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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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HOPSON DEVELOPMENT HOLDINGS LIMITED

合生創展集團有限公司*

(Stock Code: 754)

(Incorporated in Bermuda with limited liability)

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

CONNECTED TRANSACTION

Independent financial adviser to the Independent Board Committee

CAPITAL

CSC Asia Limited

A letter from the Chairman of Hopson Development Holdings Limited is set out on pages 4 to 9 of this circular. A letter from the independent board committee of Hopson Development Holdings Limited is set out on page 10 of this circular. A letter from CSC Asia Limited containing its advice to the independent board committee and independent shareholders of Hopson Development Holdings Limited is set out on pages 11 to 20 of this circular.

24 June, 2004

* *for identification purposes only*

CONTENTS

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

"Associates"	the meaning given to that term in the Listing Rules
"Board"	board of Directors
"Carved-out Land"	The piece of land located on 華坪街道160街坊1丘 (Qin No.1 Jiefang No.160 Huaping Jiedao) of the Lot comprising approximately 300 mu
"Chia Lung"	Chia Lung Group Company Limited（佳龍集團有限公司）, a company incorporated in Samoa and is owned as to 95 per cent. by Hopson China and 5 per cent. by Chia Hsin
"Company"	Hopson Development Holdings Limited
"Cooperation Agreement"	the agreement dated 31 May, 2004 entered into among Chia Lung, Prestige and Shanghai Hungkang
"CSC Asia"	CSC Asia Limited, a licensed corporation for type 6 (advising on corporate finance) of the regulated activities under the SFO, which has been appointed as the independent financial advisor to advise the Independent Board Committee and Independent Shareholders in relation to the Transaction
"Directors"	the directors of the Company
"DTZ"	DTZ Debenham Tie Leung, an independent valuer
"Independent Board Committee"	an independent committee of the Board comprising Messrs. Yuen Pak Yiu, Philip, Lee Tsung Hei, David and Wong Shing Kay, Oliver, established to review and consider the Transaction
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hopson China"	Hopson Properties (China) Ltd.（合生（中國）房地產有限公司）, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company

"Independent Shareholders" or "Shareholders"	shareholders of the Company
"Internal Sub-Contract"	the agreement dated 31 May, 2004 entered into between Shanghai Lung Meng and Shanghai Hungkang
"Land Administration Office"	上海市閔行區顓橋鎮土地管理所 (Shanghai Municipal Minxin District Zhuanqiao Town Land Administration Office), not a connected person of the Company as defined in the Listing Rules
"Latest Practicable Date"	14 June, 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Lot"	the piece of land located in 閔行區 (Minxin District) of Shanghai, PRC comprising approximately 1,196.52 mu and bordered by 劍川路 (Jianchuan Road) to the north, 景谷路 (Jingu Road) to the south, 安寧路 (Anning Road) to the East and 瑞麗路 (Reili Road) to the west
"Lung Meng Agreements"	the Cooperation Agreement and the Internal Sub-Contract
"PRC"	the People's Republic of China
"Prestige"	Prestige Dragon Development Limited (譽龍發展有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of Hopson China
"Remaining Lot"	the Lot, after the transfer of the Carved-out Land to Shanghai Hungkang
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shanghai Hungkang"	上海紅康北橋房地產有限公司 (Shanghai Hungkang North Bridge Property Company Limited), a company established in the PRC and a connected person of the Company as defined in the Listing Rules
"Shanghai Lung Meng"	上海龍盟有限公司 (Shanghai Lung Meng Company Limited), a sino-foreign co-operative joint venture established in the PRC and a non-wholly-owned subsidiary of Hopson China

"Share Transfer Agreement"	the share transfer agreement entered into among Chia Lung, Prestige and Shanghai Hungkang on 6 August 2002 for the transfer of Shanghai Hungkang's 25 per cent. interest in Shanghai Lung Meng to Chia Lung
"Site Clearance Contract"	the agreement to be entered into between Shanghai Lung Meng and the Land Administration Office upon the Lung Meng Agreements becoming unconditional
"Sounda"	Sounda Properties Limited, a company incorporated in the British Virgin Islands
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Termination Agreement"	the agreement to be entered into among Chia Lung, Prestige, Shanghai Hungkang, Shanghai Lung Meng and the Land Administration Office upon the Lung Meng Agreements becoming unconditional
"Transaction"	the transaction under the Lung Meng Agreements and the Termination Agreement
"Valuation Report"	the valuation report prepared by DTZ dated 24 April, 2004
"HK$"	Hong Kong dollars
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars

For illustrative purposes of this circular, RMB1.06=HK$1.00 and US$1 = HK$7.8

HOPSON DEVELOPMENT HOLDINGS LIMITED
合生創展集團有限公司*
(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)*
AU Wai Kin
CHEN Chang Ying
XIAO Yan Xia

Independent Non-executive Directors:
YUEN Pak Yiu, Philip
LEE Tsung Hei, David
WONG Shing Kay, Oliver

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

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

24 June, 2004

To the Shareholders

Dear Sir and Madam,

CONNECTED TRANSACTION

1. INTRODUCTION

It was announced on 3 June, 2004 that the Group entered into the conditional Cooperation Agreement and the conditional Internal Sub-Contract with Shanghai Hungkang, a connected person (as defined under the Listing Rules) of the Company, in connection with its development of the Lot in the PRC via Shanghai Lung Meng, a non-wholly-owned subsidiary of the Company.

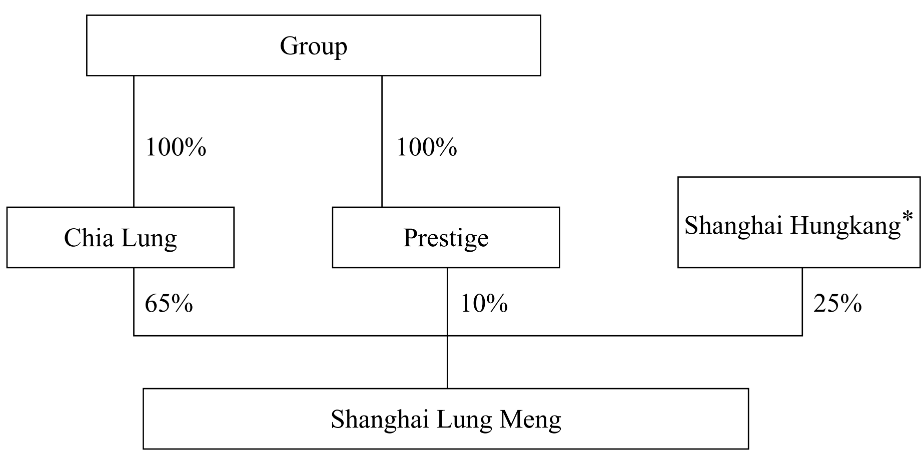
Shanghai Lung Meng is a sino-foreign cooperative joint venture established in the PRC for the development and operation of the Lot in Shanghai, PRC. Shanghai Lung Meng is owned as to 65 per cent., 10 per cent. and 25 per cent. by Chia Lung, Prestige and Shanghai Hungkang respectively. Shanghai Lung Meng is principally engaged in the development and operation of the Lot and has no other operations. As the Lot is still under development, it has not been generating any profit.

* *for identification purposes only*

The Directors announced on 20 February, 2003 that the Group entered into agreements with (i) Chia Hsin Group Ltd. and Lung Meng Group Limited and (ii) Sun Chung Estate Company Limited, all independent third parties of the Company, to acquire, by stages, the respective entire interests of Chia Lung and Prestige for a total investment value of approximately HK$402,752,370 ("Original Investment Value"). Prior to the Group's acquisition of Chia Lung, Chia Lung entered into the Share Transfer Agreement to acquire from Shanghai Hungkang its entire 25 per cent. interest in Shanghai Lung Meng for the consideration of RMB8,000,000 (equivalent to approximately HK$7,547,170) ("Original Acquisition Price") and thereby be responsible for making a contribution of US$500,000 (equivalent to approximately HK$3,900,000) towards the registered capital of Shanghai Lung Meng ("Capital Contribution"). Chia Lung has made the Capital Contribution but has not paid the Original Acquisition Price as transfer of Shanghai Hungkang's 25 per cent. interest in Shanghai Lung Meng has not been completed due to disputes of the parties to the Share Transfer Agreement over the compensation for the resumption of land. The Directors did not consider it necessary to publish an announcement when the parties were in the course of negotiation with the aim to resolve the dispute. Eventually the parties agreed to settle such dispute by entering into the Transaction.

Under the Share Transfer Agreement, payment of the Original Acquisition Price shall be made within 7 days after the relevant new registration documents have been issued to Shanghai Lung Meng. As at the Latest Practicable Date, the Group owned the respective entire issued share capital of Chia Lung and Prestige. Through mediation by the Land Administration Office, Chia Lung and Shanghai Hungkang entered into the Lung Meng Agreements to resolve their differences under the Share Transfer Agreement.

The chart below illustrates the shareholding structure of Shanghai Lung Meng as of to date:



* upon completion of the Transaction, the 25 per cent. interest of Shanghai Hungkang will be transferred to Chia Lung and Prestige

2. CONDITION

Each of the Lung Meng Agreements and the Termination Agreement is conditional upon the approval of the Shareholders (excluding those Shareholders prohibited by the Listing Rules from voting on the resolution) voting at a special general meeting convened to approve the Lung Meng Agreements and the Termination Agreement on the terms specified therein, or a waiver being granted by the Stock Exchange from the requirement under the Listing Rules for the Company to hold a general meeting to seek Shareholders' approval in respect of the Lung Meng Agreements and the Termination Agreement, by no later than 60 days from the date of the Lung Meng Agreements (or such later date as the parties shall agree) ("Condition"). No Shareholder will be required to abstain from voting.

Within 30 days from the date of fulfilment of the Condition, Chia Lung, Prestige, Shanghai Hungkang, Shanghai Lung Meng and the Land Administration Office will enter into the Termination Agreement, and Shanghai Lung Meng and the Land Administration Office will enter into the Site Clearance Contract.

The respective principal terms of the Lung Meng Agreements, the Termination Agreement and the Site Clearance Contract are set out in paragraphs 3 and 4 below.

3. LUNG MENG AGREEMENTS

1. The Cooperation Agreement

Parties:	(i) Chia Lung; (ii) Prestige; and (iii) Shanghai Hungkang
Description:	The parties, being all the joint venture partners of Shanghai Lung Meng, agree to change the mode of their co-investment and cooperation in the joint venture company such that instead of contributing to 25 per cent. of the registered capital and sharing 25 per cent. of the profits of Shanghai Lung Meng, Shanghai Hungkang shall be solely responsible for the development of and be solely entitled to the profit generated from the Carved-out Land and shall not share any of the profit or loss of Shanghai Lung Meng. The Carved-out Land shall be transferred by Shanghai Lung Meng to Shanghai Hungkang by way of asset distribution when 25 per cent. of the total investment for the development of the Carved-out Land (including fees for pre-development works, construction of infrastructure, ancillary facilities installation and construction works) has been incurred. Upon transfer of the Carved-out Land from Shanghai Lung Meng to Shanghai Hungkang, the latter shall transfer its 25 per cent. interest in Shanghai Lung Meng to Chia Lung and Prestige at the nominal consideration of RMB1 (equivalent to approximately HK$0.94).

Total consideration:	Shanghai Hungkang shall reimburse Chia Lung and Prestige for 25 per cent. of the relocation expenses and development costs incurred by Shanghai Lung Meng (but funded by Chia Lung and Prestige) in respect of the Lot up to 30 September, 2003 amounting to approximately RMB9,643,000 (equivalent to approximately HK$9,097,000).

2. The Internal Sub-Contract

Parties:	(i) Shanghai Lung Meng; and
	(ii) Shanghai Hungkang
Description:	Shanghai Lung Meng agrees to appoint Shanghai Hungkang to undertake site clearance and demolition works in respect of the Carved-out Land, including the relocation of existing residents thereon and connection of electricity supply, water supply and roads pending the transfer of the Carved-out Land to Shanghai Hungkang by way of asset distribution referred above.

No consideration will be payable by Shanghai Lung Meng.

4. TERMINATION AGREEMENT AND SITE CLEARANCE CONTRACT

Within 30 days upon fulfillment of the Condition, (i) Chia Lung, Prestige and Shanghai Hungkang will enter into the Termination Agreement to terminate the Share Transfer Agreement and mutually release each other from further obligations thereunder, and (ii) Shanghai Lung Meng and the Land Administration Office will enter into the Site Clearance Contract in respect of the Remaining Lot and to make adjustments to the site clearance fee payable by Shanghai Lung Meng to the Land Administration Office following the exclusivity of the Carved-out Land to Shanghai Hungkang. The total site clearance fee payable by Shanghai Lung Meng to the Land Administration Office will be approximately RMB197,425,646 of which RMB110,000,000 has been paid.

5. REASONS FOR THE TRANSACTION

The Group is principally engaged in property development and property investment in various cities in the PRC including Shanghai, Beijing, Tianjin and Guangzhou. The Lung Meng Agreements, Termination Agreement and Site Clearance Contract will have the effect of breaking the impasse under the Share Transfer Agreement, and facilitating the transfer of the 25 per cent. interest of Shanghai Hungkang in Shanghai Lung Meng to Chia Lung and Prestige. The net difference to the Group under the Share Transfer Agreement and the Lung Meng Agreements is that the size of the Lot will be reduced by approximately 25 per cent. after transfer of the Carved-out Land to Shanghai Hungkang but Chia Lung and Prestige will be reimbursed of 25 per cent. of the expenses incurred on development of the Lot and Chia Lung will be relieved of the payment of the Original Acquisition Price of RMB8,000,000 upon transfer of Shanghai Hungkang's 25 per cent. interest in Shanghai Lung Meng to it. The total investment fee for the development of the Carved-out Land is estimated to be approximately RMB340,000,000. Up to date, approximately RMB3,500,000 has been incurred as the development costs in respect of the Carved-out Land.

The Directors consider that the terms of each of the Lung Meng Agreements, the Termination Agreement and the Site Clearance Contract are arrived at after arm's length negotiation and on normal commercial terms which are fair and reasonable so far as the shareholders of the Company are concerned.

The open market value of the Remaining Lot and the Carved-out Land as assessed by DTZ were approximately HK$517,500,000 and HK$191,900,000 respectively as of 31 March, 2004. In view that the open market value of the Remaining Lot has increased by approximately 28 per cent. of the Original Investment Value, the Directors consider that the increase in value of the Lot since the Group's acquisition of Chia Lung and Prestige is sufficient to compensate the transfer of the Carved-out Land to Shanghai Hungkang and that the Transaction has no adverse effect on the financial and operational positions of the Company.

6. CONNECTION BETWEEN THE PARTIES AND THE CONNECTED TRANSACTION

Chia Lung and Prestige are investment holding companies holding only Shanghai Lung Meng. Shanghai Hungkang was established by the local government of Zhuanqiao Town, Minxin District of Shanghai for property development.

Shanghai Lung Meng is a non-wholly-owned subsidiary of the Company. Shanghai Hungkang, being a substantial shareholder owning 25 per cent. of Shanghai Lung Meng, is a connected person of the Company under the Listing Rules. Accordingly, each of the Lung Meng Agreements and the Termination Agreement constitutes a connected transaction of the Company under the Listing Rules.

As the consideration ratio of the Transaction exceeds 2.5 per cent., each of the Lung Meng Agreements and the Termination Agreement is subject to the approval of the Shareholders (excluding those Shareholders prohibited by the Listing Rules from voting on the resolution) voting at a special general meeting convened to approve the Lung Meng Agreements and the Termination Agreement pursuant to Rule 14A.18 of the Listing Rules.

7. WAIVER

Sounda, which beneficially owns 637,500,000 Shares, representing approximately 63.56 per cent. of the issued share capital of the Company as of the date hereof, has confirmed in writing that in the event that Shareholders' approval in respect of each of the Lung Meng Agreements and the Termination Agreement is required, it will vote, or procure the voting of the Shares in the Company in which Sounda and its associates are interested, in favour of the Lung Meng Agreements and the Termination Agreement. Sounda does not have any interest in the Transaction and does not have any interest which is different from those of the other Shareholders.

Shanghai Hungkang is a connected person of the Company only by virtue of its 25 per cent. interest in Shanghai Lung Meng. Other than being interested in 25 per cent. of Shanghai Lung Meng, Shanghai Hungkang has no connection with the Group. Since none of Shanghai Hungkang, its directors, shareholders or associates has any interest in the Shares, no Shareholder would be required to abstain from voting.

Since the passing of any resolution in respect of each of the Lung Meng Agreements and the Termination Agreement by the Shareholders will be a foregone conclusion and no Shareholders will be required to abstain from voting, the expense to the Company of holding a Shareholders' meeting would be an unnecessary expense. In view of the aforesaid, the Company has applied to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules for a waiver from the requirement under the Listing Rules for the Company to hold a general meeting to seek Shareholders' approval in respect of the Lung Meng Agreements and the Termination Agreement on the basis that the written approval by the independent Shareholder holding more than 50 per cent. of the issued share capital of the Company has been obtained.

8. FURTHER INFORMATION

CSC Asia has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on whether the Lung Meng Agreements and the Termination Agreement are in the best interest of the Company. DTZ has been appointed to prepare a valuation report in respect of the Lot.

Your attention is drawn to the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders set out on page 10 of this circular and the advice from CSC Asia to the Independent Board Committee and Independent Shareholders set out on pages 11 to 20 of this circular.

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

By Order of the Board
Chu Mang Yee
Chairman

HOPSON DEVELOPMENT HOLDINGS LIMITED
合生創展集團有限公司*

(Stock Code: 754)
(Incorporated in Bermuda with limited liability)
website:http://www.irasia.com/listco/hk/hopson

To the Shareholders

24 June, 2004

Dear Sir or Madam,

CONNECTED TRANSACTION

INTRODUCTION

We refer to the circular dated 24 June, 2004 issued by the Company, of which this letter forms part ("Circular"). Terms used in this letter shall have the same meanings defined elsewhere in the Circular unless the context requires otherwise.

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

RECOMMENDATION

We wish to draw your attention to the Letter from the Chairman as set out on pages 4 to 9 of this Circular, and the letter from CSC Asia Limited which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Transaction as set out on pages 11 to 20 of this Circular. Your attention is also drawn to the general information contained in the appendix II to this Circular.

Having taking into account the advice of CSC Asia Limited and the principal factors and reasons considered by CSC Asia Limited, we consider that the terms of the Transaction are fair and reasonable so far as the Shareholders are concerned. Accordingly, we recommend the Shareholders to vote in favour of the Lung Meng Agreements and the Termination Agreement if a Shareholders' meeting is required to be held.

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

Yuen Pak Yiu, Philip	**Lee Tsung Hei, David**	**Wong Shing Kay, Oliver**
Director	*Director*	*Director*

* *for identification purposes only*

CSC Asia Limited
Units 3204 – 3207
32th Floor, COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

24 June 2004

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

Dear Sirs,

CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Transaction, particulars of which have been set out in a circular to the Shareholders dated 24 June 2004 (the "Circular"), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

The Group entered into the Transaction to resolve the dispute of the parties to the Share Transfer Agreement. Under the Transaction, Shanghai Hungkang shall transfer its 25% interest in Shanghai Lung Meng to Chia Lung and Prestige and in return, Shanghai Hungkang shall receive the Carved-out Land as compensation. The Transaction effectively divides the Lot into two sections with the Group owning the entire Remaining Lot while Shanghai Hungkang shall be entitled to the entire Carved-out Land.

As at the Latest Practicable Date, Shanghai Lung Meng is owned as to 65%, 10%, and 25% by Chia Lung, Prestige and Shanghai Hungkang respectively. Futhermore, the Group owns 100% interests in each of Chia Lung and Prestige. Accordingly Shanghai Lung Meng is a non-wholly-owned subsidiary of the Company. Shanghai Hungkang, being a substantial shareholder owning 25% of Shanghai Lung Meng, is a connected person of the Company under the Listing Rules.

Sounda, which beneficially owns approximately 63.56% of the issued share capital of the Company as of the Latest Practicable Date, has confirmed in writing that in the event that shareholders' approval in respect of each of the Lung Meng Agreements and the Termination Agreement is required, it will vote, or procure the voting of the shares in the Company in which Sounda and its associates are interested, in favour of the Lung Meng Agreements and the Termination Agreement. Sounda does not have any interest in the Transaction and does not have any interest which is different from those of the other shareholders of the Company.

As stated in the section headed "Letter from the Chairman" in the Circular (the "Chairman's Letter"), the Company has applied to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules for a waiver from the requirement under the Listing Rules for the Company to hold a general meeting to seek shareholders' approval in respect of the Lung Meng Agreements and the Termination Agreement on the basis that an Independent Shareholders' approval has been obtained by way of the written approval by the Independent Shareholder.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Group and have assumed that all information and representations made by the Group and the Directors were true, accurate and complete at the time they were made and continue to be so as at the date of the Circular. We have reviewed, among others, the audited accounts of Shanghai Lung Meng for the year ended 31 December 2003, the valuation report (the "Valuation Report") prepared by DTZ Debenham Tie Leung Limited with regard to the Lot as set out in Appendix I of the Circular, the Lung Meng Agreements and Termination Agreement and the Company's annual report for the year ended 31 December 2003 (the "Annual Report") and other information provided by the Company. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the affairs of the Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in relation to the terms of the Lung Meng Agreements and the Termination Agreement, we have taken into consideration the following factors:

1 Business highlights

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

As mentioned in the Annual Report, the Group delivered to the buyers completed properties, including the properties developed under 5 projects in Guangzhou and Beijing as scheduled by the Group during the financial year of 2003. The projects developed under all of these 5 projects are residential and commodity properties. The Group also commenced a large-scale project in Tianjin integrating holiday resort, travel and residential. As at 31 December 2003, the gross floor area of the Group's projects under development was approximately 2,660,718 sq. m. and that recently, the Group commenced development work on the Remaining Lot.

Based on the above and according to the Directors, it is the intention of the Group to continue strengthening its established brand name and accelerate its pace of development given the tremendous room for growth in PRC's property market.

2. Reasons for the Transaction

(a) The potential growth in the PRC property market anticipated by the Group

As stated in the Annual Report, favourable factors such as the continuous growth in the PRC's economy, the personal income, wealth and consumption power of the individuals in the PRC as well as the individual's growing desire to invest in the property markets in the PRC, all helped to propel the demand for quality residential properties in the PRC. It is further stated in the Annual Report that the average price of commodity properties in Shanghai had increased by 21% during the year 2003, making Shanghai one of the cities with the fastest growth in property prices. According to the Directors, given all these insights with regard to the PRC property market, it is also the Group's intention to further expand its operations in Shanghai where the Group realizes that both the living standard and demands for good quality properties there are increasingly high. Without any delays, such continuous expansion will enable the Group to take advantage of the current high local property prices in Shanghai.

Although according to the terms of the Transaction, Shanghai Lung Meng will have to give away the Carved-out Land and be left with the Remaining Lot, the Directors consider that it represents an excellent business opportunity for the Group to further strengthen its development portfolio in Shanghai for having the ability to fully utilize the Remaining Lot which would likely provide positive contribution to the Group's operating result in the future upon the completion of its development. As a result of the Transaction, (i) the Group will be reimbursed by Shanghai Hungkang of 25% of the relocation expenses and development cost incurred by Shanghai Lung Meng in respect of the Lot up to 30 September 2003, amounting to approximately RMB9,643,000 (approximately HK$9,097,000), (ii) the Group will be relieved of the payment obligation of the Original Acquisition Price of RMB8,000,000 (approximately HK$7,547,000), (iii) the site clearance fee payable by Shanghai Lung Meng to the Land Administration Office will be reduced from RMB264,000,000 (approximately HK$249,057,000) to approximately RMB197,426,000 (approximately HK$186,251,000) representing a decrease of approximately 25.22% or approximately RMB66,574,000 (approximately HK$62,806,000) and (iv) the Group will be relieved of making the contribution of US$500,000 (approximately HK$3,900,000) towards the registered capital of Shanghai Lung Meng by means of reimbursement by Shanghai Hungkang. Pursuant to the Cooperation Agreement, the Group shall be responsible for 75% of pre-operation expenses financed by Shanghai Hungkang for Shanghai Lung Meng in the amount of RMB6,000,000 (approximately HK$5,660,000). The Group has incurred approximately HK$1,069,000 being interest payment in respect of the bank loans obtained by the Group for financing its acquisition of Chia Lung and Prestige.

The Shareholders should note that as a result of the Transaction, the value of investment of the Remaining Lot will become approximately HK$325,062,000, being the Original Investment Value of approximately HK$402,752,000 less (1) the payment of the Original Acquisition Price of RMB8,000,000 (approximately HK$7,547,000), (2) the payment of approximately RMB66,574,000 (approximately HK$62,806,000) as site clearance fee, (3) the relief of making the capital contribution of US$500,000 (approximately HK$3,900,000) and (4) the reimbursement by Shanghai Hungkang of the relocation expenses of approximately RMB9,643,000 (approximately HK$9,097,000) and the addition of 75% of the pre-operation expenses of RMB6,000,000 (approximately HK$5,660,000). Accordingly, the open market of the Remaining Lot of HK$517,500,000 as at 31 March 2004 as assessed by DTZ, has increased by approximately 28% of the Original Investment Value since February 2003 as stated in the Chairman's Letter and approximately by 59.20% of the revised investment value of the Remaining Lot respectively.

In view of the above, we concur with the Directors' view that the Transaction represents a good investment opportunity to the Group and will likely provide positive contribution to the Group's operating result in the future upon the completion of the development in the Remaining Lot.

(b) The Group's investment in both Chia Lung and Prestige

The aggregate value for the acquisition of the respective entire interests of Chia Lung and Prestige by the Group in February 2003 amounted to approximately HK$402,752,000 among which payment of approximately HK$238,000,000 has been made. Based on information provided by the Group, the said payment was financed as to approximately HK$167,332,000 by internally generated cash and approximately HK$70,668,000 by loan. As at 30 April 2004, the outstanding loan relating to the acquisition of Chia Lung and Prestige by the Group amounted to approximately HK$51,168,000. At present, the Group is only paying expenses in respect of the Lot without any revenue being generated. Since the Group has to bear interest expenses on the principal of bank loans outstanding at US$ loan prime rate, we consider that it is beneficial for the Group to resolve the disputes between the parties over the Lot which in turn affect the development of the Lot as soon as possible in order to expedite the completion of the construction works on the Remaining Lot such that the Group can start to generate revenue from sales of properties thereon to reduce loans to minimize interest paid.

(c) 100% control in Shanghai Lung Meng and the Remaining Lot

Upon the completion of the Transaction, Shanghai Lung Meng shall transfer to Shanghai Hungkang the Carved-out Land with an area of 191,918 sq. m., representing approximately 27.05% of the Lot of 709,393 sq. m. as stated in the Valuation Report. In return, Chia Lung and Prestige shall receive Shanghai Hungkang's 25% interest in Shanghai Lung Meng. In effect, Shanghai Lung Meng will give away the Carved-out Land and the Group's interest in Shanghai Lung Meng and the Remaining Lot will increase to 100% upon the completion of the Transaction. The Shareholders should note that obtaining 100% interest in Shanghai Lung Meng will allow the Group to exert higher control and have more flexibility in the management and daily operations of Shanghai Lung Meng and eliminates the possibility of potential disputes between joint venture partners. Based on the above, we are of the view that the terms of the Cooperation Agreement are fair and reasonable.

According to the Directors, the Group intends to develop the Remaining Lot into a commodity property of high-end residential buildings. For phase one of the Remaining Lot, the Group intends to develop low-rise upscale residential buildings whereas high-rise upscale residential buildings are currently planned for phases 2 and 3. Although the Carved-out Land seems to be an opportunity cost to the Group's 100% control in Shanghai Lung Meng and the Remaining Lot, we are of the opinion that this arrangement provides the Group with more flexibility in its development plan.

3. Information of the Transaction

(a) Parties involved in the Transaction

Following the completion of the Transaction, Chia Lung and Prestige will be interested in 100% of the share capital of Shanghai Lung Meng. In addition, the Carved-out Land will be transferred from Shanghai Lung Meng to Shanghai Hungkang while the Remaining Lot will be retained by Shanghai Lung Meng. We understand from the management of the Group that as at the Latest Practicable Date, the acquisition of the remaining 5% interest in Chia Lung has taken place. Accordingly, Chia Lung is a wholly-owned subsidiary of the Company resulting in the Company having 100% control over Shanghai Lung Meng and the Remaining Lot following the completion of the Transaction.

(b) Information on Shanghai Lung Meng

According to the Chairman's Letter, Shanghai Lung Meng is a sino-foreign cooperative joint venture established in the PRC for the development and operation of the Lot in Shanghai, PRC. As mentioned earlier in our letter that Shanghai Lung Meng is owned as to 65%, 10%, and 25% by Chia Lung, Prestige and Shanghai Hungkang respectively at the Latest Practicable Date. Other than the aforesaid business, Shanghai Lung Meng has no other operations. As the Lot is still under development, it has not been generating any profit. Based on the audited accounts of Shanghai Lung Meng for the year ended 31 December 2003 (the "Audited Accounts"), it did not record a turnover during the year ended 31 December 2003. During the same period, Shanghai Lung Meng recorded a loss attributable to shareholders of approximately RMB3,735,000 (approximately HK$3,524,000). As at 31 December 2003, Shanghai Lung Meng had approximately RMB122,065,000 (approximately HK$115,156,000) and approximately RMB46,268,000 (approximately HK$43,649,000) of total assets and total liabilities respectively, resulting in net assets of approximately RMB75,797,000 (approximately HK$71,507,000).

4. Terms of the Lung Meng Agreements

(a) The Cooperation Agreement

As stated in the Chairman's Letter, Chia Lung, Prestige and Shanghai Hungkang, being all the joint venture partners of Shanghai Lung Meng, agree to change the mode of their co-investment and cooperation in the joint venture company such that instead of contributing 25% of the registered capital and sharing 25% of the profits of Shanghai Lung Meng, Shanghai Hungkang shall be solely responsible for the development of and be solely entitled to the profit generated from the Carved-out Land and shall not share any of the profit or loss of Shanghai Lung Meng. Please refer to the Chairman's Letter for further details of the Cooperation Agreement.

According to the management of the Group, land is not freely transferable under existing Land Management Regulations (土地管理法規) in the PRC. However when construction has reached 25% of the total investment, the relevant property can be transferred as a "work in progress". This is because a construction project is of a different nature when compared with a piece of land and is therefore not subject to the aforementioned restriction of the Land Management Regulations (土地管理法規). As at the Latest Practicable Date, the development of the Carved-out Land has not reached 25% of its total investment. Accordingly, the parties to the Cooperation Agreement agree that Shanghai Lung Meng will transfer the Carved-out Land to Shanghai Hungkang when 25% of the total investment for the development of the Carved-out Land has been incurred.

(aa) Transfer of the Carved-out Land and 25% interest in Shanghai Lung Meng

In essence, the end result of the Cooperation Agreement is that Shanghai Hungkang shall give up its 25% interest in Shanghai Lung Meng in return for the transfer of the Carved-out Land from Shanghai Lung Meng to Shanghai Hungkang. As mentioned earlier, Shanghai Lung Meng is principally engaged in the development and operation of the Lot and has no other operations. As at the Latest Practicable Date, the Group and Shanghai Hungkang are interested in 75% and 25% of the capital of Shanghai Lung Meng respectively. Following the completion of the Transaction, Shanghai Hungkang will be entitled to the Carved-out Land, which is approximately 27.05% of the Lot with the Group taking 100% control in Shanghai Lung Meng. Accordingly, the Group is still entitled to approximately 72.95% of the Lot following the completion of the Transaction.

According to the Valuation Report, the sizes of the Remaining Lot and the Carved-out Land are 517,475 sq. m. and 191,918 sq. m. respectively. Based on these figures, the total area of the Lot is 709,393 sq. m.. The Remaining Lot and the Carved-out Land represent approximately 72.95% and approximately 27.05% of the Lot respectively. It is further stated in the Valuation Report that the valuations of the Remaining Lot and the Carved-out Land were HK$517,500,000 and HK$191,900,000 respectively as at 31 March 2004. The per-unit-price of the Remaining Lot and the Carved-out Land are approximately HK$1,000.05/sq. m. and approximately HK$999.91/sq. m. respectively. We consider that the difference in the per-unit-price of the Remaining Lot and the Carved-out Land is negligible. However, the Shareholders should note that size of the Carved-out Land represents approximately 27.05% of the Lot, which is approximately 2.05% more than its existing shareholding in Shanghai Lung Meng of 25%.

As demonstrated in the Valuation Report, the Lot consists of 4 sub-lots with 3 in the Remaining Lot and 1 in the Carved-out Land. According to the management of the Group, the sub-lots cannot be further subdivided into smaller lots. The aforementioned difference of approximately 2.05% will be compensated by the construction on the Carved-out Land of the public facilities, such as a school which sales will not be derived from, as required by the local government. The aforementioned school shall occupy approximately 42 mu (approximately 27,972 sq.m.) of land on the Carved-out Land, representing approximately 3.94% of the Lot. The utilization of the public facilities will be shared by the Remaining Lot and Shanghai Hungkang will be solely responsible for such construction and the expenses incurred thereon. As such, the transfer of the Carved-out Land to Shanghai Hungkang is the most appropriate option as its proportion out of the Lot of approximately 27.05% is the closest to Shanghai Hungkang's shareholding in Shanghai Lung Meng of 25%.

According to information provided by the Group, the plot ratios of the Remaining Lot and the Carved-out Land are 1.06 and 1.02 respectively. Plot ratio is used to determine the maximum gross floor area of a building that can be constructed on a given piece of land. The plot ratios for the Remaining Lot and the Carved-out Land are considered to be low and are generally associated with upscale and low-density residential area. Assuming the sizes of two lots are the same, the developer with the lot that has the higher plot ratio is allowed to construct buildings with more gross floor area than the lot with the lower plot ratio.

(ab) Reimbursement of relocation expenses

As stated in the Chairman's Letter, Shanghai Hungkang shall reimburse Chia Lung and Prestige for 25% of the relocation expenses and development costs incurred by Shanghai Lung Meng (but funded by Chia Lung and Prestige) in respect of the Lot up to 30 September 2003. According to the Cooperation Agreement, Shanghai Lung Meng has, up to 30 September 2003, incurred approximately RMB38,572,000 (approximately HK$36,389,000) on the Lot for relocation expenses and development costs. Under the terms of the Cooperation Agreement, Shanghai Hungkang shall be responsible for 25% of such amount which is approximately RMB9,643,000 (approximately HK$9,097,000). In May 2004, the Group obtained the permit for commencement of construction work (建築工程施工許可證) and the Group has already commenced construction work for phase 1 on the Remaining Lot. As for the Carved-out Land, development work is still in the planning stage and accordingly, construction work has not started as at the Latest Practicable Date.

We are of the view that the arrangement of the reimbursement of relocation expenses under the Cooperation Agreement is a fulfillment of Shanghai Hungkang's past obligation as a shareholder of Shanghai Lung Meng. Considering that no construction work has been carried out on the Carved-out Land, we consider that the reimbursement arrangement under the Cooperation Agreement is beneficial to the Group and is fair and reasonable to the Shareholders.

(b) The Internal Sub-Contract

Pursuant to the Internal Sub-Contract, Shanghai Lung Meng agrees to appoint Shanghai Hungkang to undertake site clearance and demolition works in respect of the Carved-out Land, including the relocation of existing residents thereon and connection of electricity supply, water supply and road pending the transfer of the Carved-out Land to Shanghai Hungkang. No consideration will be payable by Shanghai Lung Meng to Shanghai Hungkang under the Internal Sub-Contract.

As mentioned in section 4(a) of this letter, there are certain restrictions on the transfer of land in the PRC. In order for Shanghai Hungkang to commence work on the Carved-out Land which is technically a property of Shanghai Lung Meng due to the aforementioned restriction, Shanghai Lung Meng would have to appoint Shanghai Hungkang to carry out its own development work. On the basis that no consideration is payable by Shanghai Lung Meng, we consider that the Internal Sub-Contract was entered into to facilitate the commencement of work on the Carved-out Land by Shanghai

Hungkang before the Carved-out Land can be legally transferred to Shanghai Hungkang. We are of the view that the terms of the Internal Sub-Contract would not have any adverse effect on the Group and are fair and reasonable.

5. The Termination Agreement

As stated in the Chairman's Letter, Chia Lung, Prestige and Shanghai Hungkang will enter into the Termination Agreement to terminate the Share Transfer Agreement and mutually release each other from further obligations thereunder within 30 days upon fulfillment of the Condition. The parties to the Share Transfer Agreement were in disputes over the compensation for the resumption of land since September 2003. Eventually the parties to the Share Transfer Agreement agreed to resolve such dispute by entering into the Transaction. The Termination Agreement is conditional upon the fulfillment of the Condition and plays an important part in resolving such disputes. The Shareholders should note that no consideration is to be paid or received by the Group under the Termination Agreement. The Termination Agreement is simply an outcome of the Lung Meng Agreements.

6. Financial effects of the Transaction

(a) Net asset Value

Based on the Annual Report, the total assets, total liabilities and net asset value of the Group amounted to approximately HK$10,344,430,000, approximately HK$7,650,052,000 and approximately HK$2,694,378,000 respectively as at 31 December 2003.

As mentioned earlier, the net asset value of Shanghai Lung Meng as at 31 December 2003 was approximately RMB75,797,000 (approximately HK$71,507,000). With its current 75% shareholding in Shanghai Lung Meng, the Group's entitlement to Shanghai Lung Meng's net asset was approximately RMB56,848,000 (approximately HK$53,630,000) as at 31 December 2003. According to the Audited Accounts, Shanghai Lung Meng had inventory of approximately RMB102,325,000 (approximately HK$96,533,000) as at 31 December 2003. As informed by management of the Group, the item inventory represents the book value of the Lot. Since the Carved-out Land represents approximately 27.05% of the Lot, the value of Shanghai Lung Meng's inventory will decrease by the same percentage following the completion of the Transaction. On the other hand, the Group shall receive Shanghai Hungkang's 25% equity interest in Shanghai Lung Meng, resulting in a 100% entitlement to Shanghai Lung Meng's net assets following the completion of the Transaction.

In addition, as mentioned in section 2(a) of this letter, the Transaction will have the following effect: (i) the Group will be reimbursed by Shanghai Hungkang of 25% of the relocation expenses and development cost incurred by Shanghai Lung Meng in respect of the Lot up to 30 September 2003, amounting to approximately RMB9,643,000 (approximately HK$9,097,000), (ii) the Group will be relieved of the payment obligation of the Original Acquisition Price of RMB8,000,000 (approximately HK$7,547,000), (iii) the site clearance fee payable by Shanghai Lung Meng to the Land Administration Office will be reduced from RMB264,000,000 (approximately HK$249,057,000) to approximately

RMB197,426,000 (approximately HK$186,251,000) representing a decrease of approximately 25.22% or approximately RMB66,574,000 (approximately HK$62,806,000), (iv) the Group will be relieved of making the contribution of US$500,000 (approximately HK$3,900,000) towards the registered capital of Shanghai Lung Meng by means of reimbursement by Shanghai Hungkang and (v) the Group shall be responsible for 75% of pre-operation expenses financed by Shanghai Hungkang for Shanghai Lung Meng in the amount of RMB6,000,000 (approximately HK$5,660,000).

The Shareholders should note that the entire Transaction does not appear to be material to the Group since the net asset value of Shanghai Lung Meng as at 31 December 2003 of approximately RMB75,797,000 (approximately HK$71,507,000) represents only approximately 2.65% of the Group's net asset value of approximately HK$2,694,378,000 as at 31 December 2003.

(b) Effects on earnings

As stated in section 3(b) of this letter, Shanghai Lung Meng is principally engaged in the development and operation of the Lot and has no other operations. As the Lot is still under development, Shanghai Lung Meng has not been generating any profit. Considering that Shanghai Lung Meng is a property development company with a property under development, we are of the view that it is not fair and appropriate to analyze its financial performance based on its historical financial figures as it does not portray the revenue generating potential of Shanghai Lung Meng in the future. To portray a picture of the effects on the Group’s future earnings following the completion of the development of the Remaining Lot, we would have to take into account various factors such as, among others, projected change in property prices in Shanghai, the overall PRC property market sentiment, inflation rate and interest rate. We believe these factors are too complex and arbitrary in the context of our analysis. Upon the completion of the Transaction, the Group can set out their intended plan to develop the Remaining Lot after having obtained full control of Shanghai Lung Meng. Based on the past experience and performance of the Group, it is the Directors’ belief that the Group is capable of procuring business opportunities with high earning potentials which will benefit the Group as well as its Shareholders.

CONCLUSION

In formulating our opinion, our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the aforementioned principal factors and in particular:

- The aggregate value for the acquisition of the respective entire interests of Chia Lung and Prestige by the Group in February 2003 amounted to approximately HK$402,752,000 among which payment of approximately HK$238,000,000 has been made. The investment was partially financed by bank loans which lead to interest expenses.

- Shanghai Hungkang's entitlement to the Lot, i.e. the Carved-out Land, represents 27.05% of the Lot and is approximately 2.05% more than its shareholding in Shanghai Lung Meng of 25%. However, this is compensated by the construction of the public facilities on the Carved-out Land which will take up approximately 3.94% of the Lot. The utilization of the public facilities will be shared by the Remaining Lot and Shanghai Hungkang will be solely responsible for such construction and the expenses incurred thereon.

- The valuation of the Remaining Lot of HK$517,500,000 is approximately 59.20% higher than the revised investment cost of HK$325,062,000 as stated in section 2(a) of this letter.

- The Transaction was entered into to break the impasse under the Share Transfer Agreement, and facilitate the transfer of Shanghai Hungkang's 25% interest in Shanghai Lung Meng to Chia Lung and Prestige.

- After the completion of the Transaction, the Company will have 100% control over Shanghai Lung Meng and the Remaining Lot, enabling the Group to exert higher control and have more flexibility in the management and daily operations of Shanghai Lung Meng and eliminates the possibility of future disputes between joint venture partners.

We believe that from an economic perspective, the opportunity cost of not proceeding with the Transaction is the potential profits to be derived from the completion of the projects on the Remaining Lot. In view of the principal factors considered, we consider that, on balance, the terms of the Transaction are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
For and on behalf of
CSC Asia Limited
Andrew Chiu
Managing Director

DTZ Debenham Tie Leung
International Property Advisers
戴德梁行

Ref: F04-000335(ii)
KFC/FY/WKC/jc

Formerly C Y Leung & Company
原梁振英測量師行

24 April, 2004

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

Dear Sirs,

Re : Qiu No. 1 Jiefang No. 157 Bijiang Jiedao, Qiu No. 4 Jiefang No. 156 Bijiang Jiedao, Qiu No. 1 Jiefang No. 160 Huaping Jiedao, and Qiu No. 1 Jiefang No. 161 Huaping Jiedao, Minghang District, Shanghai, the People's Republic of China

Instructions, Purpose & Date of Valuation

In accordance with the instructions of Hopson Development Holdings Limited (the "Company") for us to value the captioned properties 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 these property interests as at 31 March, 2004 (the "date of valuation") for the Group's year-end accounting purpose.

Definition of Open Market Value

Our valuation of each of the properties represents our opinion of its open market value which we would define as intended to mean "the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:–

(a) a willing seller;

(b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;

(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

(d) that no account is taken of any additional bid by a purchaser with a special interest; and

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion".

Valuation Bases & Assumptions

Our valuations have been made on the assumption that the Group sells the property interests on the open market without the benefit of a deferred terms contract, leasebacks, management agreements, joint ventures or any similar arrangements which would serve to increase the values of such property interests.

In valuing the properties which are situated in the PRC, we have assumed that transferable land use rights in respect of the properties for respective specific terms at respective nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have also assumed that the grantees or the users of the respective properties have free and uninterrupted rights to use or to assign the respective properties for the whole of the respective unexpired terms as granted. We have relied on the advice given by the Group regarding the title to and the Group's interest in the respective properties.

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

Method of Valuation

In forming our opinion of the value of the properties which are currently occupied or held for sale by the Group, we have valued each of them by the Direct Comparison Approach by making reference to comparable sales evidences as available in the relevant market.

In valuing the properties which are held for investment by the Group, we have valued each of them by Investment Approach by capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the respective properties.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy and tenancy, development scale, construction cost, site and floor areas and all other relevant matters.

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

Title Investigation

We have been provided with copies of documents in relation to the titles to the respective properties. However, we have not carried out searches to verify the ownership of the properties and to ascertain any amendment which may not appear on the copies handed to us.

Site Inspection

We have inspected the exterior and, where possible, the interior of each of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the properties are free of rot, infestation or other structural defects. Unless otherwise stated, we have not been able to carry out on-site measurement to verify the site and floor areas of the respective properties and we have assumed that the areas shown on the copies of the documents handed to us are correct.

Currency & Exchange Rate

Unless otherwise stated, all money amounts stated herein are in Hong Kong dollars. The exchange rate adopted in our valuations is HK$1=RMB1.06 which was the approximate exchange rate prevailing as at the date of valuation and there has been no significant fluctuation in such exchange rate between that date and the date of this letter.

Non-publication & Caveat

Neither the whole nor any part of this letter together with the valuation certificate attached nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

Finally and in accordance with our standard practice, we must state that this letter together with the valuation certificate attached is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

Our valuation certificate is set forth below.

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

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March, 2004
Qiu No. 1 Jiefang No. 157 Bijiang Jiedao, Qiu No. 4 Jiefang No. 156 Bijiang Jiedao, Qiu No. 1 Jiefang No. 160 Huaping Jiedao, and Qiu No. 1 Jiefang No. 161 Huaping Jiedao, Minhang District, Shanghai, the PRC	The property comprises a rectangular-shaped site with an area of approximately 709,393 sq.m. (7,635,906 sq.ft.). The property is planned to be developed into a residential development which will provide several low to medium-rise residential blocks and villas. The gross floor areas of the development permitted for residential and commercial uses are not exceeding 584,707 sq.m. (6,293,786 sq.ft.) and 107,633 sq.m. (1,158,562 sq.ft.) respectively, plus gross floor area of 54,565 sq.m. (587,338 sq.ft.) for the uses of communal ancillary facilities. The land use rights of the property have been granted for respective terms of 70 years for residential use from June 1994.	The property is currently a vacant site.	HK$709,400,000 *(see Note 3)* (71.75% interest attributable to the Group: HK$508,994,500)

Notes:–

(1) According to an Agreement for Grant of Land Use Rights dated 30 April, 1994 and its Supplementary Agreement dated 22 December, 1998 made between Shanghai Minhang District Land Development Centre (上海市閔行區土地發展中心) (formerly known as Shanghai Minhang District Real Estate Company) and Shanghai Long Meng Real Estate Development Limited (上海龍盟房地產開發有限公司), the land use rights of the property, comprising a net site area of 711,071 sq.m., have been granted to Shanghai Long Meng Real Estate Development Limited (上海龍盟房地產開發有限公司) (now known as Shanghai Long Meng Company Limited (上海龍盟有限公司)) for a term of 70 years for residential use at a plot ratio of not less than 0.98.

(2) According to four Real Estate Certificate No. (1999) 005201 to 005204 issued by the People's Government of Shanghai on 30 January, 1999, the land use rights of the property, comprising a total site area of 709,393 sq.m., have been granted to Shanghai Long Meng Real Estate Development Limited (上海龍盟房地產開發有限公司) (now known as Shanghai Long Meng Company Limited (上海龍盟有限公司)) for residential uses:–

Location of Land	Site Area (sq.m.)
Qiu No. 1 Jiefang, No. 157 Bijiang Jiedao (碧江街道157街坊1丘)	161,420.0
Qiu No. 4 Jiefang, No. 156 Bijiang Jiedao (碧江街道156街坊4丘)	139,399.0
Qiu No. 1 Jiefang No. 160 Huaping Jiedao (華坪街道160街坊1丘)	191,918.0
Qiu No. 1 Jiefang No. 161 Huaping Jiedao (華坪街道161街坊1丘)	216,656.0

(3) The apportionment of the above valuation is as follows:

Property	Apportioned Capital Value
Qiu No. 1 Jiefang No. 160 Huaping Jiedao (華坪街道160街坊1丘)	HK$191,900,000
Qiu No. 1 Jiefang, No. 157 Bijiang Jiedao, Qiu No. 4 Jiefang, No. 156 Bijiang Jiedao Qiu No. 1 Jiefang No. 161 Huaping Jiedao (碧江街道157街坊1丘, 碧江街道156街坊4丘華坪街道161街坊1丘)	HK$517,500,000

(4) According to a Co-operative Contract and the Supplemental Contract both entered between Shanghai Hungkang North Bridge Property Company Limited (上海紅康北橋房地產有限公司) ("Party A"), Chia Lung Group Company Limited (佳龍集團有限公司) ("Party B") and Prestige Dragon Development Limited (譽龍發展有限公司) ("Party C") on 22 April, 1999, the parties have agreed to incorporate a co-operative joint venture company). The salient terms and conditions stipulated in the said contract as amended by the said supplemental contract are cited, inter alia, as follows:–

(i)	Name of the company	:	Shanghai Long Meng Co., Ltd. (上海龍盟有限公司) (the "CJV")
(ii)	Period of operation	:	70 years from the date of issue of the business licence
(iii)	Total investment amount	:	US$25,000,000
(iv)	Registered capital	:	US$10,000,000
(v)	Party A's responsibility	:	to contribute the development capital of US$2,500,000
(vi)	Party B's responsibility	:	to contribute the development capital of US$6,500,000
(vii)	Party C's responsibility	:	to contribute the development capital of US$1,000,000

(5) According to Business Licence No. 0334703, Shanghai Long Meng Co., Ltd. (上海龍盟有限公司) has been incorporated with a registered capital of US$10,000,000 and an operation period from 22 June, 1994 to 21 June, 2064.

(6) According to a copy of letter dated 28 July, 1999 issued by the People's Government of Shanghai Minhang District, the name of Shanghai Long Meng Real Estate Development Limited (上海龍盟房地產開發有限公司) has been changed to Shanghai Long Meng Co., Ltd. (上海龍盟有限公司).

(7) We have relied on the information provided by the Group and prepared our valuation on the following assumptions:–

(i) Shanghai Long Meng Co., Ltd. (上海龍盟有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;

(ii) all land premium and other costs of ancillary utilities services have been settled in full;

(iii) the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(iv) the property, whether as a whole or on a strata-titled basis, may be disposed of freely to third parties.

(8) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:–

Certificate for the Use of State-owned Land	No
Agreement for Grant of Land Use Rights	Yes
Building Ownership Certificate/Real Estate Certificate	Yes
Red-line Drawing	No
Planning Permit for Construction Land	Yes
Approval Letter for Construction Land	Yes
Planning Permit for Construction Works	N/A
Approval Notice of Planning Design	Yes
Business Licence	Yes

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

		Number of Shares beneficially held	
Name	*Notes*	**Personal**	**Corporate**
Mr. Chu Mang Yee	*(1)*	–	637,500,000
Mr. Au Wai Kin	*(2)*	–	37,500,000
Ms. Xiao Yan Xia		100,000	
Mr. Xiang Bin		1,000,000	

Notes:

(1) These Shares are held by Sounda Properties Limited, a company wholly-owned by Mr. Chu Mang Yee and HKSCC Nominees Limited, a nominee company.

(2) These Shares are held by a company wholly-owned and controlled by Mr. Au Wai Kin.

Save as disclosed herein, none of the Directors, chief executives of the Company and their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under 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.

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, 2003, 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 per cent. or more of the nominal value of shares of any class in the Company were as follows:

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

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

4. PROCEDURE TO DEMAND A DEED POLL

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

(a) by the chairman of such meeting; or

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

(c) by any Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting;.

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

5. SERVICE AGREEMENTS

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

6. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December, 2003, the date to which the latest published audited financial statements of the Group were made up.

7. EXPERT

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

Name	Qualification
CSC Asia	Licensed corporation for type 6 (advising on corporate finance) of the regulated activities under the SFO
DTZ	International property advisers

As at the Latest Practicable Date, neither CSC Asia nor DTZ has 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 CSC Asia and DTZ has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter or valuation in the form and context in which they appear.

As at the Latest Practicable Date, neither CSC Asia nor DTZ has any interest, direct or indirect, in any assets which since 31 December, 2003, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. 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 19th Floor, Wyndham Place, 40-44 Wyndham Street, Central Hong Kong during normal business hours up to and including 9 July, 2004:

(i) the Cooperation Agreement;

(ii) the Internal Sub-Contract;

(iii) the Termination Agreement;

(iv) the Site Clearance Contract;

(v) the letter from the Independent Board Committee, the text of which is set out on page 10 of this circular;

(vi) the letter from CSC Asia, the text of which is set out on pages 11 to 20 of this circular; and

(vii) the Valuation Report, the text of which is set out in appendix I to this circular.

10. MISCELLANEOUS

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