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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 TRANSACTION

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



A letter from the Chairman of Hopson Development Holdings Limited is set out on pages 5 to 18 of this circular. A letter from the independent board committee of Hopson Development Holdings Limited is set out on page 19 of this circular. A letter from Taifook Capital Limited containing its advice to the independent board committee and independent shareholders of Hopson Development Holdings Limited is set out on pages 20 to 28 of this circular.

August 14, 2006

* *for identification purposes only*

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DEFINITIONS

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

“Actual GFA”	the actual total gross floor area of the Hopson International Tower as certified by the relevant authority of China after completion of construction and the passing of inspection
“Agreement”	the conditional share purchase agreement dated July 21, 2006 entered into by and among the Company, Sun, Prime, Union, Interwell and Mintai
“associate”	the meaning given to that term in the Listing Rules
“Building Ownership Certificate”	the building ownership certificate in respect of Hopson International Tower
“Business Day”	any day on which banks are generally open for business in the Republic of Korea, Hong Kong and China
“BVI”	the British Virgin Islands
“Company”	Hopson Development Holdings Limited
“Directors”	the directors of the Company
“DTZ”	DTZ Debenham Tie Leung Limited, an independent property valuer
“Escrow Agreement”	the escrow agreement entered into by and among the Sellers and Purchaser and Citibank, N.A., Hong Kong Branch as the escrow agent on the date of the Agreement
“Escrow Amount”	US\$5 million (equivalent to approximately HK\$39 million)
“Final Closing”	the completion of the sale and purchase of the remaining 50% of the Sale Shares
“Final Closing Date”	the date on which Final Closing takes place
“Final Purchase Price”	US\$300 million (equivalent to approximately HK\$2,340 million), adjusted as necessary, as described in the sub-paragraph headed “Final Purchase Price” of paragraph B headed “Principal terms of the Agreement” of section 2 of this circular
“First Closing”	the completion of the sale and purchase of 50% of the Sale Shares

DEFINITIONS

“First Closing Date”	the date on which First Closing takes place
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hopson International Tower”	the building to be developed and constructed on the Land
“Indemnifiers”	Company and Union collectively
“Indemnity Letter”	a letter of indemnity given by Prime and Union in favour of the Company and Sun dated July 21, 2006
“Independent Board Committee”	an independent committee of the board of Directors comprising Messrs. Yuen Pak Yiu, Philip, Lee Tsung Hei, David and Wong Shing Kay, Oliver, established to review and consider the Agreement
“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolution to approve the Transaction
“Initial Purchase Price”	US\$150 million (equivalent to approximately HK\$1,170 million)
“Interwell”	Interwell Developments Limited, a company incorporated in the BVI
“Land”	a site situated at Meiyuan Street, Fang No. 9, Qiu No. 5, Pudong New District, Shanghai, PRC
“Latest Practicable Date”	August 11, 2006, being the latest practicable date prior to printing of this circular for ascertaining certain information contained in the circular
“Mintai”	上海民泰房地產有限公司 (Shanghai Mintai Real Estate Co., Ltd.), a wholly-foreign-owned enterprise established in the PRC
“Pacific” or “Purchaser”	Pacific Delta Investments Limited, a company incorporated in Hong Kong
“Parties”	the Sellers, Indemnifiers, the Purchaser, Interwell and Mintai
“Planned GFA”	approximately 85,784 square metres, being the planned total gross floor area of the Hopson International Tower as set forth in the Agreement

DEFINITIONS

“PRC” or “China”	the People’s Republic of China
“PRC Legal Opinion”	the legal opinion of Trust Law Firm to the Company dated July 11, 2006
“Prime”	Prime Essence Inc., a company incorporated in the BVI and a wholly-owned subsidiary of Union
“Purchaser’s Shares”	shall have the meaning as defined in the sub-paragraph headed “First Closing” of paragraph B headed “Principal terms of the Agreement” of section 2 of this circular
“Sale Shares”	100 shares of US\$1.00 each in Interwell, representing the entire issued share capital of Interwell
“Sellers”	Sun and Prime collectively
“SFO”	The Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company
“Share Transfer Agreement”	the agreement dated December 17, 2003 entered into among, inter alia, Sun, Prime and Interwell for, among others, the sale by Prime to Sun of 50% of the entire share capital of Interwell
“Sounda”	Sounda Properties Limited, a company incorporated in the BVI
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun”	Sun Advance Investments Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company
“Taifook”	Taifook Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction. Taifook is a licensed corporation under the SFO to carry out Type 6 regulated activity (advising on corporate finance) under the SFO
“Transaction”	the transaction under the Agreement

DEFINITIONS

“Trust Law Firm”	廣東卓信律師事務所 (Trust Law Firm), legal adviser to the Company in relation to PRC law
“Union”	Union Wise Investment Limited, a company incorporated in the BVI
“Valuation Report”	the valuation report dated August 14, 2006 prepared by DTZ on Hopson International Tower
“US\$”	United States dollars
“HK\$”	Hong Kong dollars
“RMB”	Renminbi

For illustrative purpose of this circular, RMB1.03 = HK\$1.00 and US\$1.00 = HK\$7.80



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HOPSON DEVELOPMENT HOLDINGS LIMITED

(Stock Code: 754)

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

Executive Directors:

CHU Mang Yee (Chairman)

XIANG Bin (Deputy Chairman)

WU Jiesi (Chief Executive Officer)

TAM Lai Ling (Chief Financial Officer)

AU Wai Kin

CHEN Chang Ying

XIAO Yan Xia

Non-executive Directors:

HU Yongmin

SHAFRAN, Steven

Independent Non-executive Directors:

YUEN Pak Yiu, Philip

LEE Tsung Hei, David

WONG Shing Kay, Oliver

Principal Office:

Suites 2705-09

27/F, Jardine House

1 Connaught Place

Central

Hong Kong

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

August 14, 2006

To the Shareholders

Dear Sir and Madam,

1. INTRODUCTION

It was announced on July 24, 2006 that the Company entered into the Agreement on July 21, 2006 with Sun, Prime, Interwell, Union, Mintai and Pacific pursuant to which Pacific conditionally agreed to acquire the entire issued share capital of Interwell from Sun and Prime.

Interwell is a non-wholly-owned subsidiary of the Company and an investment holding company, the sole asset of which is 100% of the equity interest in Mintai. Mintai is a wholly-foreign-owned enterprise established in the PRC, which engages in the business of real estate development in Shanghai. Mintai is currently constructing a building known as Hopson International Tower on the Land.

* for identification purposes only

LETTER FROM THE CHAIRMAN

Based on the relevant percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules, the Transaction constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules.

As Prime is a connected person (as defined under the Listing Rules) of the Company and Union is an associate of Prime, the Transaction also constitutes a non-exempt connected transaction of the Company under Rule 14A.16(5) of the Listing Rules and is subject to the approval of the Independent Shareholders voting at a general meeting pursuant to Rule 14A.18 of the Listing Rules. As no Shareholder will be required to abstain from voting on the Transaction and Sounda, the controlling Shareholder of the Company, has confirmed on July 21, 2006 in writing that it gave its consent and approval to the Agreement and the Transaction and that in the event that Shareholders' approval in respect of the Agreement is required, it will vote in favour of the Agreement, 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 special general meeting to seek Shareholders' approval in respect of the Agreement.

2. THE TRANSACTION

A. Background

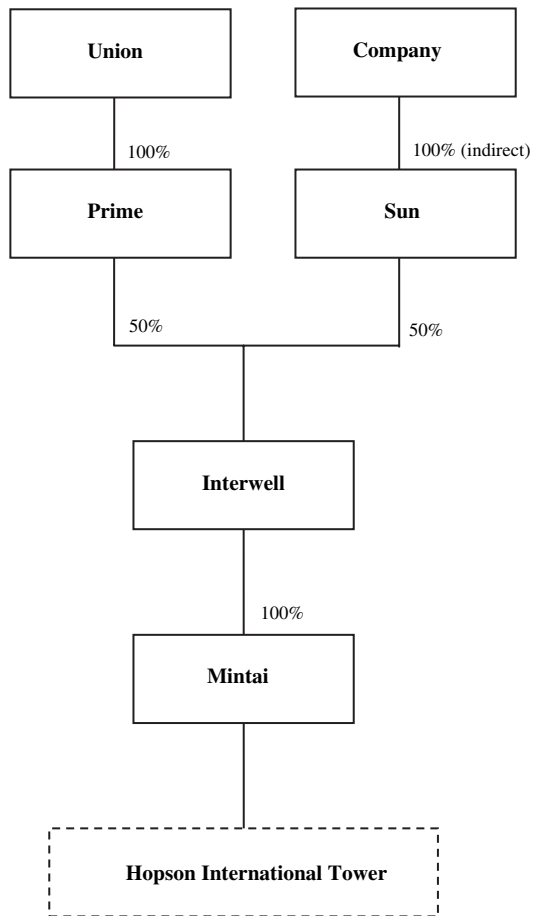
On July 21, 2006, the Company entered into the Agreement with Sun, Prime, Interwell, Union, Mintai and Pacific pursuant to which Pacific conditionally agreed to acquire the entire issued share capital of Interwell from Sun and Prime.

Interwell is a non-wholly-owned subsidiary of the Company and an investment holding company. Its sole asset is 100% of the equity interest in Mintai, a wholly-foreign-owned enterprise established in the PRC, which is engaged in the business of real estate development in Shanghai. Mintai is currently engaged in the construction of Hopson International Tower on the Land. Mintai is the owner of the land use right in respect of the Land. The Land comprises a site area of approximately 10,321 sq. m., in respect of which approval for the development and construction of a building for retail and office usage and comprising thirty-three stories has been granted by the relevant PRC government authorities to Mintai. As the construction of Hopson International Tower has not been completed, Mintai has not yet generated any revenue.

Interwell is owned by Sun and Prime in equal shares. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Pacific, its ultimate beneficial owners and associates are third parties independent of the Company and connected persons of the Company.

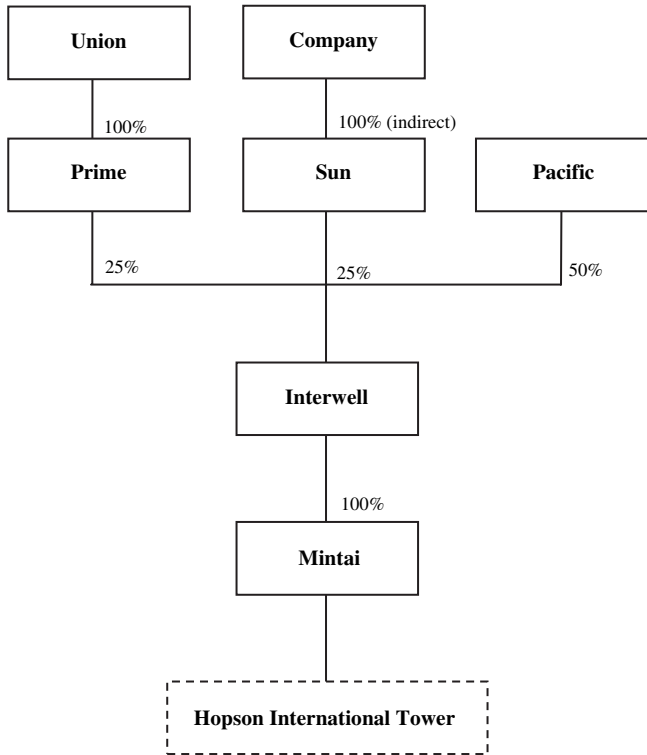
LETTER FROM THE CHAIRMAN

The chart below illustrates the shareholding structure of Interwell as of today:

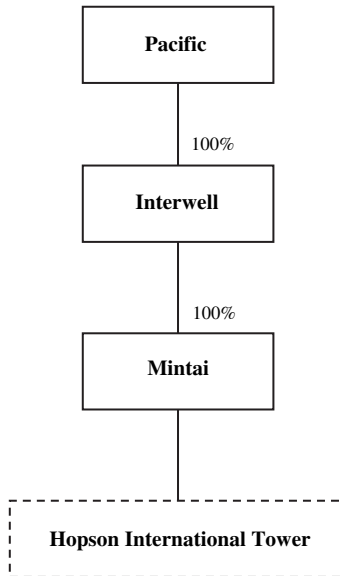


LETTER FROM THE CHAIRMAN

The chart below illustrates the shareholding structure of Interwell upon First Closing:



The chart below illustrates the shareholding structure of Interwell upon Final Closing:



LETTER FROM THE CHAIRMAN

B. Principal terms of the Agreement

- Date: July 21, 2006
- Parties: Sun and Prime (as sellers)
Pacific (as purchaser)
Company and Union (as indemnifiers)
Interwell (as the target)
Mintai (as the owner and developer of the Land)
- Interests Sold: Subject to the satisfaction of the conditions precedent specified in the Agreement, Sun and Prime agree to sell and Pacific agrees to purchase the Sale Shares.
- First Closing: First Closing shall take place on the First Closing Date, which shall be a date to be agreed upon by the Parties, but no later than twelve Business Days after the fulfillment (or waiver) by the Parties of the respective conditions precedent to First Closing applicable to them.

On the First Closing Date, among other things:

- (a) the Escrow Amount shall be released into one or more bank accounts nominated by the Sellers in accordance with the Escrow Agreement; and
- (b) the Purchaser shall pay to the Sellers US\$145 million (equivalent to approximately HK\$1,131 million), being the Initial Purchase Price less the Escrow Amount.

Upon First Closing, the Purchaser shall become the registered and beneficial owner of 50% of the Sale Shares (“Purchaser’s Shares”). The Company confirms that irrespective of the transfer of 50% of the Sale Shares at First Closing, it will continue to treat Interwell as its subsidiary from First Closing until Final Closing as the Group remains to have control over its financial and management operating policies as it shall be entitled to appoint the majority of the directors to the board of Interwell up until Final Closing. Only matters outside the ordinary course of business of Interwell shall require the approval of all of the directors of Interwell (including the directors of Interwell which Pacific shall be entitled to appoint from First Closing). The Company will not recognise its expected gain from the disposal of the Sale Shares until Final Closing.

LETTER FROM THE CHAIRMAN

Conditions Precedent
to First Closing:

First Closing is subject to the fulfillment or waiver by the Sellers or Purchaser (as the case may be) (other than (a) and (c) below which cannot be waived by the Sellers) of all of the conditions precedent applicable to them which include, among others:

- (a) the approval of the Agreement by the Shareholders of the Company (excluding those Shareholders who are required to abstain from voting on the resolution by the Listing Rules) voting at a general meeting of the Company or a waiver by the Stock Exchange exempting the Company from holding such general meeting;
- (b) the payment of the Escrow Amount by the Purchaser into the escrow account in accordance with the terms of the Escrow Agreement; and
- (c) there being no change to applicable law which would make the transactions contemplated by the Agreement illegal.

Final Closing:

Subject to the fulfillment or waiver (other than conditions precedent to First Closing (a) and (c) above which cannot be waived by the Sellers) of the conditions precedent to Final Closing, Final Closing shall take place on the Final Closing Date, which shall be a date to be agreed upon by the Parties, but no later than fifteen Business Days (or such longer period as the Parties may agree) after the issuance of the Building Ownership Certificate by the relevant authorities in China. The Building Ownership Certificate shall be obtained by Mintai by September 30, 2008 (subject to extension of not more than three months due to delay in the construction schedule caused by Pacific's request for changes to the construction, if any).

On the Final Closing Date, among other things, the Purchaser shall pay the balance of the Final Purchase Price (as may be adjusted) less the Initial Purchase Price and less the amounts outstanding of any working capital loans borrowed by Mintai prior to Final Closing (which are not permitted to exceed US\$80 million (equivalent to approximately HK\$624 million) or the RMB equivalent thereof) to the Sellers.

Upon Final Closing, the Purchaser shall become the registered and beneficial owner of 100% of the Sale Shares and Interwell will cease to be the Company's subsidiary.

LETTER FROM THE CHAIRMAN

Final Purchase Price: The Final Purchase Price shall be US\$300 million (equivalent to approximately HK\$2,340 million) and shall be adjusted in accordance with the terms of the Agreement which provides for (i) interest accruing at 7% per annum on the balance of the Final Purchase Price during the construction period of the Hopson International Tower (which shall be calculated by reference to the progress of construction); (ii) adjusted downward by a ratio, being (a) the difference between the Planned GFA and the Actual GFA, less 1% of the Planned GFA; divided by (b) the Planned GFA in the event that the Actual GFA is less than the Planned GFA by more than 1%, and further adjustment by taking into account (iii) the 100% actual cost of constructing the Hopson International Tower together with a management fee payable to the Sellers by Pacific (which is determined based on to the actual cost of construction of the Hopson International Tower) (“Sum”). In the event the Sum is less than the stipulated amount in the Agreement, the difference between the stipulated amount and the Sum shall be deducted from the Final Purchase Price. However, in the event the Sum exceeds or equals to stipulated amount, there will be no adjustment to the Final Purchase Price; and also (iv) the 100% costs of any alterations to the plan and design of the Hopson International Tower as may be requested by Pacific (the costs of such requests are subject to a maximum amount of RMB100 million (equivalent to approximately HK\$97 million)).

Conditions Precedent to Final Closing: Final Closing is subject to the fulfillment or waiver by the Sellers or Purchaser (as the case may be) of, among others, the following conditions precedent:

- (a) as of the Final Closing Date there shall be no debt owed by Interwell other than shareholder’s loans owing by Interwell to the Sellers, if any, which shall be assigned by the Sellers to the Purchaser;
- (b) as of the Final Closing Date, there shall be no debt owed to Mintai except those arising from its ordinary course of business and no debt owed by Mintai except for working capital loans not exceeding US\$80 million (equivalent to approximately HK\$624 million) or the RMB equivalent thereof; and
- (c) Mintai shall have increased its total investment and paid-in registered capital to not less than US\$120 million (equivalent to approximately HK\$936 million) (from US\$90 million (equivalent to approximately HK\$702 million)) and US\$40 million (equivalent to approximately HK\$312 million) (from US\$30.1 million (equivalent to approximately HK\$235 million)) respectively. Prime and Sun shall contribute to the respective increases equally.

LETTER FROM THE CHAIRMAN

Construction Quality
and Timing
Assurance:

The Sellers and the Indemnifiers shall, among other things, cause Mintai to fully comply with the specified standards and quality for the construction of Hopson International Tower, and to complete all actions for the issuance of the Building Ownership Certificate by September 30, 2008 or such later date as may be extended for not more than three months.

Indemnification:

The Sellers and the Indemnifiers shall jointly and severally indemnify and hold harmless the Purchaser from and against and in respect of any and all losses arising out of or relating to any breach of any of the relevant representations and warranties or any covenants or agreements by any of the Sellers, Interwell and Mintai under the Agreement. The Purchaser shall indemnify and hold harmless the Sellers from and against and in respect of any and all losses arising out of or relating to any breach by it of any of the representations and warranties or any covenants or agreements by it under the Agreement.

In view of the provision of the indemnity to the Purchaser by the Sellers and the Indemnifiers, which is on a joint and several basis, Prime and Union have provided the following indemnities to the Company and Sun pursuant to the Indemnity Letter, details of which are set out below:

- (i) Prime and Union agree to jointly and severally indemnify Sun and the Company and hold Sun and the Company harmless from and against the losses arising out of any breach of any of the relevant representations and warranties or any covenants or agreements (the "Breach") by Prime and Union under the Agreement;
- (ii) in relation to any amount payable or liability incurred by Sun and the Company under the indemnity to the Purchaser as a result of the Breach by Interwell and Mintai under the Agreement, Prime and Union agree to jointly and severally indemnify Sun and the Company in respect of the portion of any losses suffered by Sun and/or the Company for which Prime or Union shall have been responsible such that the losses arising as a result of the Breach by Interwell and Mintai shall be borne in equal shares between Prime and Union collectively on one part and Sun and the Company collectively on the other part; and
- (iii) Prime and Union agree to provide their interest in 50% of the Sale Shares as security for the due and punctual payment of their obligations arising out of the Indemnity Letter, in the event that the Agreement is terminated and the Sellers become the legal and beneficial owners of 100% of the Sale Shares.

No similar indemnity has been provided by the Group in favour of Prime and Union.

LETTER FROM THE CHAIRMAN

Limitation on Claims for Indemnification: The maximum liability of the Sellers and the Indemnifiers collectively, and of the Purchaser, in respect of any claim for indemnification brought under the Agreement are in each case:

- (a) US\$5 million (equivalent to approximately HK\$39 million), if such claims arise prior to the First Closing; or
- (b) the amount equal to the actual amounts received by the Sellers under the Agreement at the time of such claim for indemnification, if the claims arise following First Closing.

Accordingly, if the claims arise after Final Closing, the maximum liability of the Sellers, the Purchaser and the Indemnifiers would be the Final Purchase Price (subject to adjustment) paid to the Sellers.

Termination: Subject to the terms of the Agreement, the Agreement may be terminated at any time on or prior to Final Closing:

- (a) *by any of the Parties if, among other things:*
 - (i) the approval of the Shareholders of the Company (excluding those Shareholders who are required to abstain from voting on the resolution by the Listing Rules) voting at a general meeting convened to approve the Agreement on the terms specified therein, or a waiver by the Stock Exchange exempting from the holding of such special general meeting shall not be obtained within forty five days of the date of the Agreement; or
 - (ii) First Closing has not occurred on or prior to 31 December 2006 or such other date as may be mutually agreed by the Parties, or Final Closing has not occurred on or prior to 31 March 2009 or such other date as may be mutually agreed by the Parties.

LETTER FROM THE CHAIRMAN

- (b) *by the Purchaser if, among other things:*
- (i) the issuance of the Building Ownership Certificate falls three months or more behind September 30, 2008; or
 - (ii) any change of control should take place with respect to any of the Indemnifiers, the Sellers, Interwell or Mintai, save and except for any transfer of the shares in one Seller to another Seller or any Indemnifying Party.
- (c) *by the Sellers, the Indemnifiers, Interwell and Mintai if:*
- (i) the Purchaser fails to pay the Escrow Amount or the outstanding balance of the Initial Purchase Price (i.e. US\$145 million (equivalent to approximately HK\$1,131 million)) upon First Closing or the balance of the adjusted Final Purchase Price upon Final Closing to the Sellers in accordance with the Agreement.

Effect of Termination: The termination of the Agreement shall have the following effect:

- (a) *in the event of termination by Sellers, Interwell, Mintai and the Indemnifiers due to any reason attributable to the Purchaser:*
- (i) if the termination occurs prior to the First Closing Date, the Escrow Amount shall be transferred to the Sellers; or
 - (ii) if the termination occurs prior to the Final Closing Date, the Purchaser shall transfer the Purchaser's Shares back to the Sellers and the Purchaser shall be liable for damages incurred by the Sellers due to the termination of the Agreement.

LETTER FROM THE CHAIRMAN

- (b) *in the event of termination by the Purchaser due to any reason attributable to the Sellers, Interwell, Mintai and the Indemnifiers:*
- (i) if the termination occurs prior to the First Closing Date, the Escrow Amount shall be returned to the Purchaser and the Sellers and the Indemnifiers shall jointly and severally pay to the Purchaser the amount equal to the Escrow Amount as liquidated damages, upon the Purchaser's written demand; or
 - (ii) if the termination occurs prior to the Final Closing Date, the Purchaser, in its sole discretion, may either:
 - (aa) terminate the Agreement whereupon the Sellers shall return the Initial Purchase Price to the Purchaser and be liable to the Purchaser for damages incurred by the Purchaser due to the termination of the Agreement. Upon receipt of such damages, the Purchaser shall transfer the Purchaser's Shares back to the Sellers; or
 - (bb) without terminating this Agreement, accelerate the Final Closing in accordance with the Agreement.

C. Consideration

The consideration payable by the Purchaser to the Sellers for the acquisition of the Sale Shares will be the Final Purchase Price of US\$300 million (equivalent to approximately HK\$2,340 million), subject to adjustment in accordance with the Agreement. The Group, being the owner of 50% of the Sale Shares, will be entitled to half of the Final Purchase Price after netting off the first RMB50 million profit (equivalent to approximately HK\$49 million) from the Transaction as the entitlement of Prime pursuant to the Share Transfer Agreement in connection with Sun's acquisition of 50% of the entire issued share capital of Interwell from Prime which provides that, among other things, Prime shall be entitled to the first RMB50 million (equivalent to approximately HK\$49 million) profit arising from the Hopson International Tower for its contribution to the early stage development of Hopson International Tower. The transaction under the Share Transfer Agreement was not disclosed as it was neither a notifiable nor a connected transaction of the Company when it took place. The Group intends to apply the said consideration as general working capital of the Group.

LETTER FROM THE CHAIRMAN

The Final Purchase Price was determined with reference to the current market rate. The Final Purchase Price, which will be shared by Sun and Prime on an equal basis, shall be calculated on the basis as set out in sub-paragraph headed “Final Purchase Price” of paragraph B “Principal terms of the Agreement” of section 2 of this circular. The Final Purchase Price for the Transaction after adjustment is estimated to be RMB2,653 million (equivalent to approximately HK\$2,576 million). The total estimated development cost of the property is RMB1,619 million (equivalent to approximately HK\$1,572 million) of which RMB887 million (equivalent to approximately HK\$861 million) is the current book value, RMB613 million (equivalent to approximately HK\$595 million) is the estimated total construction costs and RMB119 million (equivalent to approximately HK\$116 million) is the estimated total financial expenses. In addition, the estimated total general and administrative expenses is RMB93 million (equivalent to approximately HK\$90 million), of which RMB50 million (equivalent to approximately HK\$49 million) is the reimbursement of pre-operating investment costs to Prime as referred to in the preceding paragraph. The estimated net gain on the disposal will amount to RMB941 million (equivalent to approximately HK\$914 million) and the Group will be entitled to 50% of it namely, an estimated amount of approximately RMB471 million (equivalent to approximately HK\$457 million). The Group is also entitled to interest income on the shareholders’ loans provided to Mintai which is estimated to be RMB51 million (equivalent to approximately HK\$49 million), such amount will be eliminated against the estimated general and administrative expenses incurred by Mintai upon consolidation. As a result, the Company expects to accrue an estimated gain of approximately RMB521 million (equivalent to approximately HK\$505 million). The Company will recognise such expected gain upon Final Closing. The Group is responsible for funding 50% of the construction cost (Prime is responsible for funding the remaining 50% of the construction cost), by arranging working capital loans to and increasing the paid-in registered capital of Mintai, until completion of the Hopson International Tower. As the Company will continue to treat Interwell as its subsidiary after First Closing and until Final Closing, Interwell’s construction costs for the Hopson International Tower will be reflected as “property under development” in the Group’s consolidated audited accounts.

D. Reasons for Transaction

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

Both Sun and Prime are investment holding companies. Union is an investment holding company. Pacific is principally engaged in real estate investment. The estimated value of the total assets of Interwell and its subsidiaries immediately before the Final Closing will be approximately HK\$1,557 million. As at June 30, 2006, Interwell and its subsidiary had consolidated assets of RMB1,088 million (equivalent to approximately HK\$1,056 million), a consolidated net asset value of RMB404 million (equivalent to approximately HK\$392 million) and shareholder’s loans outstanding of RMB290 million (equivalent to approximately HK\$282 million). Since there were no active operations, Interwell and its subsidiary did not have any profit/loss for the two years ended December 31, 2005 and for the six months ended June 30, 2006. Based on the Valuation Report, the capital value when completed of Hopson International Tower as at June 30, 2006 was approximately RMB2,281 million (equivalent to approximately HK\$2,215 million). Given that the

LETTER FROM THE CHAIRMAN

Group is only interested in 50% of Hopson International Tower, the Directors consider that the proposed sale of the Sale Shares is in the interest of the Shareholders as the Final Purchase Price of US\$300 million represents a premium of approximately 6% to the said appraised value above.

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

E. Effects of the Transaction on the earnings and assets and liabilities of Group

Immediately upon First Closing and the receipt of the Group's share of the Initial Purchase Price, the Transaction would have the effect of increasing both the assets (i.e. cash) and liabilities (i.e. deferred income) of the Group by US\$75 million (equivalent to approximately HK\$585 million) and decreasing the net gearing (i.e. borrowings less cash and cash equivalents) of the Group by US\$75 million (equivalent to approximately HK\$585 million). The Company considers that immediately upon First Closing, the Transaction will not have any effect on the profit or gross gearing of the Group. Upon Final Closing, the assets and the profit of the Group will increase by approximately HK\$505 million and there will be no change in the Group's liabilities.

Currently, Interwell is a 50%-owned subsidiary of the Group. Upon First Closing, the Group will treat Interwell as a 25%-owned subsidiary. Interwell will continue to be consolidated into the Group's account until Final Closing. Upon Final Closing, the Group will have no interest in Interwell and hence the results, assets and liabilities of Interwell will be fully excluded from that of the Group.

F. Discloseable Transaction

Based on the relevant percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules, the Transaction constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules.

G. Connection between the parties and the connected transaction

Notwithstanding that Interwell is owned by the Group and Prime in equal shares, it is a subsidiary of the Company because the Group has the power to govern its financial and operating policies. By virtue of being a substantial shareholder of Interwell, Prime is regarded as a connected person of the Company. Union, being the holding company of Prime, is an associate of Prime. Accordingly, the Transaction constitutes a connected transaction of the Company under the Listing Rules.

Based on the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the Transaction constitutes a non-exempt connected transaction of the Company under Rule 14A.16(5) of the Listing Rules and is subject to the approval of the Independent Shareholders voting at a general meeting convened to approve the Agreement pursuant to Rule 14A.18 of the Listing Rules. None of Union, Prime and Pacific and their respective associates has any shareholding in the Company.

LETTER FROM THE CHAIRMAN

3. WAIVER

Sounda, which beneficially owns 686,400,000 Shares representing 56.1% of the issued share capital of the Company as at the Latest Practicable Date giving the right to attend and vote at general meetings of the Company to approve the Transaction, confirmed on July 21, 2006 in writing that it gave its consent and approval to the Agreement and the Transaction and that in the event that Shareholders' approval in respect of the Agreement is required, it will vote in favour of the Agreement.

Pacific, Prime and Union are the persons interested in the Transaction who are required to abstain from voting at the Shareholders' meeting to approve the Agreement. However, since none of Pacific, Prime and Union (nor to the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, any of their associates or ultimate beneficial owners) has any control over any share in the Company, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Transaction. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, none of the Shareholders or their associates has any interest in the Transaction which is different from the other Shareholders of the Company.

The Directors are of the view that since the passing of any resolution in respect of the Agreement by the Shareholders will be a foregone conclusion and no Shareholder will be required to abstain from voting if the Company were to convene a general meeting for the approval of the Transaction, 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 for a waiver pursuant to Rule 14A.43 of the Listing Rules from the requirement under the Listing Rules for the Company to hold a special general meeting to seek shareholders' approval in respect of the Agreement.

4. DIRECTORS

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

5. FURTHER INFORMATION

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

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

Your attention is drawn to the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders set out on page 19 of this circular and the advice from Taifook to the Independent Board Committee and Independent Shareholders set out on pages 20 to 28 of this circular.

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

By Order of the Board
Chu Mang Yee
Chairman



合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Stock Code: 754)

(Incorporated in Bermuda with limited liability)

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

To the Independent Shareholders

August 14, 2006

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to the circular dated August 14, 2006 issued by the Company, of which this letter forms part ("Circular"). Terms used in this letter shall have the same meanings defined elsewhere in the Circular unless the context requires otherwise.

The Independent Board Committee comprising Messrs. Yuen Pak Yiu, Philip, Lee Tsung Hei, David and Wong Shing Kay, Oliver has been appointed to advise you in respect of the Transaction, details of which are set out in the Circular. Taifook 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 5 to 18 of this Circular, and the letter from Taifook Capital Limited which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Transaction as set out on pages 20 to 28 of this Circular.

Having taken into account the advice of Taifook and the principal factors and reasons considered by Taifook, we consider that the terms of the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

Yuen Pak Yiu, Philip

Director

Lee Tsung Hei, David

Director

Wong Shing Kay, Oliver

Director

* for identification purposes only

LETTER FROM TAIFOOK

The following is the text of a letter of advice to the Independent Board Committee and Independent Shareholders from Taifook for the purpose of incorporation into this circular.



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

14 August 2006

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

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

SALE OF ENTIRE ISSUED SHARE CAPITAL OF INTERWELL DEVELOPMENTS LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Transaction, details of which are set out in the circular dated 14 August 2006 (the "Circular") issued by the Company to the Shareholders of which this letter forms part. Capitalised terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise requires.

As referred to in the "Letter from the Chairman" of the Circular, though Interwell is owned by Sun and Prime in equal shares, it is a non-wholly-owned subsidiary of the Company as the Group remains to have control over its financial and operating policies. By virtue of being a substantial shareholder of Interwell, Prime is a connected person of the Company. Union, being the holding company of Prime, is an associate of Prime. Accordingly, the Transaction constitutes a non-exempt connected transaction for the Company under the Listing Rules, and is subject to the approval by the Independent Shareholders by poll in accordance with the requirements of the Listing Rules.

Sounda, which beneficially owned 56.1% of the issued share capital of the Company as at the Latest Practicable Date, has confirmed in writing that it gave its consent and approval to the Transaction and in the event that Shareholders' approval in respect of the Transaction is required, it will vote in favour of the Transaction. As (i) the Purchaser, Union and Prime, being the parties interested in the Transaction, do not have any shareholding in the Company; and (ii) to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the associates and the ultimate beneficial owners of the Purchaser, Union and Prime do not have any shareholding in the Company, no Shareholder will be required to abstain from voting on the proposed resolution regarding the Transaction. The Company has applied to the Stock Exchange for a waiver from strict compliance with the Listing Rules for the Company to hold a special general meeting to seek Shareholders' approval in respect of the Transaction pursuant to Rule 14A.43 of the Listing Rules.

LETTER FROM TAIFOOK

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

KEY ASSUMPTIONS MADE

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

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

- (i) the Agreement;
- (ii) the Escrow Agreement;
- (iii) the Indemnity Letter;
- (iv) the annual report of the Company for the year ended 31 December 2005 (the “Annual Report”); and
- (v) the Circular (which includes the Valuation Report).

In addition to the information provided by the Company, we have also reviewed a property market research report headed “DTZ Index – Chinese Mainland” issued by DTZ, an independent valuer, in July 2006 in respect of properties in the PRC for the second quarter of 2006.

We have also discussed with the Directors and/or the management of the Group with respect to the terms of and reasons for the Transaction, and considered that we have reviewed sufficient information to reach an informed view and have no reason to doubt the completeness, truth or accuracy of the information and facts provided and representations made to us. We also consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules (including the notes thereto) to formulate our opinion and recommendation. We have not, however, conducted an independent investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

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

The Group's principal business activities

The Group is principally engaged in property development and property investment in various cities in the PRC including Shanghai. For the year ended 31 December 2005, the turnover derived from property business in Shanghai accounted for approximately 10% of the Group's total turnover. As referred to in the Annual Report, it is the Group's objective to continue to develop highly profitable projects to achieve the Group's business growth in the future. The Directors consider that it is beneficial to the Group to dispose of part of its investments in the PRC, when suitable opportunities arise, so as to obtain gain and resources for other profitable projects.

Outlook of the office property market in Shanghai

As referred to in the property market research report headed "DTZ Index – Chinese Mainland" issued by DTZ in July 2006, the average selling price of office properties in Shanghai in the second quarter of 2006 decreased by approximately 5% as compared with that in the second quarter of 2005. The Directors consider that the recent austerity measures implemented by the PRC government may have a short-term adverse impact on the office property market in Shanghai.

Information on Interwell, Mintai and the Land

As referred to in the "Letter from the Chairman" of the Circular, Interwell is a non-wholly-owned subsidiary of the Company and an investment holding company. Its sole asset is 100% of the equity interest in Mintai, a wholly-foreign-owned enterprise established in the PRC which is principally engaged in the business of real estate development in Shanghai. Being the owner of the Land, Mintai is currently engaged in the construction of Hopson International Tower on the Land.

The Land is situated at Qiu No. 5 Fang No. 9, Meiyuan Jiedao, Pudong New Area, Shanghai, the PRC. The Land comprises a site area of approximately 10,321 sq. m. The approval for the development and construction of a building on the Land for retail and office usage has been granted by the relevant PRC government authorities to Mintai. As advised by the Directors, it is planned that Hopson International Tower will be developed on the Land, being a 31-storey composite building plus a 3-storey basement and two refuge floors, and the construction of Hopson International Tower is scheduled to be completed in the first half of 2008. As the construction of Hopson International Tower has not been completed, Mintai has not yet generated any revenue, and has only incurred initial set-up costs and costs in relation to the acquisition of the Land and the development of Hopson International Tower.

LETTER FROM TAIFOOK

Information on the other parties to the Agreement

As referred to in the “Letter from the Chairman” of the Circular, Sun is a wholly-owned subsidiary of the Company, whilst Prime is a wholly-owned subsidiary of Union. Each of Sun, Prime and Union is an investment holding company. Pacific, being the Purchaser, is principally engaged in real estate investment.

Reasons for and benefits of the Transaction

The Directors believe that the disposal of the Group’s interest in 50% of the Sale Shares represents an opportunity that would allow the Group to dispose of its 50% interest in Hopson International Tower, and would protect the Group from market risk in connection with the possible adverse impact of various austerity measures of the PRC government on the office property market in Shanghai. Further, the Final Purchase Price of US\$300 million (equivalent to approximately HK\$2,340 million; subject to adjustment) represented a premium of approximately 6% over the capital value of Hopson International Tower (when completed) of approximately RMB2,281 million (equivalent to approximately HK\$2,215 million) based on the Valuation Report. The Directors consider that the Transaction would allow the Group to obtain resources for the continuing development of the Group’s other existing property or hotel projects in the PRC.

Based on the above, in particular the outlook of the office property market in Shanghai, we concur with the view of the Directors that the proposed sale of the Sale Shares is in the interests of the Shareholders and the Group as a whole.

II. Principal terms of the Transaction

Pursuant to the Agreement, subject to the satisfaction of the conditions precedent to the Agreement, Sun and Prime agree to sell and Pacific agrees to purchase the Sale Shares, being the entire issued share capital of Interwell. Completion of the Agreement is subject to the First Closing and the Final Closing. Set out below is a summary of the principal terms of the Transaction:

The First Closing

Subject to the fulfillment (or waiver) of the conditions precedent to the First Closing, the First Closing shall take place on the First Closing Date, which shall be a date to be agreed upon by the Parties, but no later than 12 Business Days after the fulfillment (or waiver) by the Parties of the respective conditions precedent to the First Closing applicable to them. On the First Closing Date, among other things:–

- (i) the Escrow Amount of US\$5 million (equivalent to approximately HK\$39 million) shall be released into one or more bank accounts nominated by the Sellers in accordance with the Escrow Agreement; and
- (ii) the Purchaser shall pay to the Sellers US\$145 million (equivalent to approximately HK\$1,131 million), being the Initial Purchase Price less the Escrow Amount.

LETTER FROM TAIFOOK

Upon the First Closing, the Purchaser shall become the registered and beneficial owner of 50% of the Sale Shares.

The Final Closing

Subject to the fulfillment (or waiver) of the conditions precedent to the Final Closing, the Final Closing shall take place on the Final Closing Date, which shall be a date to be agreed upon by the Parties, but no later than 15 Business Days (or such longer period as the Parties may agree) after the issuance of the Building Ownership Certificate by the relevant authorities in the PRC, which shall be obtained by Mintai by 30 September 2008 (subject to extension of not more than three months due to delay in the construction schedule caused by the Purchaser's request for changes to the construction, if any). On the Final Closing Date, the Purchaser shall pay the balance of the Final Purchase Price (as may be adjusted) less the Initial Purchase Price and less any outstanding amounts of any working capital loans borrowed by Mintai prior to the Final Closing (which are not permitted to exceed US\$80 million (equivalent to approximately HK\$624 million) or the RMB equivalent thereof) to the Sellers.

Indemnification

The Agreement contains certain indemnification arrangements, details of which are set out below:

- (i) the Sellers and the Indemnifiers shall jointly and severally indemnify and hold harmless the Purchaser from and against and in respect of any and all losses arising out of or relating to any breach of any of the relevant representations and warranties or any covenants or agreements by any of the Sellers, Interwell and Mintai under the Agreement (the "Indemnity to the Purchaser"); and
- (ii) the Purchaser shall indemnify and hold harmless the Sellers from and against and in respect of any and all losses arising out of or relating to any breach by it of any of the representations and warranties or any covenants or agreements by it under the Agreement.

The maximum liability of the Sellers and the Indemnifiers collectively, and of the Purchaser, in respect of any claim for indemnification brought under the Agreement are in each case:

- (i) US\$5 million (equivalent to approximately HK\$39 million), if such claims arise prior to the First Closing; or
- (ii) the amount equal to the actual amounts received by the Sellers under the Agreement at the time of such claim for indemnification, if the claims arise following the First Closing, which implies that the maximum amount following the First Closing but prior to the Final Closing would be the Initial Purchase Price of US\$150 million (equivalent to approximately HK\$1,170 million), and following the Final Closing would be the Final Purchase Price of US\$300 million (equivalent to approximately HK\$2,340 million; subject to adjustment) paid to the Sellers.

LETTER FROM TAIFOOK

In view of the provision of the Indemnity to the Purchaser, which is on a joint and several basis, Prime and Union have provided the following indemnities to the Company and Sun pursuant to the Indemnity Letter, details of which are set out below:

- (i) Prime and Union agree to jointly and severally indemnify Sun and the Company and hold Sun and the Company harmless from and against the losses arising out of any breach of any of the relevant representations and warranties or any covenants or agreements (the “Breach”) by Prime and Union under the Agreement;
- (ii) in relation to any amount payable or liability incurred by Sun and the Company under the Indemnity to the Purchaser as a result of the Breach by Interwell and Mintai under the Agreement, Prime and Union agree to jointly and severally indemnify Sun and the Company in respect of the portion of any losses suffered by Sun and/or the Company for which Prime or Union shall have been responsible such that the losses arising as a result of the Breach by Interwell and Mintai shall be borne in equal shares between Prime and Union collectively on one part and Sun and the Company collectively on the other part; and
- (iii) Prime and Union agree to provide their interest in 50% of the Sale Shares as security (the “Security”) for the due and punctual payment of their obligations arising out of the Indemnity Letter, in the event that the Agreement is terminated and the Sellers become the legal and beneficial owners of 100% of the Sale Shares.

Based on the above, we consider that the risk of losses arising out of or relating to the Breach by parties other than Sun and the Company and for which Sun or the Company shall not be responsible is adequately covered by the above indemnities given by Prime and Union under the Indemnity Letter.

III. Basis of consideration

As referred to in the “Letter from the Chairman” of the Circular, the Final Purchase Price shall be US\$300 million (equivalent to approximately HK\$2,340 million) and shall be adjusted in accordance with the terms of the Agreement, which will take into account, among other things, the actual construction costs to complete Hopson International Tower (the “Actual Construction Costs”), the management fee payable to the Sellers by the Purchaser (the “Management Fee”) as well as the costs of any alternations to the plan and design of Hopson International Tower as may be requested by the Purchaser (the “Alternation Costs”), and will include interest accruing at 7% per annum on the balance of the Final Purchase Price during the construction period of Hopson International Tower (which shall be calculated by reference to the progress of construction) (the “Accrued Interest”) and in the situations, including but not limited to, where the Actual GFA is less than the Planned GFA by more than 1%.

The Agreement provides for, among other things, the following major adjustments:

- (i) the Accrued Interest shall be added to the Final Purchase Price of US\$300 million (equivalent to approximately HK\$2,340 million);

LETTER FROM TAIFOOK

- (ii) in the event the sum of the Actual Construction Costs and the Management Fee (the “Sum”) is less than the stipulated amount in the Agreement, the difference between the stipulated amount and the Sum shall be deducted from the Final Purchase Price. However, in the event the Sum exceeds or equals to the stipulated amount, there will be no adjustment to the Final Purchase Price;
- (iii) the Alternation Costs (which are subject to a maximum amount of RMB100 million (equivalent to approximately HK\$97 million)), if incurred, shall be added to the Final Purchase Price; and
- (iv) in the event the Actual GFA is less than the Planned GFA by more than 1%, the Final Purchase Price shall be downwardly adjusted by a ratio, being the difference between the Planned GFA and the Actual GFA and less 1% of the Planned GFA, divided by the Planned GFA.

We concur with the Directors’ view that the abovementioned adjustments to the Final Purchase Price are on normal commercial terms given that (i) the actual costs and expenses to complete Hopson International Tower, as well as the Actual GFA, could only be ascertained upon the Final Closing; (ii) the Purchaser may request alternations to the plan and design of Hopson International Tower; and (iii) interest costs would be incurred during the construction period of Hopson International Tower.

Set out below is the comparison of the Final Purchase Price of US\$300 million (equivalent to approximately HK\$2,340 million; subject to adjustment) and the capital value of Hopson International Tower when completed as set out in the Valuation Report:

	Amount <i>(in HK\$’ million)</i>
(A) Capital value of Hopson International Tower (when completed) of approximately RMB2,281 million as set out in the Valuation Report	2,215
(B) Final Purchase Price of US\$300 million (subject to adjustment)	2,340
Premium of (B) over (A)	125 (or 6%)

As shown above, the Final Purchase Price of US\$300 million (equivalent to approximately HK\$2,340 million; subject to adjustment) represented a premium of approximately 6% over the capital value of Hopson International Tower (when completed) of approximately RMB2,281 million (equivalent to approximately HK\$2,215 million) based on the Valuation Report. As such, we concur with the Directors’ view that the consideration for the Transaction is fair and reasonable.

IV. Financial effects of the Transaction on the Group

Net assets value and earnings

As referred to in the “Letter from the Chairman” of the Circular, the Purchaser shall become a registered and beneficial owner of 50% of the Sale Shares upon the First Closing. Irrespective of the transfer of 50% of the Sale Shares at the First Closing, the Company will continue to treat Interwell as its subsidiary from the First Closing until the Final Closing as the Group remains to have control over its financial and management operating policies as it shall be entitled to appoint the majority of the directors to the board of directors of Interwell until the Final Closing. Upon the Final Closing, the Purchaser shall become the registered and beneficial owner of 100% of the Sale Shares and Interwell will cease to be a subsidiary of the Company.

As advised by the Directors, based on (i) the estimated Final Purchase Price after taking into account the estimated construction costs, financial expenses as well as other costs and expenses to complete Hopson International Tower; and (ii) the net assets value of Interwell attributable to 50% of the Sale Shares beneficially owned by the Group, it is expected that the Group would record an unaudited gain on disposal of approximately HK\$505 million upon the Final Closing. As such, we concur with the Directors’ view that the Transaction will have a positive impact on the Group’s net assets value position upon the Final Closing.

Gearing

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

Immediately upon the First Closing, the Transaction would have the effects of (i) increasing both assets and liabilities of the Group by US\$75 million (equivalent to approximately HK\$585 million); (ii) decreasing the net borrowings (being borrowings less cash and cash equivalents) by US\$75 million (equivalent to approximately HK\$585 million); and (iii) decreasing the Group’s net borrowings to equity ratio.

The Directors expect that, as a result of the Final Closing, the above-mentioned net borrowings to equity ratio of the Group will decrease. As such, we concur with the Directors’ view that the Transaction will have a positive impact on the Group’s gearing level upon the Final Closing.

LETTER FROM TAIFOOK

CONCLUSION AND RECOMMENDATION

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

Yours faithfully,

For and on behalf of

Taifook Capital Limited

Derek C. O. Chan

Marcus Ho

Managing Director

Executive Director

The following is the texts of the letter and valuation certificate prepared for the purpose of incorporation in this circular received from DTZ, the independent property valuer, in connection with the valuation as at June 30, 2006.



10th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

August 14, 2006

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

Dear Sirs,

Re: Hopson International Tower, Qiu No. 5 Fang No. 9, Meiyuan Jiedao, Pudong New Area, Shanghai, the People's Republic of China (中華人民共和國上海市浦東新區梅園街道9坊5丘)

**Instructions, Purpose &
Date of Valuation**

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

Basis of Valuation

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

Valuation Assumption

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

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

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules 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.

Method of Valuation

In valuing the property interest which is held by the Group under development in the PRC, we have valued the property interest on the basis that it will be developed and completed in accordance with the Group's latest development proposals provided to us. We have assumed that approvals for the proposals have been obtained. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the estimated construction costs remaining outstanding for completing the development. The "capital value when completed" represents our opinion of the aggregate selling prices of the development assuming that it were completed as at the date of valuation.

Source of Information

In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and its legal advisers, Trust Law Firm, on the PRC law. We have accepted advice given to us on such matters as planning approvals or statutory notices, identification of property, development schemes, site and floor areas, and all other relevant matters.

We considered it sufficient to rely on the PRC Legal Opinion which is dated July 11, 2006 since all of the relevant documents and approvals in relation to the Land, which are important to our valuation, including the land use rights certificate, the planning permits and the permit for commencement of construction work have already been obtained by Mintai as at July 11, 2006 and covered under the PRC Legal Opinion dated July 11, 2006.

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

Title Investigation

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

Site Inspection

We have inspected the property owned by the Company. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any 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 detailed on-site measurement to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct.

Currency

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

Our valuation certificate is attached.

Yours faithfully,

for and on behalf of

DTZ Debenham Tie Leung Limited

Andrew K.F. Chan

Registered Professional Surveyor (GP)

Registered China Real Estate Appraiser

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

Director

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

VALUATION CERTIFICATE

PROPERTY INTEREST HELD BY THE GROUP UNDER DEVELOPMENT

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at June 30, 2006
Hopson International Tower, Qiu No. 5 Fang No. 9, Meiyuan Jiedao, Pudong New Area, Shanghai, the People's Republic of China (中華人民共和國上海市浦東新區梅園街道9坊5丘)	<p>According to the development scheme provided by the Company, Hopson International Tower will be developed into a 28-storey composite building erected on a 3-storey commercial podium plus a 3-storey basement and 2 refuge floors on a piece of land with a site area of approximately 10,321 sq.m. (111,095 sq.ft.).</p> <p>The property upon completion, which is scheduled to be in early 2008, will comprise approximately 59,323 sq.m. (638,553 sq.ft.) for commercial and office uses, 3,692 sq.m. (39,741 sq.ft.) refuge floor and 734 sq.m. (7,901 sq.ft.) for ancillary use.</p> <p>In addition, the property will also comprise a 3-storey basement with a total gross floor area of 22,035 sq.m. (237,131 sq.ft.) for canteen and car park use providing 336 car parking spaces.</p> <p>The land use rights of the property have been granted for a land use term from November 24, 1994 to November 23, 2044 for commercial, trade and office uses.</p>	<p>Construction of the property is at the stage of superstructure works up to the podium level.</p>	<p>RMB1,134,000,000 (50% interest attributable to the Group: RMB567,000,000)</p>

Notes:

- (1) According to a Contract for Transfer of Land Use Rights dated on April 29, 1994 entered in between Shanghai Fudu World Development Co. Ltd. and Interwell Developments Ltd., the land use rights of the property have been transferred to Interwell Developments Ltd. With the particulars as follows:–
- (i) Site Area : 10,321 sq.m.
 - (ii) Land Fee : USD28,080,000
 - (iii) Plot Ratio : 5.81
- (2) According to the Shanghai Realty Title Certificate No. (2002) 022918 issued by Shanghai Municipal Housing, Land and Resource Administration Bureau (上海市房屋土地資源管理局) on April 10, 2002, Shanghai Mintai Real Estate Co., Ltd. has obtained the land use rights of the property, comprising a total site area of 10,321 sq.m. for a term from November 24, 1994 to November 23, 2044 for commercial, trade and office uses.
- (3) According to Planning Permit for Construction Land No. (2006)15060530E00904 issued by Shanghai Pudong New District Planning Administration Bureau (上海浦東新區規劃管理局) on May 29, 2006, the property is permitted to be developed at a construction scale with details as follows:
- (i) Project Name : Hopson International Building
 - (ii) Location : Site X1-5, Fudu Shijie, Pudong New Area
 - (iii) Site Area : 10,321 sq.m.
- (4) According to Planning Permit for Construction Works No. (2005)1505720F090679 issued by Shanghai Pudong New District Planning Administration Bureau on July 12, 2005, the property is permitted to be developed at a construction scale with details as follows:
- (i) Project Name : Hopson International Building
 - (ii) Location : No. 166 Yincheng West Road
 - (iii) Gross Floor Area : 63,687 sq.m. (inclusive of 59,995 sq.m. plot ratio area and 3,692 sq.m. which is not included in plot ratio)
- According to Planning Permit for Construction Works No. (2005)035 issued by Shanghai Pudong New District Planning Administration Bureau on February 24, 2005, the property is permitted to be developed at a construction scale with details as follows:
- (i) Project Name : Basement of Hopson International Building
 - (ii) Location : Site X1-5, Fudu Shijie, Pudong New Area
 - (iii) Gross Floor Area : 22,035 sq.m.
- (5) According to Permit for Commencement of Construction Works No. 0302PD0494D01 310224200309093701 issued by Shanghai Pudong New District Construction Bureau (上海浦東新區建設局) on November 9, 2005, the construction works of the property is permitted to be commenced with details as follows:
- (i) Project Name : Hopson International Building
 - (ii) Location : Site 1E, Pudong Fudu Sijie
 - (iii) Gross Floor Area : 85,722 sq.m.
- (6) According to Business Licence No. 307104 (Pudong) dated April 20, 2006, Shanghai Mintai Real Estate Co., Ltd. has been incorporated as a foreign enterprise with a registered capital of USD30,100,000 for a valid operation period from September 15, 1994 to September 14, 2044.
- (7) According to the information provided by the Group, Interwell Developments Limited is a non-wholly-owned subsidiary of the Company. Its sole asset is 100% of the equity interests in Mintai Real Estate Co., Ltd. which is engaged in the construction of the property. Interwell Developments Limited is owned by Sun Advance Investments Limited and Prime Essence Inc. in equal shares. Sun Advance Investments Limited is wholly-owned by the Company indirectly.

- (8) According to the information provided by the Group, the construction cost expended to the property as at June 30, 2006 was in the sum of approximately RMB81,000,000. Also, it is estimated that the outstanding construction cost to be expended to complete the development is approximately RMB530,000,000. In the course of our valuation, we have taken into account such construction costs.
- (9) We are of the opinion that the “Capital value when completed” of the property, as at June 30, 2006, was in the sum of RMB2,281,000,000.
- (10) The PRC Legal Opinion states that:
- (i) Shanghai Mintai Real Estate Co., Ltd. has been issued with a Business Licence No. 307104 (Pudong) and was legally established under the PRC law as a limited company with a registered capital of USD30,100,000 and an operation period from September 15, 1994 to September 14, 2044;
 - (ii) According to Shanghai Realty Title Certificate No. (2002) 022918, the title to the property is held by Shanghai Mintai Real Estate Co., Ltd. for a land use term from November 24, 1994 to November 23, 2044 for commercial, trade and office uses
 - (iii) Shanghai Mintai Real Estate Co., Ltd. has settled in full the land premium of the property agreed in the Grant Contracts of Land Use Rights;
 - (iv) Shanghai Mintai Real Estate Co., Ltd. is entitled to use, occupy, transfer, lease or mortgage the property;
 - (v) Shanghai Mintai Real Estate Co., Ltd. has obtained the Planning Permit for Construction Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works; and
 - (vi) The property is subject to a mortgage.
- (11) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group and the aforesaid legal opinion are as follows:

Realty Title Certificate	Yes
Contract for Transfer of Land Use Rights	Yes
Planning Permit for Construction Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit Certificate	No
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:

(1) Long position in Shares

Name	Notes	Number of Shares beneficially held	
		Personal	Corporate
Mr. Chu Mang Yee	(1)	–	686,400,000
Mr. Au Wai Kin	(2)	–	34,500,000
Ms. Xiao Yan Xia		30,000	–
Mr. Steven Shafran		1,000,000	–

Notes:

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

(2) Long position in underlying Shares

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

Name	Date of Grant	Exercisable period	Exercise Price (HK\$)	Number of underlying Shares in respect of which options were granted	Number of underlying Shares in respect of which options were outstanding as at the Latest Practicable Date
Mr. Wu Jiesi	September 15, 2005	September 15, 2005 to September 14, 2010	8.20	2,036,000	2,036,000
Mr. Steven Shafran	August 11, 2005	August 11, 2005 to August 10, 2010	6.20	4,500,000	4,500,000
				6,536,000	6,536,000
				6,536,000	6,536,000

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

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

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which, since December 31, 2005, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, Mr. Chu Mang Yee was a director of Sounda Properties Limited. Save for this, none of the Directors was a director or employee of a company which had any interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

3. SUBSTANTIAL SHAREHOLDERS

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

Name	Number of issued Shares
Sounda Properties Limited	686,400,000
Temasek Holdings (Private) Limited	75,300,000
Tiger Global Management, LLC	100,300,000

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 authorised 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 authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

5. SERVICE AGREEMENTS

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

6. MATERIAL CHANGES

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

7. EXPERT

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

Name	Qualification
Taifook	licensed corporation to carry out Type 6 regulated activity (advising on corporate finance) under the SFO
DTZ	property valuer
Trust Law Firm	legal adviser to the Company in relation to PRC law

As at the Latest Practicable Date, none of Taifook, DTZ and Trust Law Firm 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 Taifook, DTZ and Trust Law Firm has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which they appear.

As at the Latest Practicable Date, none of Taifook, DTZ and Trust Law Firm has any interest, direct or indirect, in any assets which since December 31, 2005, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. SECRETARY AND QUALIFIED ACCOUNTANT

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

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

9. COMPETING BUSINESS

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Jones Day at 29/F, Edinburgh Tower, The Landmark, 15 Queen's Road, Central, Hong Kong during normal business hours from August 14, 2006 to August 29, 2006 (both dates inclusive):

- (i) the Agreement;
- (ii) the Escrow Agreement;
- (iii) the letter from the Independent Board Committee, the text of which is set out on page 19 of this circular;
- (iv) the letter from Taifook, the text of which is set out on pages 20 to 28 of this circular;
- (v) the Valuation Report;
- (vi) the Indemnity Letter;
- (vii) the PRC Legal Opinion;
- (viii) the Share Transfer Agreement; and
- (ix) all the contracts referred to in the Valuation Report.

11. LITIGATION

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

12. MISCELLANEOUS

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