$14.62 per Consideration Share represents the average closing price of the Share quoted on the Stock Exchange for the 10 consecutive trading days immediately before the date of the Panyu Agreement. Mr. Chu has undertaken to the Group to pay the Balance, and the Additional Sum if applicable, to Hanjiang on or before Completion.

(iv) *Conditions precedent*

Completion of the Panyu Agreement is conditional upon, among other things, fulfilment of certain conditions. The following is a summary, in our view, of the more important conditions from the Independent Shareholders’ perspective:

- (a) Hanjiang having obtained all necessary approvals or consents which may be required for the Acquisition, including but without limitation, the waiver by Nan Cun Zhen Company of its pre-emption right over Hanjiang’s 99% equity interest in Panyu Zhujiang, and its consent for selling and transferring its 1% equity interest in Panyu Zhujiang to Hopeson, a wholly-owned subsidiary of the

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Company, in the manner (including the time of completion of the transfer) as Hopeson shall direct. Hanjiang shall be responsible for paying the price for acquiring Nan Cun Zhen Company's 1% equity interest in Panyu Zhujiang;

- (b) Hopeson being satisfied with its due diligence review and investigation in respect of Panyu Zhujiang;
- (c) the Independent Shareholders of the Company having passed all necessary resolution(s) at the SGM approving the Panyu Agreement and the transactions contemplated thereunder;
- (d) The Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, all of the Consideration Shares, which approval not having been revoked prior to the issue and delivery of the Consideration Shares to Mr. Chu;
- (e) Hopeson having obtained the valuation reports on each of the Lejing Land, the JV Lands, the 60mu Land and the 1% equity interest in the Joint Venture Company, issued by an independent valuer acceptable to Hopeson;
- (f) The representations, warranties and undertakings given by Hanjiang under the Panyu Agreement being true and accurate in all material respects as of the date of Completion;
- (g) There being no material adverse change in the circumstances of each of Panyu Zhujiang, Cheerocean and Taijing; and
- (h) Hopeson having obtained a legal opinion issued by a firm of PRC lawyers appointed by or acceptable to Hopeson confirming the legality of the transactions contemplated under the Panyu Agreement under PRC laws and regulations.

3. Business and financial information of the Group

(i) Business

The Company is incorporated in Bermuda and its issued shares have been listed on the Main Board of the Stock Exchange since 1998. The Company is principally engaged in property development with most of its turnover derived from the PRC.

As at 31 December 2008, the Group had over 50 commercial and residential property development projects under development or pending for future development, the majority of which are located in Guangzhou, Beijing, Tianjin and Shanghai. In order to meet continuing development needs and to achieve sustained growth, the Group had in 2008 completed acquisitions of new lands with developable GFA of approximately 3.2 million square meters. As at 31 December 2008 and 30 June 2009, the Group's properties under development or pending future development occupied an aggregate GFA of approximately 24.3 million square meters and 28.0 million square meters respectively.

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(ii) *Operating results and financial position*

Set out below are the condensed operating results of the Group for each of the three years ended 31 December 2008 and for the 6 months ended 30 June 2009 as extracted from the Group's 2007 and 2008 annual reports and the 2009 interim report:

Operating results

	For the six months		For the year ended 31 December		
	ended 30 June				
	2009	2008	2008	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	3,902,317	3,539,782	10,774,624	11,130,643	6,920,294
Gross profit	1,608,355	1,839,131	4,858,648	4,460,645	2,410,954
Gross profit %	41.2%	52.0%	45.1%	40.1%	34.8%
Operating profit	1,511,707	1,724,570	4,077,894	5,162,608	2,391,267
Profit before tax	1,360,910	1,629,719	3,861,762	5,177,451	2,461,536
Profit for the year/period	903,342	907,701	1,948,950	3,548,206	1,624,178

For each of the years/periods under review, revenue from property development contributed over 90% of total revenue, with the balance consisting of revenue from property investment, property management and hotel operations. Revenue from property development was mainly derived from eastern PRC areas such as Guangdong province, Beijing, Shanghai and Tianjin.

2007 compared to 2006

For the year ended 31 December 2007, the Group recorded revenue of approximately HK\$11,131 million, which represented an increase of approximately HK\$4,210 million (or 60.8%) compared to the revenue recorded in 2006. It was principally a result of increase in turnover from property development projects in Guangdong province and Beijing, which accounted for approximately HK\$4,048 million of the increase. In particular, turnover from Regal Riviera and Hopson International New City in Guangdong province and Hopson International Garden in Beijing, both of which started to contribute turnover in 2007, accounted for approximately HK\$3,307 million of the increase in sales, while sales of the other property projects largely remained steady. As the Group is specialised in the development of large-scale residential properties, sales of a particular project, which is usually developed under a number of phases, can last for a few years. Gross profit margin of the Group also

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improved from approximately 34.8% in 2006 to approximately 40.1% in 2007, which was principally due to the increase in overall average selling price of the properties sold by the Group during 2007.

In 2007, the Group recorded operating profit of approximately HK\$5,162 million, more than doubled the operating profit of approximately HK\$2,391 million recorded in 2006. This was mainly due to the (i) increase in gross profit in 2007 and (ii) a negative goodwill of approximately HK\$848 million recognised as other gain in 2007. Such negative goodwill arose from an acquisition of a property development project in 2007. Profit for the year increased by approximately HK\$1,924 million (or approximately 118.5%) to approximately HK\$3,548 million in 2007.

2008 compared to 2007

Despite the global financial turmoil starting from the second half of 2008 which adversely impacted the property market in the PRC in 2008, the Group recorded only a slight decrease in revenue of approximately HK\$356 million (or approximately 3.2%) to approximately HK\$10,775 million in 2008. While the Group's major projects, such as Hopson International Garden and Regal Court in Beijing and Regal Riviera in Guangzhou, recorded increase in turnover in 2008, other smaller-scale projects recorded a decrease in turnover. Notwithstanding the slight decline in revenue, gross profit margin continued to increase to approximately 45.1% in 2008. Similar to 2007, this was principally due to the increase in overall average selling price of the properties sold by the Group during 2008.

Operating profit of the Group in 2008 was approximately HK\$4,078 million, representing a decrease of approximately HK\$1,085 million (or approximately 21.0%) when compared to 2007, which was mainly due to (i) the HK\$848 million gain recognised in 2007 in connection with an acquisition relating to property development as mentioned above, and (ii) increase in selling and administrative expenses as a result of increase in advertising costs and employees' benefits in respect of new projects. Together with the increased tax charges in 2008 principally due to increased land appreciation tax paid, profit for the year decreased by approximately HK\$1,599 million (or approximately 45.1%) to approximately HK\$1,949 million.

Six months ended 30 June 2009 compared to six months ended 30 June 2008

The Group recorded revenue of approximately HK\$3,902 million for the six months ended 30 June 2009, which represented an increase of approximately HK\$363 million (or approximately 10.2%) when compared to the same period in 2008. However, gross profit margin decreased from approximately 52.0% during first half of 2008 to approximately 41.2% during first half of 2009, which was mainly due to the decrease in overall average selling price.

As a result of the lower gross profit in the first half of 2009, operating profit and profit before tax decreased to approximately HK\$1,512 million and HK\$1,361 million respectively during the first half of 2009. However, profit for the six months ended 30

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June 2009 only slightly decreased by approximately HK\$4 million (or 0.5%), as a result of recognition of a number of non-taxable items in the first half of 2009, which include a gain on disposal of subsidiaries of approximately HK\$469 million.

Assets and liabilities

	As at 30 June 2009	As at 31 December 2008	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-current assets	10,261,893	10,187,390	6,973,529	7,447,385
Current assets	<u>51,807,555</u>	<u>48,084,398</u>	<u>40,959,913</u>	<u>18,257,175</u>
Total assets	62,069,448	58,271,788	47,933,442	25,704,560
Non-current liabilities	(15,345,787)	(16,376,469)	(13,762,644)	(7,778,027)
Current liabilities	<u>(22,135,881)</u>	<u>(19,331,246)</u>	<u>(14,092,488)</u>	<u>(9,698,618)</u>
Total liabilities	(37,481,668)	(35,707,715)	(27,855,132)	(17,476,645)
Equity attributable to equity holders of the Company	22,453,503	20,179,894	17,864,383	7,837,665
Minority interests	<u>2,134,277</u>	<u>2,384,179</u>	<u>2,213,927</u>	<u>390,250</u>
Net assets	<u><u>24,587,780</u></u>	<u><u>22,564,073</u></u>	<u><u>20,078,310</u></u>	<u><u>8,227,915</u></u>
Net asset value (excluding minority interests) ("NAV") per Share	<u><u>HK\$14.10</u></u>	<u><u>HK\$13.71</u></u>	<u><u>HK\$12.13</u></u>	<u><u>HK\$6.10</u></u>

As at 30 June 2009, major assets of the Group were land costs, prepayments for acquisition of land and properties under development located principally in the PRC, with an aggregate book value of approximately HK\$44,586 million, of which approximately HK\$41,223 million were classified as current assets of the Group. Other assets of the Group included cash and bank deposits (including pledged/charged bank deposits) of approximately HK\$5,548 million and completed properties for sale of approximately HK\$3,257 million as at 30 June 2009, both of which were classified as current assets of the Group.

Major liabilities of the Group as at 30 June 2009 included borrowings of approximately HK\$16,121 million, of which approximately HK\$4,786 million were classified as current liabilities of the Group. Borrowings of the Group as at 30 June 2009 included convertible bonds of approximately HK\$2,094 million, which would be repayable in February 2010 if not converted. Other liabilities of the Group as at 30 June 2009 included pre-sale deposits of approximately HK\$6,282 million received from

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customers for properties not yet delivered as at 30 June 2009 and current tax liabilities of approximately HK\$4,039 million, both of which were classified as current liabilities of the Group, and deferred tax liabilities, which were classified as non-current liabilities of the Group, of approximately HK\$3,758 million.

The Group's net gearing ratio (defined as borrowings, net of cash and bank deposits, divided by net assets) as at 30 June 2009 was approximately 43.0%, which represented a decrease from approximately 62.8% as at 31 December 2008. That was mainly due to (i) increased pre-sale deposits received from customers during the first half of 2009, and (ii) net proceeds of approximately HK\$1,580 million raised from share placement completed in June 2009.

(iii) *Issue price of the Consideration Shares in relation to NAV per Share*

The Balance will be settled wholly by the issue of the Consideration Shares and not in cash. We have assessed the issue price of HK\$14.62 per Consideration Share by reference to the net assets of the Group. In the paragraph below headed "Share price performance and comparison with issue price", we also compare the issue price to the past market prices of the Shares.

Issue price of the Consideration Shares in relation to NAV per Share:

	Consolidated equity attributable to equity holders of the Company HK\$ million	Consolidated NAV per Share (Note) HK\$	Issue price to NAV ratio
As at 31 December 2008	20,180	13.71	1.07
As at 30 June 2009	22,454	14.10	1.04

Note: Based on the issued share capital of the Company of approximately 1,472 million Shares and approximately 1,592 million Shares as at 31 December 2008 and 30 June 2009 respectively.

On the above basis, the issue price of the Consideration Shares of HK\$14.62 represents a price to book ("P/B") ratios of approximately 1.07 based on the audited consolidated NAV per Share as at 31 December 2008, and approximately 1.04 based on the unaudited consolidated NAV per Share as at 30 June 2009.

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4. Evaluation of the Consideration

Panyu Zhujiang had an unaudited net asset value of approximately HK\$15,028,482 as at 30 September 2009. However, it was agreed in the Panyu Agreement that upon Completion, assets of Panyu Zhujiang would only comprise the JV Lands, the 60mu Land and the 1% equity interest in the Joint Venture Company, and Panyu Zhujiang would have no liabilities. Accordingly, our evaluation of the consideration for the equity interest of Panyu Zhujiang is made with reference to the value of the aforesaid asset items.

Cheerocean had unaudited net liabilities of approximately HK\$2,076,537 as at 30 September 2009. The Directors confirmed that upon Completion, both Cheerocean and Taijing, the only subsidiary of Cheerocean, would have no assets and liabilities other than the Lejing Land. On this basis, we have assessed the consideration for the Cheerocean Share Disposal by reference to the value of the Lejing Land only.

Assessment of the Consideration

The JV Lands, the 60mu Land, the 1% equity interest in the Joint Venture Company and the Lejing Land have been valued by the Valuer. The full text of the relevant valuation reports and certificates are set out in Appendices I to IV to the Circular. Set out below is a comparison between the agreed considerations and the corresponding valuations as at 30 September 2009:

	Agreed consideration RMB'000	Valuation as at 30 September 2009 RMB'000	
The JV Lands	3,600,000	6,500,000	(Note 1)
The 60mu Land at plot ratio of – 1.4	400,000	400,000	
– 2.24	520,000	640,000	
– 3.0	610,000	820,000	
– 3.2	625,000	850,000	
– 3.5 or above	655,000	910,000	
			(Note 2)
1% equity interest in the Joint Venture Company (the “JV Interest”)	35,756	35,756	
The Lejing Land	960,000	960,000	

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Notes:

1. As mentioned in the section above headed “Background to and reasons and benefits for entering into the Panyu Agreement”, Panyu Zhujiang has obtained the Permits in respect of the JV Lands (i.e. Land-1 and Land-2B), but proper legal title of the JV Lands was yet to be obtained as at the Latest Practicable Date as the relevant land use rights certificates have not yet been issued to Panyu Zhujiang. The Valuer has therefore attributed no commercial value to the JV Lands. However, as stated on page 58 of the valuation report, assuming proper land titles have been obtained, the Valuer was of the opinion that the aggregate market value of the JV Lands was RMB6,500 million as at 30 September 2009 if they were used for economic housing. It was agreed under the Panyu Agreement that Hanjiang would obtain proper legal title of the JV Lands and to perform and complete all necessary pre-development site formation and preparation works for the JV Lands, at Hanjiang’s own expense, within one year after the signing of the Panyu Agreement. Mr. Chu has agreed to guarantee, subject to a maximum liability of RMB3.6 billion, the due and punctual performance by Hanjiang of its obligations in relation to the JV Lands under the Panyu Agreement.
2. These figures have not taken into account of any additional land use right consideration and related tax that may be payable if the plot ratio is adjusted to higher than 1.4.

In assessing the fairness of the consideration for the 60mu Land, the JV Interest and the Lejing Land, we consider it appropriate to refer to the independent valuation made by the Valuer. As reflected in the above table, the valuations of the 60mu Land, the JV Interest and the Lejing Land as at 30 September 2009 were the same as the agreed considerations, if the plot ratio of the 60mu Land is finally fixed at 1.4. In the event that the plot ratio of the 60mu Land exceeds 1.4, the respective valuations were higher than the agreed considerations, which we consider fair and reasonable to the Company and the Independent Shareholders.

In the case of the JV Lands, we do not consider the Valuer’s valuation an appropriate yardstick to measure the fairness of the consideration for the JV Lands. The Valuer has valued the JV Lands as vacant land by reference to market values of comparable lands designated for economic housing. This valuation is in our view only relevant to the Group if it would dispose of the JV Lands as vacant lands after Completion. However, the current intention of the Group is to develop further phases of the Huanan New City over the JV Lands which, pursuant to the Permit, can only be developed into economic housing. According to the Valuer, the JV Lands’ market value was RMB6.5 billion as at 30 September 2009, no matter whether they were to be developed into affordable housing or price-limit housing. In case the JV Lands are finally approved to be developed into affordable housing, the developed properties would not be priced at higher than 3% over cost incurred by the developer. On that basis and without taking into account the future development and other costs to be incurred for the development project over the JV Lands, the economic value of the JV Lands to the Company and the Independent Shareholders, in our view, should be 103% of RMB3.6 billion, or RMB108 million over the agreed consideration of RMB3.6 billion.

We are informed by the Valuer that in performing the valuations, they have not taken into account the land appreciation tax (“LAT”) as regards the increase in value of the subject properties up to Completion. We have made enquires with the Company on this issue and the management of the Company confirmed that LAT would not arise in respect of the JV Lands and the 60mu Land (assuming its plot ratio is 1.4). In making the LAT estimation, the management of the Company has referred to the relevant PRC rules and regulations and assumed that Hanjiang is able to provide invoices amounting to RMB3.6 billion in respect of

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the JV Lands and invoices amounting to RMB400 million in respect of the 60mu Land pursuant to its obligation under the Panyu Agreement. Should Hanjiang fail to honor the above obligation, the Company's legal adviser's opinion is the Company shall be able to recover all losses arising therefrom from Hanjiang for breach of contract pursuant to the Panyu Agreement.

In the event that the approved plot ratio of the 60mu Land is higher than 1.4, the fair value of the land would exceed RMB400 million and LAT may arise. However, according to the estimation made by the management of the Group based on the relevant PRC rules and regulations, the LAT would be lower than the 50% concession given to the Group in case the approved plot ratio exceeds 1.4. Pursuant to the Panyu Agreement, the consideration for the 60mu Land would be adjusted upward by 50% of the increase in fair value of the 60mu Land.

Based on the Company's calculation, which is made in accordance with the relevant PRC rules and regulation, LAT is payable for the 1% equity interest in the Joint Venture Company. The estimated amount is approximately RMB11 million, which is insignificant in the context of the Acquisition. We also consider assumption of this amount of liabilities by the Group acceptable, bearing in mind the fact that the economic value of the JV Lands to the Company and the Independent Shareholders has a 3% (or RMB108 million) premium over the agreed consideration for the JV Lands.

The Acquisition Consideration is arrived at after deducting the cost and compensation of approximately RMB463,926,000 that the Group has paid through the Joint Venture Company for Land-1 and Land-2 since the establishment of the Joint Venture Company up to the date of the Panyu Agreement, together with interest of approximately RMB225,757,000, which we consider fair. The above interest is accrued at the rate of 6.29% which represents the average effective borrowing rate of the Group from 2000 to 2009, the period during which the Costs and Compensation paid by the Group were incurred and outstanding.

Having considered the above, we are of the view that the Acquisition Consideration and the Cheerocean Consideration are fair and reasonable.

5. Valuation of the JV Lands, the 60mu Land, the Lejing Land (together the "Property Interests") and the JV Interest

The Property Interests and the JV Interest have been valued by DTZ Debenham Tie Leung Limited, an independent professional surveyor and property valuer. The full text of the relevant valuation reports and certificates are set out in Appendices I to IV to the Circular.

The Valuer has adopted the direct comparison approach in valuing the Property Interests, whereby sales evidences of similar properties (i.e. bare lands) are collated and analysed to arrive at values appropriate to the Properties Interests. For the JV Lands, similar bare land transactions designated for economic housing are used as comparables, while for the 60mu Land, similar bare land transactions designated for commodity residential/commercial housing are used as comparables. Comparisons are made in respect of the differences in locations, sizes and characteristics between the property and the relevant comparable property in order to arrive at a value appropriate to the Property Interests. The methodology is, in our opinion, a reasonable

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approach in establishing the open market value of land designated for commodity housing, and for land designated for economic housing if they are intended to be held for sale. However, as mentioned in the section above headed “Evaluation of the Consideration”, the situation may be different if the JV Lands are intended to be held for development purpose, bearing in mind the PRC rules’ requirement that pricing for affordable housing would be cost based, despite the fact that the market may be able to absorb a higher selling price.

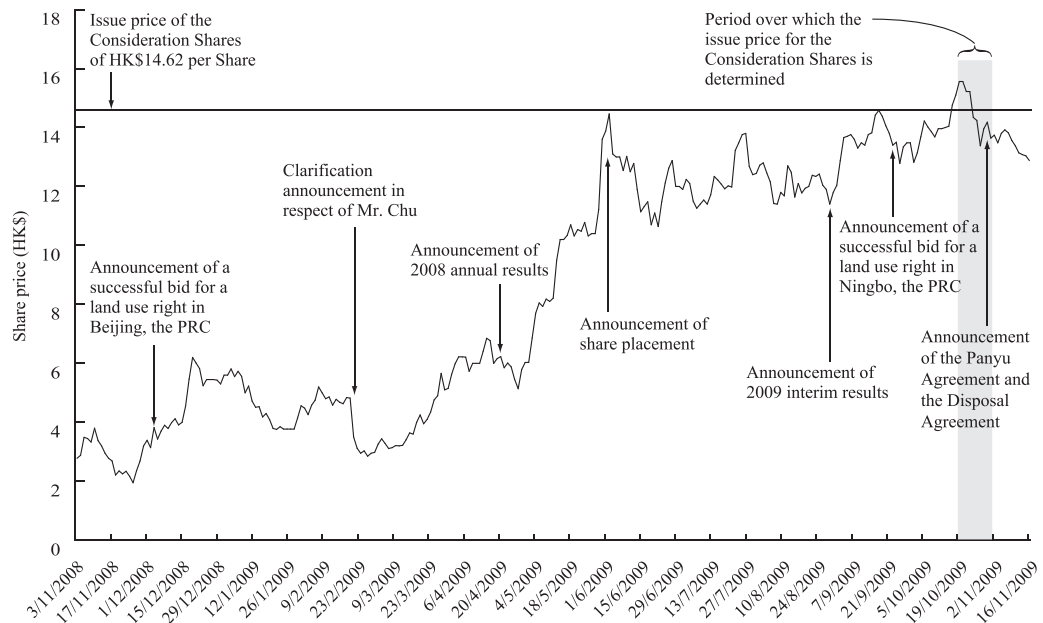
The Valuer assessed the value of the JV Interest based on the unaudited management balance sheet of the Joint Venture Company as at 30 September 2009. The valuation is conducted in accordance with the Hong Kong Financial Reporting Standards 3 on business combinations, which specifies that all business combinations should be accounted for by applying the purchase method. In using purchase method, the acquirer recognises the acquiree’s identifiable assets, liabilities and contingent liabilities at their fair values at the acquisition date. Assets and liabilities are individually assessed to arrive at the fair value of the acquiree’s net assets. This method is, in our opinion, a reasonable approach in establishing the open market value of the JV Interest. The JV Interest were assessed by the Valuer as having a value of approximately RMB35.8 million, which exceed their then unaudited net book values attributable to the 1% equity interest by approximately RMB25.4 million. This difference was mainly attributable to the land held for future development, properties under development, and properties held for sale which were booked at historical costs in the balance sheet of the Joint Venture Company as at 30 September 2009, while they were included at market values, which were much higher than their carrying values, in the valuation report prepared by the Valuer.

The Valuer has also carried out inspections, made relevant enquiries and searches for the purpose of the valuation. We have reviewed and discussed with the Valuer the bases and assumptions adopted for the valuation of the Property Interests and the JV Interest. We have also performed work as required under note (1)(d) to the Listing Rule 13.80 in relation to the Valuer and its work as regards the valuation of the Property Interests and the JV Interest.

6. Share price performance and comparison with issue price

(i) Analysis of Share price performance

The chart below shows the closing price of the Shares during a period starting from 1 November 2008 (approximately one year preceding the date of the Panyu Agreement) up to and including the Latest Practicable Date (the “Period”):



Source: Bloomberg

As shown in the chart above, closing prices of the Shares fluctuated within a range of HK\$1.95 to HK\$3.80 for the period from 3 November 2008 to 2 December 2008, before the suspension of the trading of the Shares pending release of the announcement of a successful bid for a land use right in Beijing (the “Beijing Land”) at a consideration of approximately RMB859.2 million. Following the release of the above announcement on 2 December 2008, the closing price of the Shares surged to HK\$3.82, or an increase of approximately 21.7%, on the next trading day, and continued to rise gradually to a high of HK\$6.20 on 18 December 2008. However, prices of the Shares in general started to decline and fluctuated within a range of HK\$3.76 to HK\$6.01 for the period from 19 December 2008 to 19 February 2009.

On 20 February 2009, the Company issued a clarification announcement stating that the contents of a newspaper article as regards an investigation of Mr. Chu by the PRC law enforcement agency and the imposition of exit restriction on Mr. Chu had no basis in fact. On the same day, the Company also announced the entering into of the agreement with the land bureau in respect of the payment of land premium for the Beijing Land. Price of the Shares dropped significantly by approximately 27.4% to HK\$3.50 on 20 February 2009, and gradually to a low of HK\$2.85 on 26 February 2009.

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Prices of the Shares started to increase again between March 2009 and mid-April 2009. On 21 April 2009, the Company announced its 2008 annual results. The 2008 profit for the year of approximately HK\$1,949 million represented a decrease of approximately 45.1% when compared to 2007, principally due to (i) the HK\$848 million gain recognised in 2007 in connection with an acquisition relating to property development, and (ii) increase in selling and administrative expenses, and (iii) increase in tax charges in 2008. Following a brief decrease in the next few days to a low of HK\$5.14 on 28 April 2009, prices of the Shares surged significantly during May 2009 and continued until beginning of June 2009, from a low of HK\$6.03 in 1 May 2009 to a high of HK\$14.46 on 3 June 2009. On 4 June 2009, the Company announced a placing of 120 million new shares at an issue price of HK\$13.30 per Share, to raise net proceeds of approximately HK\$1,580 million as general working capital of the Group. Price of the Shares dropped immediately by approximately 9.4% to HK\$13.10 on the 4 June 2009, and gradually dropped to a low of HK\$10.64 on 23 June 2009, and then fluctuated within a range of HK\$11.26 to HK\$13.80 for the period from 24 June 2009 to 28 August 2009.

On 31 August 2009, the Company announced its 2009 interim results, which showed a slight decrease in profit for the period by approximately 0.5%, as compared to the same period in 2008. Following the announcement of 2009 interim results, prices of the Shares increased in general and reached a high of HK\$15.56 on 21 October 2009 and 22 October 2009. Price of the Shares closed at HK\$14.18 on 2 November 2009, before the release of the announcement as regards the Panyu Agreement and the Disposal Agreement.

After the release of the announcement of the Panyu Agreement and the Disposal Agreement on 2 November 2009, prices of the Shares fluctuated within a range of HK\$12.88 to HK\$13.92 for the period from 3 November 2009 to 18 November 2009. As at the Latest Practicable Date, the Shares closed at HK\$12.88.

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(ii) *Analysis of trading volume of the Shares*

The following table sets out (i) the total number of Shares traded per month; (ii) the percentage of the monthly trading volume to the issued share capital of the Company; and (iii) the percentage of the monthly trading volume to total public float respectively for each full month from November 2008 to October 2009; and from 1 November 2009 to the Latest Practicable Date:

Month	Number of the Shares traded per month (million)	Shares traded during the month as a percentage of the issued share capital of the Company	Shares traded during the month as a percentage of total public float
November 2008	292.2	19.8%	55.9%
December 2008	367.2	24.9%	70.3%
January 2009	158.8	10.8%	30.4%
February 2009	447.2	30.4%	85.6%
March 2009	272.5	18.5%	52.2%
April 2009	302.5	20.5%	57.9%
May 2009	266.8	18.1%	51.1%
June 2009	347.5	21.8%	54.1%
July 2009	213.4	13.4%	33.2%
August 2009	185.2	11.6%	28.8%
September 2009	152.1	9.6%	23.7%
October 2009	104.6	6.6%	16.3%
Average	259.2	17.2%	46.6%
From 1 November 2009 up to the Latest Practicable Date	69.9	4.4%	10.9%

Source: Bloomberg and the Company

Based on the above table, the Shares were actively traded on the Stock Exchange during the Period. The monthly trading volume of the Shares during the Period represented between 6.6% and 30.4% of the total issued Shares, and between 16.3% and 85.6% of total public float.

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(iii) *Comparison of the issue price for the Consideration Shares*

The issue price of HK\$14.62 per Consideration Share was agreed based on arm's length negotiations between the Group and Mr. Chu and represents:

- (a) the average closing price of the Share based on the daily closing prices as quoted on the Stock Exchange over the ten trading days up to and including the Last Trading Day;
- (b) a premium of approximately 3.1% over the closing price of HK\$14.18 per Share as quoted on the Stock Exchange as at the Last Trading Day;
- (c) a premium of approximately 4.3% over the average closing price of approximately HK\$14.02 per Share based on the daily closing prices as quoted on the Stock Exchange over the five trading days up to and including the Last Trading Day;
- (d) a premium of approximately 1.5% over the average closing price of approximately HK\$14.40 per Share based on the daily closing prices as quoted on the Stock Exchange over the 15 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 13.5% over the closing price of HK\$12.88 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (f) a premium of approximately 6.6% over the audited consolidated NAV of the Group of approximately HK\$13.71 per Share as at 31 December 2008; and
- (g) a premium of approximately 3.7% over the unaudited consolidated NAV of the Group of approximately HK\$14.10 per Share as at 30 June 2009.

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(iv) *Assessment of the issue price for the Consideration Shares*

In assessing the fairness and reasonableness of the issue price for the Consideration Shares, we have reviewed placements or subscriptions of shares by companies principally engaged in property development in the PRC and have their shares listed on the Main Board of the Stock Exchange. The information below relates to the share placements made by listed companies from 1 January 2009 up to and including the Latest Practicable Date (the “Comparable Placements”) that we were able to identify from the Stock Exchange’s websites. The results of our research are as follows:

Name of comparable companies	Date of announcement	Premium over/ (discount to) the average closing price for the last 5 trading days up to and including the last trading day immediately prior to the respective date of announcement	Premium over/ (discount to) the average closing price for the last 10 trading days up to and including the last trading day immediately prior to the respective date of announcement	Premium over/ (discount to) the average closing price for the last 15 trading days up to and including the last trading day immediately prior to the respective date of announcement	Price to book (“P/B”) ratio
Shimao Property Holdings Limited (813.HK)	7-Apr-09	(8.2%)	(1.3%)	6.1%	1.21
China Resources Land Limited (1109.HK)	19-May-09	(2.2%)	(0.3%)	1.6%	2.00
Hopson Development Holdings Limited (754.HK)	4-Jun-09	4.6%	14.7%	19.5%	0.97
Shui On Land Limited (272.HK)	10-Jun-09	(10.9%)	(6.7%)	(1.0%)	1.26
Poly (Hong Kong) Investments Limited (119.HK)	14-Jun-09	(5.3%)	(6.9%)	(6.4%)	1.08
Zhong An Real Estate Limited (672.HK)	29-Jun-09	(1.0%)	2.6%	3.3%	1.38
SRE Group Limited (1207.HK)	29-Jun-09	(8.6%)	(10.2%)	(14.1%)	0.41
KWG Property Holdings Limited (1813.HK)	30-Jun-09	(1.0%)	3.1%	3.4%	1.56
China Aoyuan Property Group Limited (3883.HK)	12-Jul-09	(14.0%)	(12.0%)	(11.9%)	0.80
Franshion Properties (China) Limited (817.HK)	22-Jul-09	(6.7%)	(5.1%)	(6.7%)	1.48
C C Land Holdings Limited (1224.HK)	28-Jul-09	1.1%	8.0%	11.8%	1.37
Shenzhen Investment Limited (604.HK)	4-Aug-09	(5.2%)	(1.5%)	0.8%	1.12
Poly (Hong Kong) Investments Limited (119.HK)	17-Sep-09	(6.3%)	(1.4%)	0.2%	2.14
Sinolink Worldwide Holdings Limited (1168.HK)	9-Oct-09	(6.5%)	(5.0%)	(3.5%)	1.40
Poly (Hong Kong) Investments Limited (119.HK)	14-Oct-09	(11.7%)	(11.7%)	(12.9%)	2.55
Comparable Placements	Highest	4.6%	14.7%	19.5%	2.55
	Lowest	(14.0%)	(12.0%)	(14.1%)	0.41
	Median	(6.3%)	(1.5%)	0.2%	1.37
	Mean	(5.5%)	(2.2%)	(0.7%)	1.38
The Company		4.3%	—	1.5%	1.07

Note: The P/B ratios calculated above are based on the respective placement of subscription price, divided by their respective latest audited net asset values per share.

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As illustrated above, the placing/subscription prices of the Comparable Placements ranged from a premium of approximately 4.6% to a discount of approximately 14.0% to the average closing price for the last five trading days up to and including the last trading day, with a median and mean of 6.3% discount and 5.5% discount respectively; a premium of approximately 14.7% to a discount of approximately 12.0% to the average closing price for the last ten trading days up to and including the last trading day, with a median and mean of 1.5% discount and 2.2% discount respectively; and a premium of approximately 19.5% to a discount of approximately 14.1% to the average closing price for the last fifteen trading days up to and including the last trading day, with a median and mean of 0.2% premium and 0.7% discount respectively.

The premium of the issue price for the Consideration Shares over the average closing price for the last five and fifteen trading days up to and including the Last Trading Day are approximately 4.3% and 1.5% respectively, which are within the market range, and more favourable as compared to the mean figures of the Comparable Placements.

On a P/B basis, the issue price for the Consideration Share has an implied P/B ratio of 1.07, which is lower than the median and mean implied P/B ratios of 1.37 and 1.38 for the Comparable Placements.

On balance, we consider the issue price for the Consideration Shares fair and reasonable.

7. Financial effects on the Group

(i) Earnings

Following Completion, Panyu Zhujiang would be wholly-owned by the Group and its financial results and financial position would be consolidated into the financial statements of the Group. The Group's equity interest in the Joint Venture Company, which was already a subsidiary of the Group as at the Latest Practicable Date, would be increased from 99% to 100%. On the other hand, the Group would no longer hold any interest in Cheerocean upon Completion, and the financial results and financial position of Cheerocean would be deconsolidated from that of the Group.

As Panyu Zhujiang itself would upon Completion have no operation and would hold only the JV Lands, the 60mu Land and the 1% equity interest in the Joint Venture Company, the acquisition of Panyu Zhujiang would not immediately contribute turnover and profits to the Group upon Completion. Development work for the JV Lands and the 60mu Land is yet to commence, but the Directors believe that upon completion of future developments, the JV Lands and the 60mu Land would contribute significantly to the earnings of the Group. As the Joint Venture Company is currently consolidated into the financial statements of the Group, the further acquisition of its 1% equity interest is not expected to have a significant impact on the financial results and financial position of the Group.

It is presently estimated that a net gain before expenses of approximately RMB837 million (or approximately HK\$949 million) would be recognised by the Group upon Completion. The estimated net gain is calculated on the basis of the difference between the

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Cheerocean Consideration and the consolidated net asset of Cheerocean as at 30 September 2009. The exact amount of the net gain would be determined on the basis of the actual figures as at the date of Completion, and therefore may be different from the above estimated amount of approximately RMB837 million.

(ii) NAV and gearing

Net asset value attributable to the equity holders of the Company will be significantly enhanced following Completion, principally because (i) the Balance, and the Additional Sum if applicable, would be satisfied by the issue of the Consideration Shares; and (ii) a gain on disposal as mentioned above would be recognised upon Completion.

The net gearing ratio of the Group (defined as borrowings, net off cash and bank deposits, divided by net assets) was approximately 43.0% as at 30 June 2009. The net gearing ratio of the Group is expected to decrease following Completion. This is because Panyu Zhujiang and Cheerocean would have no borrowings upon Completion, and the Company's net assets are expected to increase as mentioned above.

(iii) Working capital

The Balance, and the Additional Sum if applicable, would be satisfied by the issue of Consideration Shares of the Company. As such, the Group would incur no cash outflow for the proposed Acquisition.

If the Additional Sum cannot be ascertained before Completion, the Group would have to pay to Hanjiang the additional consideration in cash, which is not expected to exceed RMB255 million (or approximately HK\$289 million). Based on the cash and cash equivalents of the Group as at 30 June 2009 of approximately HK\$5,305 million, the potential cash outflow in connection with the 60mu Land is not expected to have a significant impact on the cash flow position of the Group.

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8. Shareholding structure

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after the Completion (assuming no further issue of Shares between the Latest Practicable Date and the date of Completion):

	As at the Latest Practicable Date		Immediately upon Completion (assuming no adjustment to the consideration for the 60mu Land)		Immediately upon Completion (assume maximum upward adjustment (i.e. RMB255 million) to the consideration for the 60mu Land)	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
Mr. Chu	915,542,346	57.50%	1,100,681,918	61.92	1,120,467,814	62.34%
Independent Shareholders	<u>676,826,000</u>	<u>42.50%</u>	<u>676,826,000</u>	<u>38.08</u>	<u>676,826,000</u>	<u>37.66%</u>
Total	<u><u>1,592,368,346</u></u>	<u><u>100.00%</u></u>	<u><u>1,777,507,918</u></u>	<u><u>100.00%</u></u>	<u><u>1,797,293,814</u></u>	<u><u>100.00%</u></u>

The Balance, and the Additional Sum if applicable, will be wholly satisfied by the Company by the issue of the Consideration Shares. This payment method allows the Company to reduce the cash outlay that may be required for the Acquisition. Assuming there would be no adjustment to the consideration for the 60mu Land (details of the adjustments are set out in the section above headed “Principal terms of the Panyu Agreement”), Independent Shareholders’ holdings would be diluted by approximately 4.42% upon Completion, from approximately 42.50% to approximately 38.08%. Assuming the maximum upward adjustment to the consideration for the 60mu Land is made, Independent Shareholders’ holdings would be diluted by approximately 4.84% upon Completion, from approximately 42.50% to approximately 37.66%. Following the Completion, the Independent Shareholders would be able to secure interests in, among others, the JV Lands and the 60mu Land for future development, which is expected to significantly improve the revenue base of the enlarged Group in the longer term. On this basis, we consider this level of dilution to Independent Shareholders acceptable.

DISCUSSION AND ANALYSIS

The Joint Venture Company was formed in February 2000 as a sino-foreign joint venture owned 60% by the Group and 40% by Panyu Zhujiang, representing their respective cash contribution to the Joint Venture Company. The cash was mostly used to buy Land-3 (with a site area of approximately 997 Chinese acres) which has now been substantially developed and sold as planned.

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In the period 2001 to 2002, Panyu Zhujiang arranged or attempted to arrange the transfer of the Permits in respect of Land-2 and Land-3 to the Joint Venture Company and this was achieved (later to be revoked in respect of Land-2). The Joint Venture Company subsequently obtained the proper legal title in respect of Land-3, which is now being developed into the Huanan New City.

In September 2004, the Group acquired a further 39% equity interest in the Joint Venture Company, bringing its interest to 99%. The consideration was approximately RMB114 million in cash, which was based on Panyu Zhujiang's original cash contribution.

In March 2007, Guangzhou Town Planning Bureau revoked the Permit in respect of Land-2 and the approvals for Land-1 and Land-2B previously granted for changing the permitted land use to commodity residential/commercial housing. This means, in effect, Land-2 was reverted to Panyu Zhujiang. The Permit for Land-1 has never been transferred to the Joint Venture Company.

The Group has sought legal advices on whether they had grounds for an action against Panyu Zhujiang for breach of the Joint Venture Agreement for failing to deliver good title of Land-1 and Land-2. The balance of the legal advices received is that the Group cannot seek specific performance for the transfer of land use rights in respect of the JV Lands, and the Directors have therefore decided the better course is to resolve the situation by negotiation.

Following negotiation, the principles of the Panyu Agreement are as follows:

1. The Group to acquire the 100% equity interest in Panyu Zhujiang, which would comprise the followings upon Completion:
 - (a) The JV Lands (which comprises Land-1 and Land-2B only, with a total site area of approximately 1,511 Chinese acres, as Land-3 was already legitimately transferred to and developed by the Joint Venture Company, and it was agreed between the Group and Hanjiang that Land-2A would not be transferred to the Group);
 - (b) The 60mu Land, with a site area of approximately 60 Chinese acres; and
 - (c) 1% equity interest in the Joint Venture Company;
2. Hanjiang to repay the Costs and Compensation, with accrued interest, that the Group had paid in respect of Land-1 and Land-2 (i.e. the Refund); and
3. The Group to dispose 100% equity interest in Cheerocean, which effectively holds the Lejing Land, with a site area of approximately 92 Chinese acres.

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The amounts involved and the net consideration (i.e. the Balance) are as follows:

	<i>RMB'000</i>
1. Acquisition of Panyu Zhujiang	
(a) The JV Lands	3,600,000
(b) The 60mu Land (based on plot ratio of 1.4)	400,000
(c) 1% equity interest in the Joint Venture Company	35,756
2. The Refund	(689,683)
3. Disposal of Cheerocean	<u>(960,000)</u>
The Balance	<u><u>2,386,073</u></u>

The consideration is largely based on valuation, which we consider fair. Although the legal title of the JV Lands is not yet obtained, it is agreed under the Panyu Agreement that Hanjiang would procure proper legal title of the JV Lands to be granted to Panyu Zhujiang. Mr. Chu has agreed to guarantee, subject to a maximum liability of RMB3.6 billion, the due and punctual performance by Hanjiang of its obligations in relation to the JV Lands under the Panyu Agreement.

The independent Valuer has carried out the valuations on the subject land pieces based on direct comparison approach, with reference to comparable bare land transactions. On the other hand, the Valuer adopted purchase method in respect of the valuation of the 1% equity interest in the Joint Venture Company, where assets and liabilities are individually assessed to arrive at the final valuation. We have reviewed and discussed with the Valuer the bases and assumptions adopted for the above valuations.

The Balance, and the Additional Sum if applicable, would be satisfied by the Company issuing Consideration Shares, at an issue price of HK\$14.62, representing the 10-day average closing price of the Company prior to the date of the announcement of the Panyu Agreement. We consider it fair and reasonable for the issue price to be set on that basis.

Upon Completion, a gain of approximately RMB837 million would be recognised in relation to the disposal of Cheerocean. Net asset value attributable to the equity holders of the Company will be significantly enhanced following the Completion, principally because (i) the Balance, and the Additional Sum if applicable, would be satisfied by the issue of the Consideration Shares; and (ii) a gain on disposal as mentioned above would be recognised upon Completion. Net gearing ratio of the Group is expected to decrease following Completion, principally as a result of the enlarged net assets as mentioned above.

Given the above, we consider it in the interests of the Independent Shareholders to approve the Panyu Agreement, so as to reserve the Group's position to benefit from, among others, the opportunities that may be brought by the future developments of the JV Lands and the 60mu Land.

LETTER FROM SOMERLEY LIMITED

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Panyu Agreement is on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the entering into of the Panyu Agreement is in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve, among others, the entering into of the Panyu Agreement.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
M. N. Sabine
Chairman



Date: 23 November 2009

The Directors
Hopson Development Holdings Limited
Suites 3305–3309, 33rd Floor
Jardine House
1 Connaught Place
Central
Hong Kong

Dear Sirs,

Re: A piece of land proposed to be developed as part of Huanan New City (華南新城), situated at Yuangang Village, Chenbian Village and Xinji Village in Nancun Town of Panyu District, Guangzhou, Guangdong Province, the PRC

**Instructions, Purpose &
Date of Valuation**

In accordance with the instructions of Hopson Development Holdings Limited (the “Company”) for us to value the captioned property to be acquired by the Company and/or its subsidiaries (hereinafter together referred to as the “Group”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the property as at 30 September 2009 (the “date of valuation”).

Basis of Valuation

Our valuation of the property represents the market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Valuation Assumptions

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing the property which is situated in the PRC, we have assumed that transferable land use rights in respect of the property for a respective land use terms at nominal annual land use fee have been granted and that any premium have already been fully settled. We have relied on the advice given by the Company regarding the title to the property and have valued the entire interest of the property.

In valuing the property, we have assumed that the grantee of the property has free and uninterrupted rights to use or to assign the property for the whole of the unexpired term as granted.

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

Method of Valuation

After acquisition, the property will be held by the Company for future development in the PRC. In arriving at our opinion of value, we have adopted Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market.

In valuing the property, we have complied with the requirements set out in Chapter 5, Practice Note 12 and Practice Note 16 of the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Valuation Standards (First Edition 2005) on Properties issued by The Hong Kong Institute of Surveyors.

Source of Information

We have relied to a considerable extent on the information provided by the Company regarding the title to the property in the PRC. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, development scheme, site and floor areas, and all other relevant matters.

Dimension, measurements and areas included in this valuation certificate are based on the information provided to us by the Company and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information provided to us.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided with extracts of the title documents relating to the property in the PRC and have accepted advice given by the Group and its PRC legal advisor, Kai Tong Law Firm, in respect of the titles to the properties in the PRC. However, we have not searched the original documents to ascertain ownership or to verify any amendments which may not appear on the copies handed to us. We have therefore relied on the advice given by the Company regarding the property.

Site Inspection

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

Currency

Unless otherwise stated, all money amounts stated in our valuation are in Renminbi ("RMB"), the official currency of the PRC.

We enclose herewith our valuation certificate for your attention.

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

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 22 years of experience in the valuation of properties in the PRC and Hong Kong.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
A piece of land proposed to be developed as part of Huanan New City (華南新城), situated at Yuangang Village, Chenbian Village and Xinji Village in Nancun Town of Panyu District, Guangzhou, Guangdong Province, the PRC	<p>The property comprises a piece of land with a total site area of approximately 1,006,910.5 sq.m. The land use of property is planned for construction of Economic Housing projects, with the residential units restricted for sale to the qualified low and middle-income groups.</p> <p>According to the Group, the property is planned to developed into an Economic Housing development with ancillary facilities, with a total gross floor area of approximately 3,220,000 sq.m.</p> <p>The land use term of the property is 70 years for use of Economic Housing projects.</p>	The property is under site formation and infrastructure provision works.	No commercial value (see Note 1 below)

Notes:

- As at the date of valuation, the Certificate for the Use of State-owned Land of the property has not been obtained yet and we ascribed no commercial value to the property. However, had a valid Certificate for the Use of State-owned Land been issued to the property, all land premium, compensation and related fees for the grant of the certificate been fully settled, the market value of the property in its existing state as at 30 September 2009 would be RMB6,500,000,000 for Economic Housing Projects Land use.
- According to the Agreement for Land Compensation (土地補償協議書) (“the Agreement”) entered into between the People’s Government of Panyu Nancun (番禺市南村鎮人民政府) (“Party A”) and Guangdong Zhujiang Investment Limited (“Party B”), Party A has granted the plot of land situated at the south of Pearl River, north of Nanda Road, west to Panyu Real Estate Co. with a red line area of approximately 2,500 mu to Party B for Economic Housing Projects land use. Guangzhou Zhujiang Investment Limited should pay a compensation to the People’s Government of Nancun Town, Panyu of RMB120,000 per mu.

As advised by the Group, as at the date of valuation, the resumption compensation (徵地補償金) mentioned in “the Agreement” and its supplementary agreement at RMB362,810,520 had been fully paid to the People’s Government of Nancun Town, Panyu (番禺市南村鎮人民政府) by Panyu Zhujiang Real Estate Co., Ltd.

- The details of Planning Permit for Construction Use of Land No. 98-033341 issued by Panyu Urban Planning Bureau dated 23 November 1998 are summarised as follows:
 - Construction Party : Panyu Zhujiang Real Estate Limited (番禺珠江房地產有限公司)
 - Construction Project : Economic Housing Projects Land (安居工程用地) R2(A)
 - Location : Yuangang Village, Chenbian Village, Xinji Village, Nancun Town
 - Site Area : 653,358.5 sq.m.

4. The details of Planning Permit for Construction Use of Land No. 98-033342 issued by Panyu Urban Planning Bureau dated 24 November 1998 are summarised as follows:
- (i) Construction Party : Panyu Zhujiang Real Estate Limited (番禺珠江房地產有限公司)
 - (ii) Construction Project : Economic Housing Projects Land (安居工程用地) R2(A)
 - (iii) Location : Yuangang Village, Chenbian Village, Xinji Village, Nancun Town
 - (iv) Site Area : 684,663 sq.m.
5. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
- (i) Panyu Zhujiang Real Estate Limited (番禺珠江房地產有限公司) is in possession of a proper legal title to the property; and
 - (ii) the land use nature of the property is Economic Housing Projects Land (安居工程用地).
6. In accordance with the information provided by the Company, the status of title and grant of major approvals and licenses are as follows:
- | | |
|--|-----|
| Certificate for the Use of State-owned Land | No |
| Grant Contract of Land Use Rights | No |
| Agreement for Land Compensation | Yes |
| Planning Permit for Construction Use of Land | Yes |



Date: 23 November 2009

The Directors
Hopson Development Holdings Limited
Suites 3305–3309, 33rd Floor
Jardine House
1 Connaught Place
Central
Hong Kong

Dear Sirs,

Re: A piece of land situated at Nanda Road of Jinoushi in Chenbian Village of Nancun Town, Panyu District, Guangzhou, Guangdong Province, the PRC

**Instructions, Purpose &
Date of Valuation**

In accordance with the instructions of Hopson Development Holdings Limited (the “Company”) for us to value the captioned property to be acquired by the Company and/or its subsidiaries (hereinafter together referred to as the “Group”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the property as at 30 September 2009 (the “date of valuation”).

Basis of Valuation

Our valuation of the property represents the market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Valuation Assumptions

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing the property which is situated in the PRC, we have assumed that transferable land use rights in respect of the property for a respective land use terms at nominal annual land use fee have been granted and that any premium have already been fully settled. We have relied on the advice given by the Company regarding the title to the property and have valued the entire interest of the property.

In valuing the property, we have assumed that the grantee of the property has free and uninterrupted rights to use or to assign the property for the whole of the unexpired term as granted.

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

Method of Valuation

After acquisition, the property will be held by the Company for future development in the PRC. In arriving at our opinion of value, we have adopted Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market.

In valuing the property, we have complied with the requirements set out in Chapter 5, Practice Note 12 and Practice Note 16 of the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Valuation Standards (First Edition 2005) on Properties issued by The Hong Kong Institute of Surveyors.

Source of Information

We have relied to a considerable extent on the information provided by the Company regarding the title to the property in the PRC. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, development scheme, site and floor areas, and all other relevant matters.

Dimension, measurements and areas included in this valuation certificate are based on the information provided to us by the Company and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information provided to us.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided with extracts of the title documents relating to the property in the PRC and have accepted advice given by the Group and its PRC legal advisor, Kai Tong Law Firm, in respect of the titles to the properties in the PRC. However, we have not searched the original documents to ascertain ownership or to verify any amendments which may not appear on the copies handed to us. We have therefore relied on the advice given by the Company regarding the property.

Site Inspection

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

Currency

Unless otherwise stated, all money amounts stated in our valuation are in Renminbi ("RMB"), the official currency of the PRC.

We enclose herewith our valuation certificate for your attention.

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

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 22 years of experience in the valuation of properties in the PRC and Hong Kong.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009										
A piece of land situated at Nanda Road of Jinoushi in Chenbian Village of Nancun Town, Panyu District, Guangzhou, Guangdong Province, the PRC	<p>The property comprises a piece of land with a site area of approximately 40,210.9 sq.m.</p> <p>As advised by the Group, the property is planned to be developed into a composite residential and commercial development. The planned gross floor area of the property is as follows:</p> <table><tr><td></td><td>Approximate Gross Floor Area</td></tr><tr><td>Use</td><td>sq.m.</td></tr><tr><td>Townhouse</td><td>56,295</td></tr><tr><td>Ancillary facilities</td><td><u>1,689</u></td></tr><tr><td>Total</td><td><u><u>57,984</u></u></td></tr></table> <p>The land use rights of the property have been granted for terms of 70 years for residential use and 40 years for commercial use due to expire on 30 December 2063 and 30 December 2033 respectively.</p>		Approximate Gross Floor Area	Use	sq.m.	Townhouse	56,295	Ancillary facilities	<u>1,689</u>	Total	<u><u>57,984</u></u>	The property is a vacant site.	RMB400,000,000
	Approximate Gross Floor Area												
Use	sq.m.												
Townhouse	56,295												
Ancillary facilities	<u>1,689</u>												
Total	<u><u>57,984</u></u>												

Notes:

- According to Certificate for the Use of State-owned Land No. G05-000471 issued by the People's Government of Guangzhou on 7 March 2005, the land use rights of portion of the property, comprising a site area of 18,692.4 sq.m., have been granted to Panyu Zhujiang Real Estate Limited (番禺珠江房地產有限公司) for terms of 70 years for residential use and 40 years for commercial use due to expire on 30 December 2063 and 30 December 2033 respectively.
- According to another Certificate for the Use of State-owned Land No. (2001) G05-000146 issued by the People's Government of Panyu District of Guangzhou on 24 September 2001, the land use rights of portion of the property, comprising a site area of 21,518.5 sq.m., have been granted to Panyu Zhujiang Real Estate Limited (番禺珠江房地產有限公司) for a term due to expire on 30 December 2063 for "Commodity Residential" use.
- The details of Planning Permit for Construction Use of Land No. (2006) 1149 H issued by Guangzhou Town Planning Bureau dated 28 August 2006 are summarised as follows:

(i)	Construction Party	:	Panyu Zhujiang Real Estate Limited (番禺珠江房地產有限公司)
(ii)	Construction Project	:	Residential and commercial
(iii)	Location	:	Chenbian Village, Nancun Town
(iv)	Site Area	:	18,691 sq.m.

4. The details of Planning Permit for Construction Use of Land No. (2006) 1207 H issued by Guangzhou Town Planning Bureau dated 12 September 2006 are summarised as follows:

(i)	Construction Party	:	Panyu Zhujiang Real Estate Limited (番禺珠江房地產有限公司)
(ii)	Construction Project	:	Residential and commercial
(iii)	Location	:	Chenbian Village, Nancun Town
(iv)	Site Area	:	21,516 sq.m.

5. As advised by the Group, the land was acquired by Panyu Zhujiang Real Estate Limited. (番禺珠江房地產有限公司) at the cost of approximately RMB1,716,000.

6. According to the Conditions of Design and Planning (規劃設計條件) issued by Guangzhou Panyu District City Planning Bureau (廣州市城市規劃局番禺區分局) dated 18 May 2001, details of development criteria are as follows:

(i)	Greenery Ratio	:	>30%
(ii)	Plot Ratio	:	<1.4
(iii)	Density	:	<20%
(iv)	Building Height	:	<6 storeys

We noted that the above-mentioned Conditions of Design and Planning (規劃設計條件) were expired and new application should be made for the development of the property.

7. As advised by the Group, Panyu Zhujiang has applied for the increase in the plot ratio of the land. According to the preliminary respective proposed development schemes provided to us by the Group in respect of the various scenarios of hypothetic plot ratios, we are of the opinion that the respective market values of the property in its existing state, as at 30 September 2009, were as follows:

Assumed Plot Ratio	Proposed Use	Approximate Planned Gross Floor Area (sq.m.)	Capital Value in existing state as at 30 September 2009 (RMB)
2.24	Low-rise apartments	90,072	640,000,000
3.00	High-rise apartments/retail	120,633	820,000,000
3.20	High-rise apartments/retail	128,675	850,000,000
3.50	High-rise apartments/retail	141,000	910,000,000

8. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:

- (i) Panyu Zhujiang Real Estate Limited (番禺珠江房地產有限公司) is in possession of a proper legal title to the property;
- (ii) the property should not be regarded as an "idle land" as there is no such indication and/or acknowledgement has been received by the Company from the related authorities;
- (iii) all land premium and the compensations related to land resumption have been settled in full;
- (iv) Panyu Zhujiang Real Estate Limited (番禺珠江房地產有限公司) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property; and
- (v) the property was not subject to any mortgage.

9. In accordance with the information provided by the Company, the status of title and grant of major approvals and licenses are as follows:

Certificate for the Use of State-owned Land	Yes
Planning Permit for Construction Use of Land	Yes



Date: 23 November 2009

The Directors
Hopson Development Holdings Limited
Suites 3305–3309, 33rd Floor
Jardine House
1 Connaught Place
Central
Hong Kong

Dear Sirs,

Re: A parcel of land situated on the west of Guangzhou Avenue and south of Kanglexiwei New Village in Haizhu District of Guangzhou, Guangdong Province, the PRC

**Instructions, Purpose &
Date of Valuation**

In accordance with the instructions of Hopson Development Holdings Limited (the “Company”) for us to value the captioned property held by the Company and/or its subsidiaries (hereinafter together referred to as the “Group”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the property as at 30 September 2009 (the “date of valuation”).

Basis of Valuation

Our valuation of the property represents the market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Valuation Assumptions

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing the property which is situated in the PRC, we have assumed that transferable land use rights in respect of the property for a respective land use terms at nominal annual land use fee have been granted and that any premium have already been fully settled. We have relied on the advice given by the Company regarding the title to the property and have valued the entire interest of the property.

In valuing the property, we have assumed that the grantee of the property has free and uninterrupted rights to use or to assign the property for the whole of the unexpired term as granted.

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

Method of Valuation

The property is held by the Company for future development in the PRC. In arriving at our opinion of value, we have adopted Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market.

In valuing the property, we have complied with the requirements set out in Chapter 5, Practice Note 12 and Practice Note 16 of the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Valuation Standards (First Edition 2005) on Properties issued by The Hong Kong Institute of Surveyors.

Source of Information

We have relied to a considerable extent on the information provided by the Company regarding the title to the property in the PRC. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, development scheme, site and floor areas, and all other relevant matters.

Dimension, measurements and areas included in this valuation certificate are based on the information provided to us by the Company and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information provided to us.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided with extracts of the title documents relating to the property in the PRC and have accepted advice given by the Group and its PRC legal advisor, Kai Tong Law Firm, in respect of the titles to the properties in the PRC. However, we have not searched the original documents to ascertain ownership or to verify any amendments which may not appear on the copies handed to us. We have therefore relied on the advice given by the Company regarding the property.

Site Inspection

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

Currency

Unless otherwise stated, all money amounts stated in our valuation are in Renminbi ("RMB"), the official currency of the PRC.

We enclose herewith our valuation certificate for your attention.

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

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 22 years of experience in the valuation of properties in the PRC and Hong Kong.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009												
A parcel of land situated on the west of Guangzhou Avenue and south of Kanglexiwei New Village in Haizhu District of Guangzhou, Guangdong Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 82,530 sq.m.</p> <p>The property is planned to be developed into a residential/commercial development with approximate gross floor areas as follows:</p> <table><tr><td></td><td>Approximate Gross Floor Area</td></tr><tr><td>Uses</td><td>sq.m.</td></tr><tr><td>Residential</td><td>202,100</td></tr><tr><td>Commercial</td><td>500</td></tr><tr><td>Others</td><td><u>22,500</u></td></tr><tr><td>Total:</td><td><u><u>225,100</u></u></td></tr></table> <p>In addition, the development upon completion will comprise a total basement area of approximately 19,000 sq.m..</p> <p>The land use rights of the property have been granted for respective terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other uses from 30 March 2001.</p>		Approximate Gross Floor Area	Uses	sq.m.	Residential	202,100	Commercial	500	Others	<u>22,500</u>	Total:	<u><u>225,100</u></u>	<p>There are at present some old buildings and temporary structures erected on portion of the site pending for demolition. The remaining portion of the property is currently a vacant land.</p>	RMB960,000,000
	Approximate Gross Floor Area														
Uses	sq.m.														
Residential	202,100														
Commercial	500														
Others	<u>22,500</u>														
Total:	<u><u>225,100</u></u>														

Notes:

- According to Certificate for the Use of State-owned Land No. (2009) 0110065 issued by the People's Government of Guangzhou on 9 June 2009, the land use rights of the property, comprising a site area of 82,530 sq.m., have been granted to Guangdong He Sheng Taijing Real Estate Company Limited (廣東合生泰景房地產有限公司) for respective terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other uses commencing from 30 March 2001.
- According to Grant Contract of Land Use Rights No. (2001) 025 entered into between Guangzhou City Land Resources Bureau (Party A) and Guangdong Zhujiang Investment Company Limited (Party B), Party A has agreed to grant the land use rights of the property to Party B with details as follows:
 - Site Area : 82,530 sq.m. (Granted Area)
106,788 sq.m. (Total Site Area)
 - Use : Commodity Residential
 - Land Grant Fee : RMB42,974,060

- (iv) Plot Ratio : 2.11
- (v) Total Gross Floor Area : 244,100 sq.m.
- commercial: 500 sq.m.
— residential: 202,100 sq.m.
— basement: 19,000 sq.m.
— others: 22,500 sq.m.
- (vi) Number of Storey : 19
3. As advised by the Group, the net site area of the property is 61,527.80 sq.m. as 6,759.20 sq.m. and 14,243 sq.m. were deducted from the total granted site area of 82,530 sq.m. for the construction of the primary school and secondary school respectively.
4. According to Planning Permit for Construction Use of Land No. SGDZ(1998)76, the construction project on the site, comprising a site area of 82,530 sq.m., has been permitted.
5. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
- (i) Guangdong He Sheng Taijing Real Estate Company Limited (廣東合生泰景房地產有限公司) is the sole legal land user of the property and in possession of a proper legal title to the property;
- (ii) All land premium and the compensations related to land resumption have been settled in full;
- (iii) Guangdong He Sheng Taijing Real Estate Company Limited (廣東合生泰景房地產有限公司) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property; and
- (iv) The property was not subject to any mortgage.
6. In accordance with the information provided by the Company, the status of title and grant of major approvals and licenses are as follows:
- | | |
|--|-----|
| Certificate for the Use of State-owned Land | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Business License | Yes |



Date: 23 November 2009

The Directors
Hopson Development Holdings Limited
Suites 3305–3309, 33rd Floor
Jardine House
1 Connaught Place
Central
Hong Kong

Dear Sirs,

Re: Business Valuation for Guangdong Huanan New City Real Estate Limited (廣東華南新城房地產有限公司)

**Instructions, Purpose and
Date of Valuation**

In accordance with the instructions from Hopson Development Holdings Limited (the “Company”) for us to provide our opinion on the fair value of 1% equity interest (the “Relevant Interest”) in Guangdong Huanan New City Real Estate Limited (the “Guangdong Huanan”), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of such value as at 30 September 2009. It is also understood that this valuation will be used by the Company for acquisition purposes.

**Definition of Market
Value**

Our valuation has been carried out on the basis of fair value. In accordance with Hong Kong Financial Reporting Standard (“HKFRS”), “Fair Value” is the amount for which an asset could be exchanged, or a liability settle, on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Source of Information

We have reviewed but not carried out independent verification on any of the information provided to us by the Company. In analysing the information, we have held discussions with the management of the Company. We have had no reason to doubt the truth and accuracy of the information provided to us which are material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

Financial Statements

During the valuation process, we have requested for the relevant audited financial statements. The management of the Company, however, advised that audited financial statements of Guangdong Huanan were unavailable during the valuation process and we were instructed to rely on the management account as a proxy. We have had no reason to doubt the truth and accuracy of the information provided to us which are material to the valuation.

**Valuation Basis and
Applicable Accounting
Standards**

The valuation is conducted in accordance with our understanding of Hong Kong Financial Reporting Standards 3 (HKFRS 3) on Business Combinations. This HKFRS specifies that all business combinations should be accounted for by applying the purchase method. Therefore, the acquirer recognises the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values at the date of valuation.

The purchase method views a business combination from the perspective of the combining entity that is identified as the acquirer. The acquirer purchases net assets and recognises the assets acquired and liabilities and contingent liabilities assumed, including those not previously recognised by the acquiree. The measurement of the acquirer's assets and liabilities is not affected by the transaction, nor are any additional assets or liabilities of the acquirer recognised as a result of the transaction because they are not the subjects of the transaction.

According to the information provided by the representatives and management of Guangdong Huanan, we have identified that the major assets for Guangdong Huanan comprise various portions of the development project in Huanan New City including the completed and unsold floor areas, land under construction and bare land, while the major liabilities comprise various short-term payables. In our valuation, we have made adjustments to the book values for the various portions of the development project and long-term borrowings by adding/subtracting the differences between their fair values and book values.

Limiting Conditions

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While we have exercised our professional judgment in arriving at the valuation, you are urged to consider carefully the nature of such assumptions which are disclosed in this report and should exercise caution when interpreting this report.

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the information provided to us for the purpose of this exercise. In addition, we have relied upon the information, opinion, representations and statements provided to us by the Company.

Our opinion of the fair value of the subject in this report is valid only for the stated purpose and only for the effective date of the valuation. No responsibility is taken for any changes in the market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or conditions, which occur subsequent to the date hereof.

The selection of the price to be accepted requires consideration of factors beyond the information we will provide or have provided. An actual transaction involving the subject business might be concluded at a higher value or at a lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivations of the buyers and sellers at that time.

Valuation

In our opinion, on the basis of the information made available to us, the fair value of the Relevant Interest in the net assets of Guangdong Huanan New City Real Estate Limited as at 30 September 2009 was reasonably stated by the amount of **RENMINBI THIRTY-FIVE MILLION SEVEN HUNDRED AND FIFTY-SIX THOUSAND (RMB35,756,000).**

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

Yours truly,

For and on behalf of

DTZ Debenham Tie Leung Limited

Andrew K. F. Chan

*Registered Business Valuer registered with
the Hong Kong Business Valuation Forum*

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

Director, Valuation & Advisory Services

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

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

(1) Long position in Shares

Name	Number of Shares beneficially held		Approximate percentage of Shares in issue
	Personal	Corporate	
Mr. Chu Mang Yee	—	915,542,346 ⁽¹⁾	57.5
Mr. Au Wai Kin	—	34,500,000 ⁽²⁾	2.17

Notes:

1. Mr. Chu Mang Yee held 915,542,346 shares of the Company through Sounda Properties Limited, a company wholly-owned by him, and HKSCC Nominees Limited.
2. Mr. Au Wai Kin held 34,500,000 shares of the Company through a company wholly-owned and controlled by him.

(2) Long position in underlying Shares

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

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

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which, since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to or can be ascertained after reasonable enquiry by the Directors, the persons (not being a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of shares of any class in the Company were as follows:

Name	Number of issued Shares	Approximate percentage of Shares in issue
Sounda Properties Limited	915,542,346	57.5

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

4. SERVICE AGREEMENTS

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

5. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up.

6. EXPERT

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

Name	Qualification
Somerley Limited	a corporation licensed in Hong Kong to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
DTZ Debenham Tie Leung Limited	an independent valuer

As at the Latest Practicable Date, Somerley Limited and DTZ Debenham Tie Leung Limited 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 shares in any member of the Group.

Each of Somerley Limited and DTZ Debenham Tie Leung Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter/statements/certification/reports/opinion (as the case may be) and references to its name in the form and context in which it appear.

As at the Latest Practicable Date, Somerley Limited and DTZ Debenham Tie Leung Limited did not have any interest, direct or indirect, in any assets which since 31 December 2008, 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.

7. SECRETARY

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

8. COMPETING BUSINESS

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

9. 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 during normal business hours from 23 November 2009 to 8 December 2009 (both dates inclusive):

- (i) the Panyu Agreement;
- (ii) the letter from the Board, the text of which is set out on pages 6 to 20 of this circular;

- (iii) the letter from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this circular;
- (iv) the letter from Somerley Limited, the text of which is set out on pages 23 to 54 of this circular;
- (v) the valuation report of DTZ Debenham Tie Leung Limited in respect of the JV Lands, the text of which is set out on pages 55 to 59 of this circular;
- (vi) the valuation report of DTZ Debenham Tie Leung Limited in respect of the 60mu Land, the text of which is set out on pages 60 to 65 of this circular;
- (vii) the valuation report of DTZ Debenham Tie Leung Limited in respect of the Lejing Land, the text of which is set out on pages 66 to 70 of this circular;
- (viii) the valuation report of DTZ Debenham Tie Leung Limited in respect of the 1% equity interest in the Joint Venture Company, the text of which is set out on pages 71 to 73 of this circular;
- (ix) the written consent from Somerley Limited referred to in the section headed “Expert” in this appendix;
- (x) the written consent from DTZ Debenham Tie Leung Limited referred to in the section headed “Expert” in this appendix;
- (xi) the memorandum and articles of association of the Company;
- (xii) the annual reports of the Company for the two financial years ended 31 December 2008;
- (xiii) all circulars issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which have been issued since the date of the latest published audited accounts (i.e. 31 December 2008); and
- (xiv) this circular.

10. LITIGATION

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

11. 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, 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

(Stock Code: 754)

(Incorporated in Bermuda with limited liability)

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

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of Hopson Development Holdings Limited (“Company” together with its subsidiaries, the “Group”) will be held at Annapurna Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Wednesday, 9 December 2009 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the Panyu Agreement (as more particularly described in the circular to the shareholders of the Company dated 23 November 2009 (the “Circular”)), a copy of which has been produced to this meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification, and the execution, delivery and performance by the Company of the Panyu Agreement be and are hereby approved, confirmed and ratified;
- (b) the Acquisition, the Cheerocean Share Disposal (as more particularly described in the Circular) and all transactions contemplated under or incidental to the Panyu Agreement and all actions taken or to be taken by the Company and/or its subsidiaries pursuant to the Panyu Agreement be and are hereby approved, confirmed and ratified;
- (c) up to 204,925,468 Consideration Shares (as more particularly described in the Circular) be allotted and issued to Mr. Chu Mang Yee (“Mr. Chu”) and/or his nominee(s) in accordance with the terms of the Panyu Agreement for payment of the Balance (as more particularly described in the Circular) and the Hong Kong branch share registrar of the Company be instructed to issue share certificate(s) under seal for the Consideration Shares to Mr. Chu and/or his nominee(s) (or as Mr. Chu may direct) on such date (including a day on which the register of members of the Company is closed for transfer of shares of the Company) as the Company may instruct, and any one Director acting singly be authorised to take any and all actions and execute any documents as he/she may see fit in connection with the aforesaid; and
- (d) any one Director of the Company be and is hereby authorised for and on behalf of the Company to do all such acts and things, to sign, execute and deliver all such other documents,

* for identification purposes only

deeds, instruments and agreements and to take such steps as he/she may consider necessary, desirable or expedient to give effect to or in connection with the Panyu Agreement, the Acquisition, the Cheerocean Share Disposal and the issue of the Consideration Shares or any of the transactions contemplated under the Panyu Agreement and all other matters incidental thereto.”

By Order of the Board
Chu Mang Yee
Chairman

Hong Kong, 23 November 2009

Principal Office:

Suites 3305–3309

33/F, Jardine house

1 Connaught Place, Central

Hong Kong

Notes:

- (1) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote in his stead. Any such member who is a holder of two or more shares may appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.
- (2) In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney or other authority, must be deposited at the principal office of the Company at Suites 3305–3309, 33/F, Jardine House, 1 Connaught Place, Central, Hong Kong not less than 48 hours before the time appointed for holding the said meeting or any adjournment thereof.
- (3) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.