THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Hopson Development Holdings Limited, 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.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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

MAJOR AND CONNECTED TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES AND INCREASE IN AUTHORISED SHARE CAPITAL

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

SOMERLEY LIMITED

A letter from the Board is set out on pages 5 to 33 of this circular. A letter from the Independent Board Committee is set out on page 34 of this circular. A letter from Somerley Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 35 to 69 of this circular.

A notice convening the SGM to be held at Vinson Room, Pacific Place Conference Centre, 5/F One Pacific Place, 88 Queensway, Hong Kong on Tuesday, 22 February 2011 at 10:00 a.m. is set out in Appendix VII to this circular.

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

* *for identification purposes only*

21 January 2011

CONTENTS

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

"Acquisition"	acquisition of the entire issued share capital of Target Co pursuant to the terms of the Share Purchase Agreement
"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	Hopson Development Holdings Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition pursuant to the Share Purchase Agreement
"Consideration"	consideration payable for the Acquisition
"Consideration Shares"	523,246,625 new Shares to be allotted and issued to Farrich or its nominee(s) pursuant to the terms and conditions of the Share Purchase Agreement
"Directors"	the directors of the Company
"Enlarged Group"	the Group as enlarged by the Target Group after the Acquisition
"Equity Transfer Agreement"	the equity transfer agreement dated 3 March 2010 and made between Target Co, as the purchaser, and 深圳珠江物流有限公司 (Shenzhen Zhujiang Logistics Co. Limited) (which, being owned by, among others, the brother and brother-in-law of Mr. Chu, is a connected person of the Company), as the vendor, for the sale and purchase of the entire equity interests in both Project Co A and Project Co D
"Escrow Shares"	Farrich Escrow Shares and Sounda Escrow Shares
"Farrich"	Farrich Investments Limited (遠富投資有限公司), a company incorporated in the British Virgin Islands
"Farrich Escrow Shares"	395,246,625 Consideration Shares to be allotted and issued to Farrich or its nominee(s) pursuant to the terms of the Share Purchase Agreement, which will be delivered to, and held in escrow by, an escrow agent to be jointly appointed by the Company and Farrich to secure the due and punctual performance by Farrich of its obligations under the Share Purchase Agreement
"GFA"	Gross Floor Area

"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hopson Education Fund"	Hopson Education Charitable Funds Limited, a charitable institution registered under section 88 of the Inland Revenue Ordinance, Chapter 112 of the Laws of Hong Kong
"Independent Board Committee"	an independent board committee, comprising Mr. Lee Tsung Hei, David, Mr. Wong Shing Kay, Oliver and Mr. Tan Leng Cheng, Aaron, all being the independent non-executive Directors, to advise the Independent Shareholders of the Company in respect of the Share Purchase Agreement and the transactions contemplated thereunder
"Independent Shareholders"	the Shareholders other than Sounda, Hopson Education Fund and their respective associates
"Industrial Park"	北京市通州區馬駒橋鎮國家環保產業園區 (Environmental Protection Industrial Park of Majuqiao, Tongzhou District, Beijing)
"Issue Price"	issue price of the Consideration Shares
"Land A"	the piece of land with a site area of approximately 68,539.062 square meters located in the Industrial Park
"Land D"	the piece of land with a site area of approximately 67,590.274 square meters located in the Industrial Park
"Lands"	Land A and Land D
"Last Trading Day"	2 November 2010
"LAT"	land appreciation tax
"Latest Practicable Date"	17 January 2011, being the latest practicable date for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Chu"	Mr. Chu Mang Yee, the chairman of the Board

"Panyu Agreement"	the share transfer agreement dated 2 November 2009 made between Hopeson Holdings Limited (合生集團有限公司), 廣東韓江建築安裝工程有限公司 (Guangdong Hanjiang Construction Installation Project Limited) and Mr. Chu, details of which have been disclosed in the Company's circular dated 23 November 2009
"PRC"	the People's Republic of China
"Project"	a property development on the Lands comprising 38 individual office buildings with a total GFA of approximately 625,006 square meters
"Project Co A"	北京創合豐威科技投資管理有限公司 (Beijing Chuang He Feng Wei Technology Investment and Management Co. Limited), a limited liability company established in the PRC
"Project Co D"	北京盛創恒達科技投資管理有限公司 (Beijing Sheng Chuang Heng Da Technology Investment and Management Co. Limited), a limited liability company established in the PRC
"Project Cos"	Project Co A and Project Co D
"RMB"	Renminbi
"Sale Share"	one (1) share in the issued share capital of Target Co
"SGM"	a special general meeting of the Company to be convened to approve, among other things, the Acquisition and the Share Issue contemplated under the Share Purchase Agreement and the increase in authorised share capital of the Company
"Share Issue"	the allotment and issue of the Consideration Shares to Farrich or its nominee(s) pursuant to the terms of the Share Purchase Agreement
"Share Purchase Agreement"	the share purchase agreement dated 3 November 2010 made between the Company and Farrich in relation to the Acquisition and the Share Issue (as varied and amended by the Supplemental Agreement)
"Shareholders"	holders of the Shares
"Shares"	the ordinary shares of HK$0.10 each in the share capital of the Company
"Sounda"	Sounda Properties Limited, a company incorporated in the British Virgin Islands

"Sounda Escrow Shares"	128,000,000 Consideration Shares to be allotted and issued to Sounda pursuant to the terms of the Share Purchase Agreement, which will be delivered to, and held in escrow by, an escrow agent to be jointly appointed by the Company and Farrich to secure the due and punctual performance by Farrich of its obligations under the Share Purchase Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement dated 13 December 2010 made between the Company and Farrich to vary and amend certain terms and conditions of the Share Purchase Agreement
"Target Co"	Sun Excel Investments Limited (日佳投資有限公司), a company incorporated in the British Virgin Islands
"Target Group"	Target Co and the Project Cos
"Zhujiang Investments"	北京珠江投資開發有限公司 (Beijing Zhujiang Investments Development Co. Limited), a limited liability company established under the laws of the PRC
"Valuer"	DTZ Debenham Tie Leung Limited, an independent valuer

In this circular, certain amounts quoted in Hong Kong dollars have been translated into Renminbi at the rate of HK$1.00 to RMB0.86329, being the central parity rate of exchange for the purchase of HK$ with RMB announced by the People's Bank of China on 2 November 2010, the business day immediately before the date of the Share Purchase Agreement. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be, converted at that or any other rate or at all.

合生創展集團有限公司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Stock Code: 754)

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

Executive Directors:
CHU Mang Yee *(Chairman)*
XIANG Bin *(Deputy Chairman)*
AU Wai Kin
XUE Hu
ZHAO Mingfeng
LIAO Ruoqing

Independent Non-executive Directors:
LEE Tsung Hei, David
WONG Shing Kay, Oliver
TAN Leng Cheng, Aaron

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

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

21 January 2011

To the Shareholders

Dear Sir and Madam,

1. INTRODUCTION

On 3 November 2010, the Company announced that it has entered into the Share Purchase Agreement with Farrich. Pursuant to the Share Purchase Agreement, Farrich has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Share, being the entire issued share capital of Target Co, at the Consideration.

On 13 December 2010, the Company and Farrich entered into the Supplemental Agreement to vary and amend certain terms and conditions of the Share Purchase Agreement, including, among others, (a) the reduction of the Consideration by the sum of RMB270,000,000 ("Adjusted Sum") from RMB6,875,066,000 ("Original Consideration") to RMB6,605,066,000 and (b) the increase of the Issue Price from HK$8.806 to HK$9.5 per Share. Although the Acquisition does not involve any direct transfer of property interests in the Lands and the Project, and with reference to the relevant PRC rules and regulations and having regard to the present intention of the Group to hold the Project for long term investment purpose, it is expected that LAT would not arise in respect of the Acquisition; the Board considers that it cannot rule out the possibility that the Group may in the future dispose of the Lands

* *for identification purposes only*

and the Project through a direct transfer of the property interests therein, in which event, the Group will have to bear the portion of LAT attributable to the increase in value of the Project at Completion. The Adjusted Sum represents the parties' estimate on the amount of LAT that may be payable by the Project Cos under the relevant PRC laws and regulations had the subject matter of sale and purchase of the Share Purchase Agreement involved a direct transfer of the property interests in the Lands and the Project. The adjustment in Consideration was made to strike for a better and more equitable allocation of the contingent liability for LAT between the Company and Farrich. The increase in the Issue Price and the corresponding reduction in the number of Consideration Shares were proposed in response to the comments of certain Independent Shareholders and general investing public that the Company has received thus far in relation to the possible dilution effect of the Share Issue.

The Consideration will be satisfied partly by means of the Share Issue and partly by cash. Conditional upon the fulfilment (or waiver) of all the conditions set forth under the section headed "Principal terms of the Share Purchase Agreement — Conditions Precedent", at the direction of Farrich, 128,000,000 Consideration Shares will be allotted and issued to Sounda and the balance of 395,246,625 Consideration Shares will be allotted and issued to Farrich or its nominee(s).

Sounda, being the controlling Shareholder of the Company, is a connected person of the Company. Farrich is a company indirectly wholly-owned by Mr. Chu Yat Hong, the son of Mr. Chu, who is the controlling Shareholder (through Sounda) of the Company, executive Director and chairman of the Board. As such, Farrich is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition and the Share Issue contemplated under the Share Purchase Agreement constitute connected transactions under the Listing Rules and are subject to the approval of the Independent Shareholders of the Company at the SGM. As one or more of the applicable percentage ratios to the Acquisition under the Listing Rules are more than 25% but less than 100%, the Acquisition also constitutes a major transaction of the Company under the Listing Rules.

The purpose of this circular is to give you (i) further information on the Acquisition and the Share Issue; (ii) valuation report of the Lands; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company in relation to the Acquisition and the Share Issue; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders of the Company in relation to the Acquisition and the Share Issue; (v) financial information of the Group and accountant's report of Target Co; (vi) information on the increase in authorised share capital of the Company; (vii) a notice of the SGM, and (viii) other information as required under the Listing Rules.

2. PRINCIPAL TERMS OF THE SHARE PURCHASE AGREEMENT

The principal terms of the Share Purchase Agreement are as follows:

Date: 3 November 2010 (as varied and amended by the Supplemental Agreement)

Parties:

(1) the Company; and

(2) Farrich, being a company which is indirectly wholly-owned by Mr. Chu Yat Hong, the son of Mr. Chu, is a connected person of the Company under the Listing Rules.

Asset to be acquired: the Sale Share, being the entire issued share capital of Target Co.

As at the Latest Practicable Date, the sole asset of Target Co is its interests under the Equity Transfer Agreement for the acquisition of the entire equity interests in Project Co A and Project Co D. Upon completion of the Equity Transfer Agreement, the assets of Target Co will comprise the equity interests in Project Co A and Project Co D, which in turn hold the land use rights of Land A and Land D respectively, on which the Project is being developed.

Upon Completion, Target Co will have no assets and liabilities except the equity interests in Project Cos; and Project Cos will have no assets except the Lands and interests under the Subsisting Construction Contracts (see sub-paragraph (c) of the paragraph headed "Conditions Precedent" below) and no liabilities. The payment obligations of the accounts payable under the Subsisting Construction Contracts, which are currently booked as liabilities of the Project Cos in their respective books and accounts, will be taken up by Farrich pursuant to the contractual requirement mentioned in sub-paragraph (c) of the paragraph headed "Conditions Precedent" below.

Consideration: The Consideration is RMB6,605,066,000, which was determined after arm's length negotiations between the Company and Farrich with reference to the fair value of the Project (when completed) of RMB8,750,000,000 as at 31 October 2010 as appraised by the Valuer and after taken into account the parties' estimate on the amount of LAT that may be payable by the Project Cos under the relevant PRC laws and regulations had the subject matter of sale and purchase of the Share Purchase Agreement involved a direct transfer of the property interests in the Lands and the Project. The said contingent liability for LAT was estimated by the parties to be RMB270,000,000 with reference to (a) the prevailing charging rate for LAT under the relevant PRC laws and regulations and (b) the increase in value of the Project at Completion, being the difference between the Original Consideration of RMB6,875,066,000 and the total costs of development of the Project at not less than RMB4,375,045,290 and other deductible items including sales tax and other allowances allowed under the relevant PRC laws and regulations.

The Consideration will be satisfied by the Company in the following manner:

- a sum of RMB2,313,787,000 will be satisfied by cash ("Cash Consideration"); and
- the balance of RMB4,291,279,000 will be satisfied by means of the Share Issue.

The Cash Consideration will be paid by the Company to Farrich in 16 instalments at different stages of the construction of the Project:

Construction Stage	Completion of works to ground level	Completion of 50% of the main structure of the buildings	Completion of 100% of the main structure of the buildings	Acceptance of the construction by the Company
Phase 1 of Land A	5%[note]	5%	5%	5%
Phase 2 of Land A	5%	5%	5%	15%
Phase 1 of Land D	5%	5%	5%	5%
Phase 2 of Land D	5%	5%	5%	15%

Note: in terms of percentage of the Cash Consideration

According to the current construction plan and timetable of the Project, it is expected that, subject to Completion, the first instalment of approximately RMB115,689,000 will be due for payment by the first quarter of 2011.

The Cash Consideration will be funded by the Group's internal resources.

Conditions Precedent: Completion is conditional upon the fulfillment (or waiver) of all of the following conditions:

(a) the de-merger of Zhujiang Investments (see section 5 below headed "Information on Target Co and the Project Cos") having duly completed such that Project Co A and Project Co D having been duly set up and assigned with the land use rights of Land A and Land D respectively;

(b) Target Co and the vendor of the Equity Transfer Agreement having obtained all necessary approvals and completed all necessary filings and registrations for the transfer of the equity interests in each of the Project Cos to Target Co and presented to the Company proofs of such approvals, filings and registrations, i.e. Target Co and the vendor having completed the sale and purchase of the equity interests in the Project Cos;

(c) all the subsisting construction contracts ("Subsisting Construction Contracts") entered into by Zhujiang Investments in relation to the Project having been novated to the Project Cos, and all necessary supplemental agreements having been made between Farrich (or any of its associates that is acceptable to the Company) and the other parties to the Subsisting Construction Contracts whereby Farrich (or any of its associates that is acceptable to the Company) has assumed the payment obligations under the said contracts as the principal and primary debtor;

(d) the Project Cos having obtained the land use rights of the Lands, and the property development right and other ancillary rights therein, and the land use right owner as registered in the State-Owned Land Use Rights Certificates of Land A and Land D having been changed to Project Co A and Project Co D respectively;

(e) the project owner in respect of the development on Land A having been changed from Zhujiang Investments to Project Co A and all other permits and approvals in respect of such development having been issued in the name of Project Co A;

(f) the project owner in respect of the development on Land D having been changed from Zhujiang Investments to Project Co D and all other permits and approvals in respect of such development having been issued in the name of Project Co D;

(g) the Project Cos having obtained all necessary permits and approvals for the development of the Project on the Lands, and such permits and approvals being valid and subsisting;

(h) the Company being satisfied with its due diligence review and investigation in respect of each of Target Co and the Project Cos;

(i) the Independent Shareholders of the Company having passed all necessary resolution(s) at the SGM approving the Share Purchase Agreement and the transactions contemplated thereunder;

(j) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, all of the Consideration Shares, which approval not having been revoked prior to the issue and delivery of the Consideration Shares;

(k) the Company having obtained the valuation report on the Project issued by an independent valuer acceptable to the Company;

(l) Farrich having obtained all necessary approvals and completed all necessary filings and registrations for the Acquisition, if necessary under the PRC laws,

(m) all other approvals or consents necessary or appropriate for or in connection with the transactions contemplated under the Share Purchase Agreement having been obtained by the Company and Farrich;

(n) each of the Project Cos having obtained all necessary approvals and completed all necessary filings and registrations for the changes in its directors and managers in accordance with the Company's directions;

(o) the representations, warranties and undertakings given by the Company under the Share Purchase Agreement being true and accurate in all material respects as of the date of Completion;

(p) the representations, warranties and undertakings given by Farrich under the Share Purchase Agreement being true and accurate in all material respects as of the date of Completion;

(q) the Company and Farrich having performed and complied with such of their respective obligations under the Share Purchase Agreement which need to be performed and complied with prior to Completion;

(r) there being no material adverse change in the circumstances of each of Target Co and the Project Cos;

(s) the Company having obtained a legal opinion issued by a firm of PRC lawyers appointed by or acceptable to the Company confirming, among others, that the construction of loft style office buildings on the Lands does not contravene any PRC laws and regulations, the designated use of the Lands and any permits issued in connection with the development of the Project; as well as the legality of the transactions contemplated under the Share Purchase Agreement under the PRC laws and regulations, the lawful establishment of the Project Cos under the laws of the PRC; and the Project Cos' ownership to the land use rights of the Lands; and

(t) Sounda having obtained all necessary approvals, waivers and consents which may be required under any indenture, mortgage, charge, trust, lease, agreement, instrument or obligations to which Sounda is a party or by which any of its assets are bound, including but without limitation, approvals, waivers and consents from its bank creditors to the delivery and deposit of the Sounda Escrow Shares with the escrow agent pursuant to the Share Purchase Agreement, which approvals, waivers and consents are, or will, when obtained, be in full force and effect and shall remain in full force and effect at Completion. The purpose of such condition is to remove any restrictions or limitations that Sounda may be subject to in placing the Sounda Escrow Shares under the escrow arrangement as a result of any negative pledge or undertakings which may be binding on Sounda.

Other than condition (t) to be satisfied by Sounda and the Sounda Escrow Shares to be issued by the Company, Sounda has no other role in the Share Purchase Agreement

The Share Purchase Agreement will be terminated automatically and neither party will have any claim against the other party save in respect of any antecedent breaches if any of the above conditions is not satisfied (unless waived as to the above conditions (c) to (h), (k) to (n) and (p) to (t) by the Company) within 12 months after the date of the Share Purchase Agreement, i.e. on or before 2 November 2011, or such other date as the parties may agree. As at the Latest Practicable Date, only condition (k) has been satisfied.

Other Obligations of Farrich: Pursuant to the Share Purchase Agreement, Farrich has further undertaken to the Company to

1. be responsible for the discharge and payment of all debts and liabilities of the Project Cos incurred or existed on or before the date of completion of the Project, except those incurred by or on behalf of the Project Cos in connection with the financing and marketing of the Project, and any related tax payments;

2. perform and complete or cause to be performed and completed all necessary preparation and construction works and administrative formalities in relation to the Project on or before 31 December 2013 to the intent that the Project will be completed in compliance with the specifications and requirements of the Company before the said deadline. The said deadline may only be extended due to the Company's acts and deeds, otherwise time is of the essence of the Share Purchase Agreement. Farrich shall bear all the costs and expenses for completing such works and formalities, including all the land transfer fees or premium or taxes payable to the government, as well as construction costs payable to contractors, but excluding any extra construction costs and government taxes that may be incurred for the construction of any extra GFA over and above the current planned total GFA of the Project, i.e. approximately 625,006 square meters, pursuant to the instruction and authorisation of the Company and/or the Project Cos; and

3. provide or cause to be provided to the Company LAT deductible invoices (including invoices for land transfer fees, design fees, surveying charges, construction and installation costs, materials costs, facilities charges, inspection fees and municipal facilities charges) amounting to not less than RMB4,375,045,290 (or RMB7,000 per square meter) in respect of the costs of development of the Project. The amount was estimated by the parties with reference to the Group's past investments. The Directors are of the view that such estimate is fair and reasonable.

If Farrich fails to provide or cause to be provided LAT deductible invoices up to the said amount, Farrich shall compensate the Company for any increase in the Project Cos' contingent liability for LAT as a result of any shortfall in the value of invoices so provided by Farrich, in which event, the Company shall be entitled to deduct the compensation from any outstanding Cash Consideration and/or instruct the escrow agent to dispose of such number of Escrow Shares and pay the proceeds thereof to the Company as compensation.

To control and monitor Farrich's performance of its obligations in relation to the construction of the Project, the parties have agreed that:

1. Farrich will have no authority to enter into any construction contracts to bind any of the Project Cos; all such contracts must be signed by the Project Co concerned and the third party contractor, with Farrich (or any of its associates that is acceptable to the Company) joining in to assume the payment obligations thereunder as the principal and primary debtor;

2. Farrich must consult the Company with respect to the background and qualifications of the contractors and the terms and conditions of such contracts, and obtain the Company's written consent before entering into any contracts;

3. Farrich shall adopt and carry into effect any comments and instructions that the Company may from time to time have with regard to the construction works, provided that such comments and instructions do not violate any terms of the Share Purchase Agreement;

4. Farrich shall report to the Company on the progress of, and other relevant matters concerning, the construction works at the end of each month; and

5. Farrich shall provide such other information, documents and assistance as the Company may reasonably require.

Security: To secure the due and punctual performance by Farrich of its obligations under the Share Purchase Agreement, at Completion all the Consideration Shares will be delivered to, and held in escrow by, an escrow agent to be jointly appointed by the parties. If Farrich shall have acted in breach of its obligations under the Share Purchase Agreement and failed to indemnify any loss that the Company may have incurred, the Company will be entitled to instruct the escrow agent to dispose of such number of Escrow Shares at such a price that is acceptable to the Escrow Agent in good faith and pay the proceeds thereof to the Company as compensation. Pursuant to the terms of the Share Purchase Agreement, the escrow agent will be designated by the Company. It is expected that the escrow agent will be a licensed financial institution independent of each of Farrich, the Group and their respective associates. There will be no restriction on the parties to whom the Escrow Shares may be sold. If any of the Escrow Shares are sold to a connected person of the Group, the Company will comply with the relevant Listing Rules if and when required. On the basis that the Escrow Shares will be placed under the custody of, and managed by, an independent licensed financial institution, the Directors (excluding the independent non-executive Directors, whose opinion is set forth in the letter from the Independent Board Committee set out on page 34 of this circular, and Mr. Chu) consider that the abovementioned arrangement is fair and reasonable.

The Escrow Shares will be released to Sounda or Farrich (as the case may be) at the following points of time:

1. all the Sounda Escrow Shares and, where applicable, such number of Farrich Escrow Shares, representing in aggregate 50% of the Escrow Shares then held in escrow by the escrow agent will be released to Sounda and, where applicable, Farrich respectively after the Company and the project supervisor of the Project have jointly issued a certificate accepting the Project is 50% complete. The project supervisor is responsible for the overall monitor and control of the Project from inception to completion to ensure that the Project will be completed on time within authorized cost and to the required quality standards. Pursuant to the laws and regulations of the PRC, the project supervisor must possess the requisite licence granted by the Ministry of Housing and Urban-Rural Development or its delegated authorities, and it is normally appointed through public tender. Pursuant to the terms of the Purchase Agreement, the project supervisor of the Project must be acceptable to the Company. As confirmed by Farrich, as at the Latest Practicable Date, the Project Cos are planning for the required tender and accordingly, the appointment of the project supervisor has not yet been confirmed. It is expected that the project supervisor will be a third party independent of each of Farrich, the Project Cos, the Group and their respective associates. Since the project supervisor will be an independent professional entity employed by the Project Cos, notwithstanding that its fees will form part of the development costs of the Project and borne by Farrich, the Board considers that there will not be any conflict of interest of the project supervisor; it will act in the interest of the Project Cos and the Project Cos will have effective supervision of the Project;

2. the remaining Escrow Shares, less 30,000,000 Farrich Escrow Shares, will be released to Sounda (if the remaining Escrow Shares comprise any Sounda Escrow Shares) and Farrich, after the Company has accepted the final completion of the Project; and

3. the remaining 30,000,000 Farrich Escrow Shares (or such number of Farrich Escrow Shares that are still held in escrow by the escrow agent) together with all moneys arising out of dividends and distributions that may be paid or made by the Company in respect of the Farrich Escrow Shares; and all moneys arising out of dividends and distributions that may be paid or made by the Company in respect of the Sounda Escrow Shares, shall be released to Farrich and Sounda respectively, after completion of the project settlement audit (工程結算審計) and submission of proofs of settlement by Farrich of all the outstanding construction costs.

Completion: Completion will take place within 5 working days following satisfaction (or waiver) of all the conditions precedent to the Share Purchase Agreement. The Acquisition and the Share Issue will take place simultaneously on the date of Completion.

3. SHARE ISSUE

Conditional upon the fulfilment of all the conditions set forth under the section headed "Principal terms of the Share Purchase Agreement — Conditions Precedent", for part payment of the Consideration pursuant to the Share Purchase Agreement, the Company will on Completion issue 523,246,625 Consideration Shares, representing approximately 29.86% of the issued share capital of the Company of 1,752,367,809 Shares as at the Latest Practicable Date, in the following manner:

(a) at the direction of Farrich, 128,000,000 Consideration Shares will be allotted and issued to Sounda; and

(b) the balance of 395,246,625 Consideration Shares will be allotted and issued to Farrich or its nominee.

Sounda is not a party to the Share Purchase Agreement nor the Equity Transfer Agreement. Farrich is indirectly wholly-owned by Mr. Chu Yat Hong, the son of Mr. Chu. It has nominated Sounda to be allotted and issued of 128,000,000 Consideration Shares with a view to consolidate Sounda's control in the Company by maintaining its shareholding level at approximately 51% after the Share Issue.

The Consideration Shares will be allotted and issued at the issue price of HK$9.5 per Consideration Share ("Issue Price").

The Issue Price was arrived at after arm's length negotiation between the Company and Farrich.

The Issue Price of HK$9.5 represents:

(a) a premium of approximately 7.83% to the closing price of HK$8.81 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 8.35% over the average closing price of approximately HK$8.768 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

(c) a premium of approximately 6.65% over the average closing price of approximately HK$8.908 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day; and

(d) a premium of approximately 5.2% over the closing price of approximately HK$9.03 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

To partly satisfy the Consideration by means of the Share Issue will help reduce the cash outlay required for the Acquisition. The Directors have considered other means of fund raising for part payment of the Consideration, including equity financing through private placement of Shares to independent third party investors, rights issue and open offer, as well as debt financing through bank borrowing. Having considered the factors that (a) the issue or subscription price of a private placement, rights issue or open offer may involve a deep discount to the trading price of the Shares (after taking into account the discounts involved in recent private placements, rights issue and open offers of companies listed on the Stock Exchange) which may result in a further dilution to the net asset value (''NAV'') per Share; (b) the likely costs involved (including the amount of placing or underwriting commissions and other administrative and legal expenses); and (c) the lack of certainty in their successful implementation, the Directors did not consider these alternative means of equity financing preferable means of fund raising for the Acquisition. Accordingly, the Company has not approached any placing agent or other intermediaries for the purpose of equity financing. On the other hand, although the Group may from time to time raise funds through different means of debt financing, as bank borrowing and other forms of debt financing will (a) involve the payment of interests and other administrative costs and the provision of collaterals; (b) have an adverse bearing on the Group's gearing; and (c) reduce the available banking facilities that may be otherwise available for other property projects, the Share Issue was considered a more cost-effective and efficient fund raising alternative for the Company.

As disclosed in the ''Unaudited Pro Forma Financial Information of The Enlarged Group'' set out in Appendix IV to this circular, the unaudited pro forma adjusted consolidated net tangible assets (''Adjusted NTA'') of the Enlarged Group per Share on Completion of approximately HK$16.42 is approximately 11.1% lower than the Adjusted NTA of the Group per Share of approximately HK$18.48. This calculation does not take into account the premium of the valuation over Consideration of approximately RMB2,144.9 million (or approximately HK$2,484.6 million) that the Group would be able to benefit from upon completion of the Project. This is equivalent to approximately HK$1.09 per Share based on the issued share capital of the Company as enlarged by the Share Issue. If this amount is added to the above unaudited pro forma Adjusted NTA per Share of approximately HK$16.42, the adjusted net assets per Share would be approximately HK$17.51. The discount to the Adjusted NTA per Share on this basis would be approximately 5.2%.

In April 2010, the PRC central government restrained the speculative and investment activities in the property market by credit tightening through the introduction of a series of policies, including adjustment in capital adequacy ratio, increase in second home mortgage interest rate and ban on third-home mortgage. Although, as disclosed in the Company's 2010 interim report, it has been the Company's view that the introduction of these policies helped maintain an orderly market and create a more stable and healthy market environment for industry players in the long run, such policies led to a ''wait-and-see'' sentiment in the market and further market adjustment might appear in the short run, and in response to these cooling measures the share performance of the PRC property developers, including the Company, did experience a general decrease in April 2010 and the share price of the Company plunged from HK$12.54 on 31 March 2010 to HK$10.3 on 30 April 2010, the lowest in April 2010. Since those policies are still in force, the Directors take the view that the share prices of the Company in or before April 2010 do not represent a fair benchmark, and thus are not relevant, for evaluating the Issue Price, as compared to those starting from May 2010, which reflected the influence of the then newly implemented PRC policies. The prices of the Shares have been trading consistently below HK$11 during the period from 1 May 2010 to the Latest Practicable Date, while the consolidated NAV per Share as at 31 December 2009 and 30 June 2010 were approximately HK$17.71 and HK$18.55 respectively. Since issue of shares are usually made based on market price, it follows that any issue of Shares by the Company would inevitably result in a decrease in the NAV per Share. Given the Consideration of approximately HK$7,651.0 million is relatively a significant amount to the Company's cash and cash equivalents of the Group as at 30 June 2010 of approximately HK$4,329.3 million, and the above drawbacks of the alternative financing methods, and further reasons set forth in the section headed "Reasons and Benefits of the Acquisition", the Directors (excluding the non-executive Directors, whose opinion is set forth in the letter from the Independent Board Committee set out on page 34 of this circular, and Mr. Chu) consider that, notwithstanding the Issue Price of HK$9.5 represents a significant discount to the Group's NAV per Share, the issue of the Consideration Shares, at the Issue Price set at a premium over its recent trading prices, is the best alternative to finance part of the Acquisition. Further, on the same basis, the Directors (excluding the non-executive Directors whose opinion is set forth in the letter from the Independent Board Committee set out on page 34 of this circular, and Mr. Chu) consider that the dilution in the net assets per Share which arises as a result of the issue of the Consideration Shares at the Issue Price is acceptable, and if considering the Acquisition and the method of financing as a whole, the Issue Price is fair and reasonable as far as the Company is concerned and the Share Issue is in the interests of the Company and its Shareholders as a whole.

The Consideration Shares will, upon allotment and issue, rank pari passu with the existing Shares in issue. All the Consideration Shares will be held in escrow by the escrow agent to be jointly appointed by the parties and released to Sounda or Farrich (as the case may be) upon the occurrence of certain events (see the section headed "Principal terms of the Share Purchase Agreement — Security").

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

4. EFFECTS OF THE SHARE ISSUE ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structure of the Company immediately before and after the completion of the Share Issue is set out below (assuming no further Shares are issued before the Share Issue):

	As at the Latest Practicable Date		**Immediately after completion of the Share Issue**	
	No. of Shares	*Approximate percentage*	*No. of Shares*	*Approximate percentage*
Sounda[1]	1,032,363,809	58.91%	1,160,363,809	50.99%
Hopson Education Fund[2]	68,640,000	3.92%	68,640,000	3.01%
Yield Plentiful Incorporated[3]	34,500,000	1.97%	34,500,000	1.52%
Farrich	—	—	395,246,625	17.37%
Public shareholders	616,864,000	35.2%	616,864,000	27.11%
	1,752,367,809	100%	2,275,614,434	100%

Notes:

1. Sounda is wholly-owned by Mr. Chu
2. Mr. Chu is the sole shareholder of Hopson Education Fund
3. Yield Plentiful Incorporated is wholly-owned and controlled by Mr. Au Wai Kin, an executive Director of the Company.

As at the Latest Practicable Date, the Company has no outstanding convertible securities or options which are convertible or exchangeable into shares. The Acquisition and the Share Issue will not result in a change of control of the Company.

5. INFORMATION ON TARGET CO AND THE PROJECT COS

Target Co is a limited company incorporated in the British Virgin Islands. As at the Latest Practicable Date, its sole asset is its interests under the Equity Transfer Agreement for the acquisition of the entire equity interests in each of the Project Cos.

Pursuant to the Equity Transfer Agreement,

(a) the vendor thereof has agreed to de-merge Zhujiang Investments into Project Co A and Project Co D and segregate and allocate certain Zhujiang Investments' assets and liabilities between the two Project Cos such that upon completion of the de-merger, the principal asset of Project Co A and Project Co D will be Land A and Land D respectively; and

(b) Target Co will acquire the entire equity interests of each of the Project Cos from the vendor at a consideration which shall be equivalent to the aggregate of the fair values of each of the Project Cos to be appraised within 30 days after completion of the de-merger and assets and liabilities allocation processes by a valuer to be jointly appointed by Target Co and the vendor.

The parties' agreement to set the consideration based on the appraised fair values of the Project Cos was made in compliance with the relevant PRC laws governing mergers and acquisition of domestic enterprises by foreign investors, namely《關於外國投資者併購境內企業的規定》(Regulation Concerning Mergers and Acquisitions of Domestic Enterprises by Foreign Investors). The said regulation provides that the valuer appointed for the valuation shall use internationally accepted valuation methods for appraising the fair value of the subject matter concerned. Pursuant to the Share Purchase Agreement, Completion of the Acquisition is conditional upon, among others, completion of the Equity Transfer Agreement. If Target Co and the vendor fail to complete the Equity Transfer Agreement due to any dispute on the consideration thereof, the Acquisition will not proceed. In that connection, the Board considers that the risk on dispute between Target Co and the vendor on the consideration of the Equity Transfer Agreement which may affect the Acquisition or the Company's interest under the Share Purchase Agreement is well covered.

As confirmed by Farrich, the de-merger and assets and liabilities allocation processes were required so that at the time of completion of the Equity Transfer Agreement, only the Lands, together with the interests in the Subsisting Construction Contracts will be transferred together with the equity interests of the Project Cos. Completion of the Equity Transfer Agreement will take place after the aforementioned de-merger and asset and liabilities allocation having been completed and the parties thereto having obtained all necessary approvals and completed all necessary filings and registrations for the equity transfer. Since the de-merger and assets and liabilities allocation processes, which involve, among others, de-merger of Zhujiang Investments into the Project Cos, the making of statutory notices for the de-merger, applications for various approvals for the de-merger and assets transfer to the Project Cos, capital verifications and other registrations and filing processes, are complicated and time consuming, as confirmed by Farrich, as at the Latest Practicable Date, the said processes have not yet been completed, and hence, the fair values of each of the Project Cos have yet to be appraised and the parties have not yet agreed upon the consideration for the transfer of the entire equity interests of the Project Cos under the Equity Transfer Agreement. It is currently expected that the whole de-merger and assets and liabilities allocation processes will be completed by or around March 2011, and completion of the Equity Transfer Agreement will take place by or around June 2011.

The financial information of Target Co is disclosed in Appendix II to this circular. The Project Cos were established on 21 October 2010. Since the de-merger and assets and liabilities allocation processes are still in progress, no separate accountant's report on each of the Project Cos has been prepared. Based on the capital verification reports both dated 8 October 2010 and issued by a PRC certified public accountant on each of the Project Cos for the purpose of the de-merger, the net asset values of Project Co A and Project Co D as at 30 September 2010 were approximately RMB7.59 million and RMB5.36 million respectively. Each of Project Co A and Project Co D had a retained loss of RMB2.41 million and RMB9.64 million respectively as at 30 September 2010.

Zhujiang Investments is principally engaged in the development of the Project on the Lands, which business will be succeeded by the Project Cos upon completion of the de-merger. The Lands were acquired by Zhujiang Investments in 2006 from the PRC Government at a cost of approximately RMB263,000,000. The Project is a property development project situated at the Industrial Park and the Lands constituting such project have a total site area of approximately 136,129 square meters and are designated for scientific research purposes. The Lands have a fair value of approximately RMB2,300,000,000 as appraised by the Valuer as at 31 October 2010. The Project, comprising the construction of 38 individual office buildings with a total GFA of approximately 625,006 square meters, as completed, has a fair value of RMB8,750,000,000 as at 31 October 2010 as appraised by the Valuer. As advised by Zhujiang Investments, as at the Latest Practicable Date, the outstanding construction cost for completion of the Project was approximately RMB3,125,000,000. Pursuant to the Share Purchase Agreement, such sum will be borne by Farrich.

The Lands have been designated for scientific research purposes. Under the existing PRC laws and regulations, this cannot be changed without a corresponding change in the zoning and town planning of the district. Under the existing practice of the relevant government authority, lands designated for scientific research purposes are not allowed for any kind of sale before the issue of the building ownership certificate (產權證). The same restriction applies to the Project. However, once the building ownership certificate for a particular block of building is obtained, the relevant Project Co will be entitled to sell the individual flats thereof after completing the required formality to subdivide the building ownership. Since the said restriction is confined only to the period before the issue of the building ownership certificate and it is the Company's intention to hold the Project for long term investment purposes, the Directors (excluding the independent non-executive Directors, whose opinion is set forth in the letter from the Independent Board Committee set out on page 34 of this circular, and Mr. Chu) do not consider that the aforesaid sale restriction will have any material negative impact on the overall benefits of the Acquisition.

According to the legal advice currently given by an independent PRC law firm engaged by the Company to advise on this matter, there are no specific rules and regulations which prohibit any research buildings from being used as office premises. Although the PRC government authority may have different interpretations of the laws, the independent PRC legal adviser is of the view that it is highly improbable for the PRC government authority to take any administrative actions against the Project Cos if the buildings so developed on the Lands are to be used as office premises. It is a condition precedent to Completion that the Company shall have obtained a legal opinion issued by a firm of PRC lawyers appointed by or acceptable to the Company confirming, among others, that the construction of loft style office buildings on the Lands does not contravene any PRC laws and regulations, the designated use of the Lands and any permits issued in connection with the development of the Project. If no such confirmation is given in the said legal opinion, unless otherwise waived by the Company, the Share Purchase Agreement will be terminated automatically and the Acquisition will not proceed. The Board currently does not have any intention of waiving the requirement of obtaining positive legal opinion issued by a firm of PRC lawyers that there are no specific rules and regulations which prohibit research buildings from being used as office premises. Under the Share Purchase Agreement, Farrich has also represented and warranted to the Company, among others, that the Lands could be developed into loft style office buildings in accordance with the permits issued by the PRC government authority in relation to the Project and has agreed to indemnify the Company against all losses and damages that may arise if the said representation and warranty is untrue or misleading. In the event that Farrich is obliged to indemnify the Group for losses arising from a breach of the said representation and warranty, pursuant to the Share Purchase Agreement, the Company will be entitled to instruct the escrow agent to dispose of such number of Escrow Shares and pay the proceeds thereof to the Company as compensation. In the circumstances, the Board considers that the risk to the Group that the Project may not be used as office premises is covered by the terms of the Share Purchase Agreement and the security available under the escrow arrangement mentioned above.

The Board notes that a number of lands in Beijing designated for scientific research purposes have also been developed into, and used as, office buildings and so far the Board is not aware of any enforcement action being taken by the relevant authority against any owners or occupiers thereof for violation of the designated land use. One such example is the Zhongguancun Technology Park, which has been established for over a decade. In light of the aforesaid, the preliminary legal opinion obtained by the Company and the precautionary measures available under the Share Purchase Agreement, the Directors (excluding the independent non-executive Directors, whose opinion is set forth in the letter from the Independent Board Committee set out on page 34 of this circular, and Mr. Chu) do not consider that the land use restriction will have any material negative impact on the overall benefits of the Acquisition.

The Project will be developed in 4 phases, namely phases 1 and 2 of Land A and phases 1 and 2 of Land D. Pursuant to the Share Purchase Agreement, the Project must be completed on or before 31 December 2013. This deadline may only be extended due to the Company's acts and deeds, otherwise time is of the essence of the Share Purchase Agreement. In the event that the Project is not completed within the prescribed time limit, pursuant to the Share Purchase Agreement, Farrich is obliged to indemnify the Group for losses arising from the delay, including any additional costs and expenses that may be incurred as a result of such delay, and the Company will be entitled to instruct the escrow agent to dispose of such number of Escrow Shares and pay the proceeds thereof to the Company as compensation.

Pursuant to the land grant contracts of each of Land A and Land D, construction works for the Lands should have commenced within 180 days from the date of the relevant land grant contracts, i.e. from 28 December 2006; and for Land A, construction works of not less than 42,494 square meters should have been completed on or before 30 June 2007, and for Land D, construction works of not less than 43,064 square meters should have been completed on or before 31 May 2007, and development of the Lands should have been completed on or before 31 December 2008. As confirmed by Zhujiang

Investments, construction works for Land D have commenced since October 2010, whereas Land A was still pending pre-development site formation and preparation works as at the Latest Practicable Date. It is currently expected that construction works for Land A will commence in or about July 2011. Under the existing PRC rules and regulations, where a party is granted with the land use right of a piece of land, he is obliged to develop the land in accordance with the permitted land use before the date stipulated in the relevant land grant contract. If the development is not commenced within the stipulated time period or one year thereafter without the prior consent of the relevant government authority, and the delay is not due to force majeure, any act of the government or relevant government departments, the government may commence investigation, and may thereafter, depending on the findings of such investigation, declare the land as idle land by serving on the registered owner thereof 閑置土地決定書 (decision of idle land). In certain circumstances, the land may be recovered by the government without compensation to the registered owner. As confirmed by Zhujiang Investments, as at the Latest Practicable Date, neither Zhujiang Investments nor any of the Project Cos was aware of any investigation of idle land being conducted by the relevant authority or has received any decision of idle land. According to the legal advice given by an independent PRC law firm engaged by the Company to advise on this matter, since no such investigation has been taken place and no decision of idle land has been served on Zhujiang Investments or the Project Cos, the Lands are not, and should not be classified as or deemed to be, idle lands. As further advised by the independent PRC legal adviser, there are no relevant rules and regulations which may empower the PRC government authority to declare a piece of land as idle land after development works have commenced based upon a certain prior breach. Henceforth, once construction works have commenced on the Lands, unless the Project Cos shall have committed other fresh breach of the rules and regulations governing idle land during the construction period, there are no relevant rules and regulations which may empower the PRC government authority to declare the Lands as idle land based upon the abovementioned failure to commence and complete the construction and development of the Lands within the prescribed time limits.

Under the Share Purchase Agreement, Farrich has represented and warranted to the Company, among others, that nothing has or would have occurred which may adversely affect the land use right in respect of the Lands and has agreed to indemnify the Company against all losses and damages that may arise should the Lands be treated as idle lands in breach of the said representation and warranty. In the event that Farrich is obliged to indemnify the Group for losses arising from the Lands being treated as idle lands, pursuant to the Share Purchase Agreement, the Company will be entitled to instruct the escrow agent to dispose of such number of Escrow Shares and pay the proceeds thereof to the Company as compensation. In the circumstances, the Board considers that the risk to the Group that the Lands may be treated as idle land by the relevant PRC government authority is covered by the terms of the Share Purchase Agreement and the security available under the escrow arrangement mentioned above.

Upon completion of the Equity Transfer Agreement and the Share Purchase Agreement, Target Co and the Project Cos will become indirect wholly-owned subsidiaries of the Company. The Company will, through Target Co, own the equity interests in the Project Cos and in turn the Lands on which the Project is being developed.

6. GENERAL INFORMATION ABOUT THE GROUP AND FARRICH

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

Farrich is an investment holding company indirectly wholly-owned by Mr. Chu Yat Hong, the son of Mr. Chu and is a member of a group of companies engaging principally in property development and property investment.

7. REASONS AND BENEFITS OF THE ACQUISITION

The Acquisition is a strategic move of the Group to attain a larger investment properties portfolio, in order to complement the Group's property development business. It is currently the Company's intention to hold the Project for long term investment purpose. The Project, when completed, will add to the Group's rental property portfolio to provide the Group with a long term stable rental income. Since April 2010, the central government has been introducing a series of policies, including adjustment in capital adequacy ratio, increase of second home mortgage interest rate and ban on third-home mortgage, for cooling down and controlling the much heated residential market in the Mainland. The nationwide residential property market has swiftly cooled down with slower pace of growth as home buyers have been taking a wait-and-see attitude. To maintain stable performance of the Group and to enhance its resilience against market risks against the backdrop of such policy volatility, it is the Group's business strategy to maintain an appropriate portion of commercial properties and premium hotels as investment properties in the Group's property mix and portfolio. As a first move to implement such a business strategy, as disclosed in the Company's announcement dated 24 August 2010, the Group entered into a cooperation agreement for the acquisition of the 65% equity interests in a PRC entity which engages in the development and construction of a garment-and-fashion-themed complex in Haizhu District, Guangzhou City, the PRC ("Kemaoyuan Project"), which, when completed, will add another 500,000 square meters GFA to the Group's investment properties portfolio. The Project, when completed, will be another significant addition to the Group's investment properties portfolio.

As at 30 June 2010, the total GFA for the Group's land bank was 29,700,000 square meters, approximately 2.1% of which, representing approximately 630,000 square meters, were investment properties including Hopson International Plaza located in Shanghai and Guangzhou Jiahe Commercial City located in Guangzhou City. It is the Group's intention to increase and diversify its investment properties portfolio in other first-tier cities and the first choice of all is Beijing, which is the capital city as well as the political, educational, and cultural centre of the PRC. Of the Group's land bank in Beijing as at 30 June 2010, over 71% were residential properties and approximately 6.4%, representing approximately 270,000 square meters, were office buildings. Compared to the Project, the Directors (excluding the independent non-executive Directors, whose opinion is set forth in the letter from the Independent Board Committee set out on page 34 of this circular, and Mr. Chu) do not consider the Group's office buildings located in Beijing suitable for investment purposes either because the Group has already disposed of part of the ownership therein or the projects concerned are too small in scale. The Acquisition is therefore an opportunity for the Group to implement its plan to geographically diversify its portfolio of investment properties into Beijing.

The Acquisition will result in the investment properties portfolio of the Group to double in size and account for approximately 4.1% of the Group's land bank. If further taking into account the GFA of the Kemaoyuan Project of approximately 500,000 square meters, the total GFA of the Group's investment properties will further increase to account for approximately 5.7% of the Group's total GFA. The Acquisition therefore allows the Group to enlarge the ratio of commercial properties in the Group's product mix and portfolio on the one hand, and strengthens the Group's portfolio of investment properties on the other. This is in line with the Group's strategy to strengthen its resilience against market risks. As it is expected that the Project will bring in long-term stable rental income and appreciate in value in the long run, the Board considers that the Acquisition will secure for the Group a long-term and stable return in revenue as well as capital appreciation. This is in line with the Group's strategy to pursue a justified allocation of resources for short and long term investments.

Upon Completion, the Company will, through Target Co, own the equity interests in the Project Cos and in turn the interests and development right in the Project now being developed on the Lands. The Project involves the construction of 38 individual office buildings with a total GFA of approximately 625,006 square meters. Each individual flat thereof is a loft style office premises characterised by high ceilings of 5.49 meters tall and the presence of a cockloft. It is versatile in use and may be customized and used as a home office (provided that such use by the lessee(s) thereof does not contravene the designated use of the Lands). The Project is designed and positioned to serve those start-ups and small-to-medium sized enterprises doing business or providing peripheral services to the large corporations inside the Industrial Park or the nearby 北京經濟技術開發區 (Beijing Economic-Technological Development Area) ("BDA").

The Project is located in the Industrial Park, which is located in 馬駒橋鎮 (Majuqiao Town) of 通州區 (Tongzhou District) at the intersection of 六環路 (Liuhuan Lu) and 京津塘高速公路 (Jin-Jing-Tang Expressway) covering an area of about 15 square kilometers. Among all the municipal-level development areas found in Beijing, it is most proximate to the Central Business District of Beijing, being 18 kilometers away. It is very conveniently located, being 30 kilometers from 北京首都機場 (the Beijing Capital International Airport), 22 kilometers from 北京火車站 (the Beijing Railway Station) and 140 kilometers from 天津新港 (Tianjin New Port). It is also close to a number of expressways, including 京開高速公路 (Jing-Kai Expressway), 京瀋高速公路 (Jing-Shen Expressway) and 京哈高速公路 (Jing-Ha Expressway).

The Industrial Park is now included in the new town development plan of 亦莊 (Yizhuang) and about 100 enterprises specialised in environmental conservation or protection businesses and services, including a number of large local corporations, have moved into the Industrial Park. The Industrial Park is close to BDA. By the end of October 2010, over 3,700 large corporations have set up their offices, many of whom are Fortune 500 companies, in the BDA and total investments therein were over US$24,580 million. In the first 10 months of 2010, approximately 700 corporations have moved into the BDA. These have provided a stable demand of office premises in the district. Both development areas are the focus of development of the district and receive various policy support from the local government, including tax rebate or subsidy, rebate of 城市基礎設施建設費 (Urban Infrastructure construction costs), and incentive awards offered to corporations and enterprises established in Tongzhou District, including the Industrial Park and the BDA; and the founding of a special fund by the local government for the continuous development of the district. In 2010, there was no sale of land designated for use as office premises in the Industrial Park and no formal statistics had been released by the relevant government authority in respect of the lands in the BDA and the Industrial Park designated for scientific research which may also be used as office premises. The Board is not aware of any excess supply of office premises in the Industrial Park and the BDA. Given the ideal locations and the policy support and incentives offered by the local government of Tongzhou District, it is expected that the number of large corporations moving into the Industrial Park and the BDA will continue to increase, which in turn will attract an increasing number of start-ups and small-to-medium enterprises moving into the area to seek business opportunities. This will provide a strong and continual demand for office premises in the surrounding districts of the Industrial Park and BDA.

Since the concept of cutting costs on space, operations and travel of a live-cum-work loft has a unique appeal to the start-ups and small-to-medium enterprises, it is expected that demand for loft style office premises in the surrounding districts of the Industrial Park and the BDA will continue to increase as the two development areas further develop over the coming years.

Pursuant to the opinion letter dated 3 April 2009, and various 建設用地規劃許可證 (planning permits for construction use of land) issued by 北京市規劃委員會 (the Beijing Municipal Commission of Urban Planning) in connection with the Project, Zhujiang Investments was permitted to construct premises with 5.49 meter-high ceiling on the Lands. As confirmed by Zhujiang Investments, there is no time limit on the validity of the terms of the said planning permits. Pursuant to 《建築層高控制與建築面積、容積率計算規定（試行）》(Regulation on Ceiling Height Control and Floor Area, Plot Ratio Calculation (Trial)) promulgated by the Beijing Municipal Government, from 10 March 2010 onwards, the ceiling height of each storey of office buildings shall not be higher than 4.5 meters, accordingly the government will not grant any further permits for the construction of premises with 5.5 meter-high ceilings. The Directors expect the Project to be probably the last or one of the last new developments offering loft style office premises in the market. It is expected that its scarcity in supply will further boost the demand therefor and that the loft style office premises will be much sought after by those start-ups and small-to-medium sized corporations doing or seeking to do business in the surrounding districts of the Industrial Park and BDA. The rate of rental for loft style premises in the district is expected to be on a rising trend. The Group has another loft style property development in the Industrial Park — Dreams World (合生世界村). When it was open for sale at the end of 2009 and early 2010, sales orders received were far more than the number of properties available for sale. This has further strengthened the Group's confidence in the market potential of loft style property. The Board therefore considers that the Project has a good investment value and will be able to offer a long term stable rental income to the Group.

The Project is only about 100 meters away from Dreams World (合生世界村). Dreams World is a large residential development in Majuqiao Town offering high-rise apartments, a shopping centre of approximately 100,000 square meters, a club house and a 30,000 square meters golf park. It is expected that the shopping centre, when completed, will be the only shopping mall in the vicinity. Since the Project will only offer a limited supply of shops and other facilities, it is expected that the ancillary facilities and services available in Dreams World will also be serving the workforce in the Project, who will, in turn, bring in a stable source of custom to the shops and facilities in Dreams World. It is expected that the two developments will complement each other. The synergy will help sustain, and may even improve, the value of both property developments in the long run.

The terms and conditions of the Share Purchase Agreement were arrived at after arm's length negotiations between the Company and Farrich. The Consideration represents a discount of approximately 24.51% to the fair value of the Project (when completed) as appraised by the Valuer as at 31 October 2010. The Consideration will be satisfied partly by means of the Share Issue and partly by the Cash Consideration. The Cash Consideration will be paid in 16 instalments at different stages of the construction of the Project and funded by the Group's internal resources. Upon payment of the cash consideration, it will increase the balance of investment properties in the financial statements of the Group. According to the current construction plan and timetable of the Project, it is expected that the first instalment of the Cash Consideration of approximately RMB115,689,000 may, subject to Completion, be due for payment by the first quarter of 2011. The Acquisition is not expected to have any significant adverse impact on the cash flow position of the Group.

Since at the time of the Share Purchase Agreement, the construction works for Land D have already commenced and will be progressing, if the Project were sold in its existing state, given that it may take quite a long time before completion may take place, it was difficult for the parties to delineate and agree upon each other's liabilities in connection with the works in progress, such as which party is to bear the default risks of the contractors under those subsisting construction contracts. The parties therefore have agreed to the sale and purchase of the Project on completion basis under the arrangements set forth in the Share Purchase Agreement, i.e.

- Farrich is obliged to deliver or procure the delivery of the completed Project in compliance with the required specification and standard to the Company on or before 31 December 2013;
- the Consideration is inclusive of all costs of development of the Project and hence Farrich is charged with the duties and responsibilities of procuring the performance and completion of all necessary preparation and construction works and administrative formalities in relation to the Project, including short-listing and liaising with suitable contractors for the required development works, subject to the monitor of the Company;
- the Consideration and the Issue Price were fixed at the time of the Share Purchase Agreement;
- the Consideration Shares will be placed in an escrow account to guard against any default of Farrich in performing its obligations in relation to the construction of the Project; and
- the Cash Consideration will be released by instalments in accordance with the stage of completion of the Project.

Notwithstanding that Farrich is responsible for completion of the Project, same as other development projects of the Group, the Project Cos will enter into construction contracts with contractors for the actual development and construction works of the Project in their capacity as the owners of the Project. Farrich will join in the said contracts to assume the payment obligations. The Acquisition does not differ in any material aspect from any other development projects of the Group — both involve the acquisition of lands and engagement of contractors to perform the construction and other development works leading to the final delivery of the completed properties. On that basis, the Directors (excluding the independent non-executive Directors, whose opinion is set forth in the letter from the Independent Board Committee set out on page 34 of this circular, and Mr. Chu) are of the view that the Acquisition is in the ordinary and usual course of the business of the Group. The role of Farrich in the Project and other arrangements as abovementioned may distinguish the Acquisition from other development projects of the Group, yet the said arrangements were agreed upon to safeguard the Group's interests under the Acquisition, to guarantee that the Project, when completed, will be in compliance with the required specification and standard and delivered at the specified time at a fixed fee, thus barring the Group from any risks of inflation in the costs of construction over the period of construction. The Directors (excluding the independent non-executive Directors, whose opinion is set forth in the letter from the Independent Board Committee set out on page 34 of this circular, and Mr. Chu) are of the view that the arrangements are reasonable in the circumstances and would have been agreed by any other reasonable buyers and sellers in any arm's length transactions of the same or similar nature. The Directors (excluding the independent non-executive Directors, whose opinion is set forth in the letter from the Independent Board Committee set out on page 34 of this circular, and Mr. Chu) therefore are of the view that the Acquisition is on normal commercial terms.

As disclosed in the Company's recent interim report, it has been the Company's view that the property sector of the PRC will continue to enjoy stable growth and optimistic prospects. On the other hand, it was reported that the annual consumer price inflation of the PRC reached 5.1% in November 2010, up from 4.4% in October 2010. Given the present low interest rates environment, the Board expects that the inflation rate will be on the rise in the next few years. Hence, although the Project is to be delivered to the Group by the end of 2013, the Company has agreed to fix the Consideration and the Issue Price at the time of the Share Purchase Agreement so that the Company is certain of the total investment of the Project and protected from any risk of price upsurge due to any costs inflation or market upswing during the 3-year construction period. In negotiating for the amount of Consideration, the parties made reference to the appraised fair value of the Project (when completed) but did not specifically take into account Farrich's original costs of acquisition of the Project Cos (which remained undetermined as at the Latest Practicable Date) or the potential costs of development of the Project. The Directors (excluding the independent non-executive Directors, whose opinion is set forth in the letter from the Independent Board Committee set out on page 34 of this circular, and Mr. Chu) consider the basis of determining the Consideration in line with market practice, and hence is fair and reasonable, and the original costs of acquisition of Farrich (who being a connected person) not a relevant factor in negotiating and determining the terms of the Acquisition, after taking into account the following factors: (a) as the Acquisition involves a pre-sale of completed property, it would be fair for the parties to evaluate and negotiate for the Consideration with reference to the fair value of the Project on completion basis; (b) in arriving at the valuation of the Project, the quality of investment properties and investment return of 7% (compared to the current PRC bank deposit rate of 4.15% for a term of three years) are, among others, parameters considered by the Valuer; (c) it is not uncommon for such kind of transactions to be priced at the time of the contracts, rather than at completion, so as to provide the necessary degree of certainty (in terms of amount, and time of payment, of consideration) to both sides of the transactions; and (d) no reasonable sellers would have agreed to price the property under sale with reference to the underlying acquisition costs or development costs, especially when the market is on a continuous rising trend.

According to the valuation report set out in Appendix V to this circular, the value of the Lands at its existing state as at 31 October 2010 was approximately RMB2,300 million, and the outstanding construction work to complete the Project is estimated to be approximately RMB3,125 million. The sum of the above two amounts, being approximately RMB5,425 million, is lower than the Consideration by approximately RMB1,108 million, representing an element of "developer's profit" attributable to Farrich. As the Company is now purchasing the Lands and the Project at a discount of approximately 24.51% to, or approximately RMB2,145 million less than, the valuation on completion basis of approximately RMB8,750 million, it would be able to share part of the "developer's profit" which in general should be attributable to the developer. Compared this to the Group's profit margin of approximately 20.2% for the financial year ended 31 December 2009 (being profit attributable to equity holders of the Company, less revaluation gain net of tax and then divided by the total turnover of the Group) and having regard to the other considerations set forth in this section, the Directors (excluding the non-executive Directors whose opinion is set forth in the letter from the Independent Board Committee set out on page 34 of this circular, and Mr. Chu) consider that the "developer's profit" represented by the discount to valuation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To protect the Company from any default risk of Farrich, there will not be any upfront or forward payment of the Consideration. The Consideration Shares and the Cash Consideration will not be released or paid to Farrich upon Completion, but by different phases in accordance with the stage of completion of the Project. It is expected that there will be time lags between Farrich's payment obligations to the contractors and its receipts of the Company's partial releases or payments of the Consideration Shares or Cash Consideration. To certain extent, Farrich has assumed the financial or liquidity risks in financing the development costs of the Project.

By buying the completed Project forward at a fixed price and paying subsequently by separate instalments, the Company has in effect transferred to Farrich the risk of costs increase during the construction period, the financial or liquidity risks as aforementioned, as well as certain other risks adhered to the Project, including risks relating to design, quality and possible delays in the construction works. Although the Group may face the risk of property market downturn leading to lower property value by the time the Project is complete and the default risk of Farrich, as the Company is optimistic about the prospect of the PRC property market, especially where the performance of the commercial property market is not as volatile as that of the residential market, and is confident about the potential of the Project as abovementioned; whereas the default risk of Farrich would be largely mitigated by the deposit of the Escrow Shares and phasing the payments of the Cash Consideration, the Board considers that the risks involved are acceptable. In addition, it is expected that there will be savings in costs as the Group will not be required to deploy a team of staff to manage and monitor the day to day works and progress of the Project and to deal with the contractors and suppliers involved in the construction, but only one or two staff to monitor Farrich's performance.

After weighing the potential risks incurred on the one hand, and those that have been assumed by, or transferred to, Farrich by virtue of the arrangements under the Share Purchase Agreement on the other, and having regard to the Company's optimistic outlook on the property market in the PRC, in particular the potential of the Project, the Company's present intention to hold the Project for long term investment purposes, the costs that the Group may save in managing the Project and that the Consideration represents a discount of approximately 24.51% to the fair value of the Project (when completed) as appraised by the Valuer as at 31 October 2010 (thus allowing the Company to share part of the "developer's profit" attributable to Farrich as mentioned above), the Directors (excluding the independent non-executive Directors, whose opinion is set forth in the letter from the Independent Board Committee set out on page 34 of this circular, and Mr. Chu) consider the Consideration fair and reasonable.

In short, the Acquisition will secure for the Group the completion of the Project up to the required standard within the prescribed time limit at a fixed fee, thus barring the Group from any risks of inflation in the costs of construction over the period of construction. The completion standard of the Project is safeguarded by the Company's power and authority to control and monitor the performance and progress of the construction works (see the section headed "Principal terms of the Share Purchase Agreement — Other Obligations of Farrich") while the Escrow Shares will offer sufficient security to the Company to guard against any default of Farrich in performing its obligations in relation to the construction of the Project.

Having considered the aforementioned factors, the Directors (excluding the independent non-executive Directors, whose opinion is set forth in the letter from the Independent Board Committee set out on page 34 of this circular, and Mr. Chu) consider that the terms of the Share Purchase Agreement are on normal commercial terms and are fair and reasonable and the Acquisition is in the interests of the Company and its Shareholders as a whole.

Subsequent to the announcement made by the Company in connection with the Share Purchase Agreement on 3 November 2010, certain Independent Shareholders as well as general investing public had expressed their concerns about the possible dilution effect of the Consideration Shares and the level of Consideration payable for the Project. In that connection, the Company and Farrich responded positively to such concerns by entering into the Supplemental Agreement to reduce the amount of Consideration on the one hand, and to increase the Issue Price and hence correspondingly reduce the number of Consideration Shares on the other.

As mentioned in the section headed "Share Issue", notwithstanding the Issue Price of HK$9.5 represents a significant discount to the Group's NAV per Share, the Directors (excluding the non-executive Directors whose opinion is set forth in the letter from the Independent Board Committed set out on page 34 of this circular, and Mr. Chu) consider that (a) the issue of the Consideration Shares, at the Issue Price set at a premium over the recent trading prices, is the best alternative to finance part of the Acquisition and (b) the dilution in the net assets per Share which arises as a result of the issue of the Consideration Shares at the Issue Price is acceptable, and if considering the Acquisition and the method of financing as a whole, the Issue Price is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

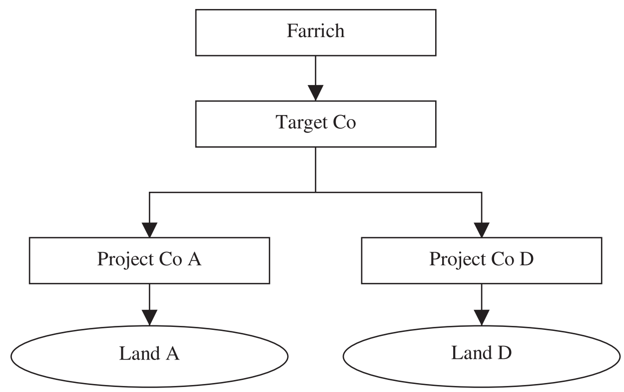
In view that the Consideration and the issue of Consideration Shares at the Issue Price are considered by the Board as fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Board considers that the current terms of the Share Purchase Agreement have properly covered the concerns and comments of the Independent Shareholders and general investing public.

8. GROUP STRUCTURE BEFORE AND AFTER COMPLETION OF THE ACQUISITION

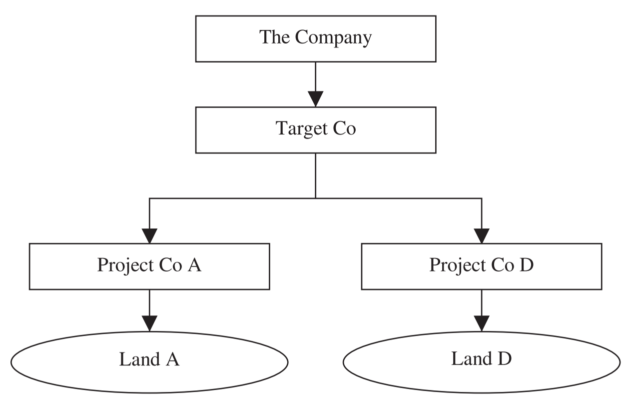
Following Completion, Target Co and the Project Cos will become indirect wholly-owned subsidiaries of the Company and their respective financial results will be consolidated into the Group.

Set out below are the shareholding structures of Target Co as at the Latest Practicable Date (assuming completion of the Equity Transfer Agreement) and immediately after Completion of the Acquisition respectively:

Shareholding structure of Target Co
as at the Latest Practicable Date
(assuming completion of the Equity Transfer Agreement)



Shareholding structure of Target Co
immediately after Completion of the Acquisition



9. FINANCIAL EFFECT OF THE TRANSACTIONS

The Cash Consideration will be funded by the Group's internal resources. The Company expects that the Acquisition and the Share Issue (i) will increase the net assets of the Group by approximately RMB4,291,279,000; and (ii) will have a positive effect on the future earnings of the Group. Furthermore, the investment properties balance will increase upon payments of Cash Consideration in different stages.

The Group's gearing ratio (defined as borrowings, net of pledged/charged bank deposits and cash and cash equivalents, divided by total net assets) would decrease from 41% as of 30 June 2010 before the Acquisition to a pro-forma gearing ratio of 36% on the assumption of immediate issue of the Consideration Shares to Farrich or its nominee(s).

10. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had issued 185,461,463 Shares at the issue price of HK$14.62 per Share on 16 March 2010 as consideration shares for payment of the balance of acquisition consideration in the sum of RMB2,386,073,000 pursuant to the Panyu Agreement as announced in the Company's announcement dated 2 November 2009. Save as aforementioned, the Company had not raised any funds on issue of equity securities in the past twelve months.

11. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios to the Acquisition under the Listing Rules are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under the Listing Rules.

Sounda, being the controlling Shareholder of the Company, is a connected person of the Company. Farrich is a company indirectly wholly-owned by Mr. Chu Yat Hong, the son of Mr. Chu, who is the controlling Shareholder (through Sounda) of the Company, executive Director and chairman of the Board. As such, Farrich is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition and the Share Issue contemplated under the Share Purchase Agreement constitute connected transactions under the Listing Rules and are subject to the approval of the Independent Shareholders of the Company at the SGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than Sounda, Hopson Education Fund and their respective associates, no Shareholder has a material interest in the Share Purchase Agreement and the transactions contemplated thereunder. Accordingly, other than Sounda, Hopson Education Fund and their respective associates, no Shareholder is required to abstain from voting on the resolution(s) to approve the Share Purchase Agreement and the transactions contemplated thereunder at the SGM. Sounda, Hopson Education Fund and their respective associates will abstain from voting at the SGM in respect of the proposed resolution(s) to approve the Acquisition and the Share Issue contemplated under the Share Purchase Agreement. Since Mr. Chu is materially interested in the Share Purchase Agreement and the transactions contemplated thereunder, he has not attended or voted at the Board meetings to approve the Share Purchase Agreement and the transactions contemplated thereunder.

12. INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK$200,000,000 divided into 2,000,000,000 Shares. To cater for the issuance of Consideration Shares contemplated under the Share Issue, a resolution will be proposed, and if thought fit, passed at the SGM to approve the increase in the authorised share capital of the Company from HK$200,000,000 to HK$300,000,000 by the creation of an additional 1,000,000,000 Shares. To the best information, knowledge and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder had an interest in the proposed increase in authorised share capital of the Company, which is materially different from the other Shareholders. Therefore, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the increase in authorised share capital of the Company. The Directors have no intention to allot and issue new Shares other than the Consideration Shares.

13. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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

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

Your attention is drawn to the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders set out on page 34 of this circular and the advice from Somerley Limited to the Independent Board Committee and the Independent Shareholders set out on pages 35 to 69 of this circular.

14. SGM

A notice convening the SGM is set out in Appendix VII to this circular. At the SGM, resolution(s) will be proposed to the Independent Shareholders to consider and, if thought fit, approve (i) the increase in authorised share capital of the Company and (ii) the Acquisition and the Share Issue.

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

15. RECOMMENDATION

The Directors (excluding the independent non-executive Directors, whose opinion is set out in the letter from the Independent Board Committee set out on page 34 of this circular, and Mr. Chu) consider that (a) the terms of the Share Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and (b) the Share Purchase Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (excluding the independent non-executive Directors, whose opinion is set out in the letter from the Independent Board Committee set out on page 34 of this circular, and Mr. Chu) recommend the Shareholders to vote in favour of the relevant resolution at the SGM.

16. GENERAL INFORMATION

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

As at the Latest Practicable Date, the executive Directors are CHU Mang Yee (Chairman), XIANG Bin, AU Wai Kin, XUE Hu, ZHAO Mingfeng and LIAO Ruoqing, and the independent non-executive Directors are LEE Tsung Hei, David, WONG Shing Kay, Oliver and TAN Leng Cheng, Aaron.

By Order of the Board
Chu Mang Yee
Chairman

合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Stock Code: 754)

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

To the Shareholders

21 January 2011

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES

INTRODUCTION

We refer to the circular dated 21 January 2011 issued by the Company, of which this letter forms part ("Circular"). Terms used in this letter shall have the same meanings defined elsewhere in the Circular unless the context requires otherwise.

The Independent Board Committee comprising Messrs. Lee Tsung Hei, David, Wong Shing Kay, Oliver and Tan Leng Cheng, Aaron, has been appointed to advise you in respect of the Share Purchase Agreement, the Acquisition and the Share Issue, details of which are set out in the Circular. Somerley Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Share Purchase Agreement, the Acquisition and the Share Issue.

RECOMMENDATION

We wish to draw your attention to the Letter from the Board as set out on pages 5 to 33 of this Circular, and the letter from Somerley Limited which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Share Purchase Agreement, the Acquisition and the Share Issue as set out on pages 35 to 69 of this Circular.

Having taken into account the advice of Somerley Limited and the principal factors and reasons considered by Somerley Limited, we consider that the terms of the Share Purchase Agreement, the Acquisition and the Share Issue are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the Share Purchase Agreement, the Acquisition and the Share Issue at the SGM.

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

Tan Leng Cheng, Aaron	**Lee Tsung Hei, David**	**Wong Shing Kay, Oliver**
Independent Non-Executive Director	*Independent Non-Executive Director*	*Independent Non-Executive Director*

* *for identification purposes only*

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

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

21 January 2011

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

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Share Purchase Agreement entered into between the Company and Farrich on 3 November 2010, and the Supplemental Agreement entered into between the same parties on 13 December 2010. Details of the Share Purchase Agreement are contained in the circular to the Shareholders dated 21 January 2011 (the "Circular"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As at the Latest Practicable Date, the Company was beneficially owned as to approximately 62.83% by Mr. Chu, who is the chairman of the Board, and Farrich was indirectly wholly-owned by Mr. Chu Yat Hong, the son of Mr. Chu. Accordingly, the entering into of the Share Purchase Agreement between the Company and Farrich constitutes a connected transaction of the Company and the Acquisition is subject to approval by Independent Shareholders by way of poll at the SGM under the Listing Rules.

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

In formulating our advice, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group and have assumed that they are true, accurate and complete as at the date of the Circular and will remain so up to the time of the SGM. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts has been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. However, we have not conducted any independent investigation into the business and affairs of any of the Group, Farrich, the Target Co and their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Share Purchase Agreement are fair and reasonable insofar as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Background to, reasons for and benefits of the Acquisition

(i) *The Group*

The Group is principally engaged in property development in the PRC, and is specialised in the development of medium to high-end large-scale residential properties. In terms of land bank, the Group is currently one of the largest property developers in the PRC, with consolidated revenue of approximately HK$11,225.2 million for the year ended 31 December 2009 and approximately HK$4,667.9 million for the six months ended 30 June 2010. Land reserves of the Group amounted to approximately 7.25 million square meters as at 30 June 2010. In the past few years, major investments of the Group were made in the first-tier cities such as Guangzhou, Tianjin, Shanghai and also Beijing, where the Project is situated.

Apart from property development, the Group is also involved in investment holding, property development, property investment, property management and hotel operations. The Group's property investment business represents investments in properties held by the Group for long term investment purposes to generate rental income and is one of the reportable segments in the Group's financial statements. The Acquisition represents an opportunity to adjust the strategic balance between the Company's investment and development activities. In the past, the Group had a number of commercial, retail and carparking properties mainly located in Guangzhou for rental purposes. These properties were later re-designated during the second half of 2009 as completed properties for sale and land costs. As at 30 June 2010, the Group held two commercial investment properties, namely the Jiahe Commercial City located in Guangzhou and the Hopson International Plaza located in Shanghai. Both investment properties are currently under development and are expected to be completed in phases starting from 2012. Although most of the Group's assets and revenues in the past were attributable to the property development segment, the property investment segment has been gaining importance recently in terms of the carrying values of the Group's investment properties in the consolidated balance sheet, which increased from approximately HK$2,856.1 million as at 31 December 2008 to approximately HK$8,378.1 million as at 31 December 2009, and further increased to approximately HK$8,540.9 million as at 30 June 2010.

Set out below is the carrying value of the Group's investment properties and its proportion to the total assets if the current valuation of the Project, on completion basis, of approximately RMB8,750.0 million (or approximately HK$10,135.6 million) (the "Valuation") is added to the Group's investment properties portfolio:

	As at 30 June 2010	**After completion of the Acquisition and completion of the Project**
	HK$'000	*HK$'000*
Investment properties *(Note 1)*	8,540,889	18,676,533
Total assets	81,347,348	88,802,795 *(Note 2)*
Investment properties as a percentage of total assets	10.5%	21.0% *(Note 3)*

Notes:

(1) Investment properties of the Group as at 30 June 2010 are carried at fair value. The increase in investment properties after completion of the Acquisition and completion of the Project of approximately HK$10,135.6 million represents the Valuation as at 31 October 2010.

(2) Change in total assets is calculated by adding the Valuation of approximately HK$10,135.6 million to the total assets of the Group as at 30 June 2010, less the Cash Consideration of approximately HK$2,680.2 million.

(3) The calculation of the Company's "investment properties as a percentage of total assets" of 21.0%, after completion of the Acquisition and completion of the Project, was with reference to the valuation of the Project on completion basis (not the cost of the land).

Other than the intended acquisition of the 65% equity interest in a property development project in Guangzhou City for a total consideration up to approximately RMB3,717.6 million, which is further discussed in sub-section (v) below headed "Reasons for and benefits of the Acquisition", there is no other disclosed intention of the Company regarding any other addition to the Group's investment properties portfolio up to the Latest Practicable Date. The Project, when completed, is therefore expected to be a significant addition to the Group's investment properties portfolio. The enlarged investment properties portfolio will complement the Group's property development business, which can be more volatile in nature.

(ii) ***Target Co and the Equity Transfer Agreement***

The Target Co is a limited company incorporated in the British Virgin Islands and is currently wholly-owned by Farrich, which is in turn indirectly wholly-owned by Mr. Chu Yat Hong, the son of Mr. Chu, the controlling Shareholder (through Sounda) of the Company. The Target Co has not carried out any business since its incorporation on 9 March 2007.

On 3 March 2010, the Target Co entered to the Equity Transfer Agreement with Shenzhen Zhujiang Logistics Co. Limited (深圳珠江物流有限公司, "Shenzhen Zhujiang"), a connected person of Mr. Chu. Pursuant to the Equity Transfer Agreement, the Target Co agreed to acquire the entire equity interests in Project Co A and Project Co D. Completion of the Equity Transfer Agreement is conditional upon the de-merger of Zhujiang Investments, a wholly-owned subsidiary of Shenzhen Zhujiang, into Project Co A and Project Co D and the segregation and allocation of certain Zhujiang Investments' assets and liabilities between the two Project Cos (the "Reorganisation"), such that upon completion of the Reorganisation, the principal asset of Project Co A and Project Co D will be Land A and Land D respectively. The purpose of the Reorganisation is to allow the Target Co to effectively own the Lands and the Project upon completion of the Equity Transfer Agreement. As at the Latest Practicable Date, Project Co A and Project Co D had been incorporated but the relevant transfer of assets was not yet completed. Pursuant to the Share Purchase Agreement, completion of the Acquisition is conditional upon completion of the Reorganisation, such that the Group would be able to obtain the legal ownership of Lands and the Project upon Completion.

Since the Reorganisation was not yet completed as at the Latest Practicable Date, no separate management accounts have been prepared for the Project Cos. However, as provided in the Share Purchase Agreement, upon completion of the Acquisition, the Project Cos will have no assets except the Lands and their interests in the existing construction contracts already entered into by Zhujiang Investments relating to the Project (the "Subsisting Construction Contracts"), and will have no liabilities.

It is currently expected that the Reorganisation will be completed by or around March 2011, and completion of the Equity Transfer Agreement will take place by or around June 2011.

(iii) ***Lands and Project***

The Lands, comprising Land A and Land D with an aggregate site area of approximately 136,129 square meters, are situated at the Industrial Park in Tongzhou District, Beijing, and are at the intersection of the Liuhuan Lu (六環路) in Beijing and the Jin-Jing-Tang Expressway (京津塘高速公路). The Industrial Park is close to the Beijing Economic-Technological Development Area ("BDA"), where a large number of domestic and international corporations have set up their offices.

We are advised by the management of the Group that by October 2010, there were over 3,700 companies which had set up their offices in the BDA. About 100 corporations specialised in environmental conservation or protection businesses, including a number of large local corporations, have moved into the Industrial Park. In the first ten months in 2010, approximately 700 corporations have moved into the BDA. The Directors believe this has provided a stable demand for office premises in the district.

The Project is a commercial property development project situated on the Lands and comprises the construction of 38 individual office buildings with a total GFA of approximately 625,006 square meters. The Project will be developed in 4 phases, namely phases 1 and 2 of Land A and phases 1 and 2 of Land D. As at the Latest Practicable Date, the construction works on Land D have commenced. Construction works on Land A are currently expected to commence in or about July 2011. The Project is expected to be completed by the end of 2013. The Group currently intends to hold the Project for long term investment purpose, which will provide the Group with stable rental income.

Zhujiang Investments, the vendor under the Equity Transfer Agreement, is currently engaged in the development of the Project. Upon completion of the Reorganisation, the Project will be transferred to the Project Cos, which will in turn be wholly-owned by the Group upon completion of the Acquisition.

Pursuant to the Share Purchase Agreement and as further detailed in section 2(iv) below headed ''Principal terms of the Share Purchase Agreement — Other obligations of Farrich'', Farrich has undertaken to the Company to be responsible for the construction works and administrative formalities in relation to the Project, and to deliver the completed Project to the Company on or before 31 December 2013 in compliance with the specifications and requirements agreed between Farrich and the Company. All costs and expenses incurred for the Project would be borne by Farrich, except for those in connection with the fit-out and marketing of the Project and their respective tax payments. In other words, the Company is effectively purchasing from Farrich the completed Project which is scheduled to be delivered by 31 December 2013. As advised by the management of the Group, such arrangement enables the Group to secure the completed Project with agreed quantitative and qualitative standards at a fixed sum, and therefore insulates the Group from the risk of inflation in building materials and construction costs over the construction period. It is reported that annual consumer price inflation in the PRC reached 5.1% in November 2010, up from 4.4% in October 2010, and the minimum wage of Beijing city was raised by approximately 21% to RMB1,160 per month starting from 1 January 2011. Pursuant to the terms of the Share Purchase Agreement, the inflation risk of the construction of the Project is borne by Farrich during the course of construction of the Project in the coming three years.

We are advised by the management of the Group that the Project is characterised by high ceilings (5.49 meters tall) and loft style design, which is versatile and may be customised and used as a home office (provided that such use by the lessees do not contravene the designated use of the Lands). The Project, located in the Industrial Park in Beijing, will be positioned to serve start-ups and small-to-medium sized enterprises doing business or providing services to large corporations inside the Industrial Park or the BDA. Certain incentives, including subsidies, rebates and incentive awards are provided by the local government to attract businesses in the Industrial Park and the BDA. The management of the Group expects that, as a result of the location and the incentives provided by the local government, the number of corporations moving into the Industrial Park and the BDA will increase, which in turn will attract start-ups and small-to-medium enterprises moving into the area to seek business opportunities. This should provide a strong demand for office premises in the surrounding districts of the Industrial Park and BDA, and will in turn provide demand for the office units under the Project.

The Group's other loft style property development, Dreams World, which is also located in the Industrial Park, was well received when it was made available for sale during the end of 2009 and early 2010. This has strengthened the Group's confidence in the market potential of loft style property.

Dreams World, about 100 meters away from the Project, is a residential project in the Industrial Park offering high-rise apartments, shopping centre, club house and golf course. It is expected that the shopping centre of Dreams World, when completed, will also serve the future tenants of the Project, who will in turn bring a stable source of customer to the shops and facilities in Dreams World. The management of the Group therefore expects that Dreams World and the Project can complement each other when completed.

(iv) ***Permits for sale and contingent LAT***

As advised by the management of the Group, relevant permits for a strata sale of completed properties have not been obtained from the relevant authority as at the Latest Practicable Date. Accordingly, upon completion and transfer of the Project to the Group, if the Group decides to dispose of the completed properties in future, they would have to be sold block-by-block (there will be 38 blocks) if such relevant permits are not yet obtained by the Projects Cos by then. As mentioned above, since the Group intends to hold the Project for long term investment purposes to generate rental income and not for sale, we concur with the Directors' view that the above restriction on strata sale is not a significant disadvantage. According to the PRC legal advisers' opinion, the Project Cos would not face any substantial obstacles in obtaining building ownership certificates and selling the completed properties separately or block-by-block if the Project Cos can complete all necessary filing procedures according to PRC laws and regulations.

The Project Cos, which are being acquired together with the Target Co, record in their books the original costs of acquisition of the Lands from the relevant land bureau, which is lower than the value implied by the Consideration under the Share Purchase Agreement. If in future the Group (through the Project Cos) sells the completed properties to third parties, LAT would be levied based on the sales proceeds less deductible costs, which are calculated with reference to the above original land acquisition and development costs, not the Group's cost of acquiring the Lands from Farrich (i.e. the Consideration). We are informed that the executive Directors considered this point when negotiating the terms of the Acquisition. In arriving at the Consideration, contingent LAT was taken into account such that (i) the portion of LAT arising from the price appreciation of the Project above original land acquisition and development costs up to the amount of the Original Consideration of approximately RMB6,875.1 million would be borne by Farrich, and (ii) the portion of LAT arising from further price appreciation above the Consideration (the benefit of which is enjoyed by the Group) would be borne by the Group. Pursuant to the Share Purchase Agreement, Farrich has further undertaken that it will be able to provide invoices of not less than RMB4,375.0

million (equivalent to RMB7,000 per square meter in GFA) deductible for LAT purpose in respect of the Project. These LAT deductible invoices, estimated with reference to the Group's past projects, include invoices for land costs, construction costs, and other related charges. In the Company's experience, a development of the quality specified in this case will indeed cost around RMB7,000 per square meter. However, if the cost is less, and the invoices provided are therefore less, the Company will be compensated under the share escrow arrangement or will be entitled to deduct the compensation from any outstanding Cash Consideration. On the other hand, if Farrich provides invoices of more than RMB4,375.0 million, the Company would pay less LAT as the result of an eventual sale. We consider it an acceptable approach for Farrich, who is responsible for the construction cost of the Project, to undertake to provide the Group with LAT deductible invoices, which can be utilised by the Group in future to claim deductions against any possible LAT to be borne by the Group.

The Directors have made a strategic decision to hold the properties for long-term investment purposes rather than for sale. Unless they change this decision, the question of LAT will not arise. In case they do change this decision, the LAT arising in the circumstances set out above has been allowed for in setting the Consideration.

(v) *Reasons for and benefits of the Acquisition*

Strategic move to broaden investment properties portfolio

As stated in the "Letter from the Board" in the Circular, the Group intends to keep the completed properties under the Project as investment properties for rental purposes. As at 30 June 2010, the carrying value of the Group's investment properties in the consolidated balance sheet was approximately HK$8,540.9 million, compared to the fair value of the Project on completion basis as at 31 October 2010 of approximately RMB8,750.0 million (or approximately HK$10,135.6 million). The Project, when completed, is therefore expected to be a significant addition to the Group's investment properties portfolio, designed to provide the Group with long term stable rental income in the future to complement development profits, which can be more volatile.

We have reviewed investment portfolios of companies principally engaged in property development in the PRC as at 30 June 2010, which have their shares listed on the Main Board of the Stock Exchange (the "Comparable Companies"). The

Comparable Companies have a market capitalisation within a range of 50% higher or lower than the market capitalisation of the Company as at the Last Trading Day. The results of our research are as follows:

Name of comparable companies	**Market capitalisation as at the Last Trading Day** *(HK$ million)*	**Investment properties as at 30 June 2010** *(HK$ million)*	**Total assets as at 30 June 2010** *(HK$ million)*	**Percentage of investment properties to total assets**
Glorious Property Holdings Limited (Stock code: 845.HK)	21,664	2,519	31,848	7.9%
Shui On Land Limited (Stock code: 272.HK)	20,821	23,676	46,604	50.8%
KWG Property Holdings Ltd. (Stock code: 1813.HK)	18,111	3,486	33,660	10.4%
Yuexiu Property Company Ltd. (Stock code: 123.HK)	17,727	7,562	43,862	17.2%
New World China Land Limited (Stock code: 917.HK)	16,755	12,409	68,983	18.0%
Greentown China Holdings Ltd. (Stock code: 3900.HK)	14,403	25	98,898	0.0%
Mingfa Group International Company Limited (Stock code: 846.HK)	14,280	3,032	16,312	18.6%
Beijing North Star Company Limited (Stock code: 588.HK)	14,102	9,736	31,270	31.1%
Shanghai Industrial Urban Development Group Limited (Stock code: 563.HK)	11,096	2,873	25,615	11.2%
Shenzhen Investment Limited (Stock code: 604.HK)	9,938	4,380	31,529	13.9%
Powerlong Real Estate Holdings Limited (Stock code: 1238.HK)	9,195	7,734	16,459	47.0%
Sunac China Holdings Limited (Stock code: 1918.HK)	8,880	584	13,200	4.4%
K. Wah International Holdings Limited (Stock code: 173.HK)	7,932	4,370	20,226	21.6%
Kaisa Group Holdings Ltd. (Stock code: 1638.HK)	7,749	1,579	19,328	8.2%
Comparable Companies			Average	18.6%
The Company:				**21.0%**

Source: Bloomberg and latest published financial statements of the respective Comparable Companies

Note: The financial information of the Company is prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). According to the published financial statements of the respective Comparable Companies, the financial information of the Comparable Companies is prepared in accordance with either the HKFRS or the International Financial Reporting Standards, both of which have similar accounting standards on investment properties and other land and properties held for development. We therefore consider the comparisons made in the above table are based on similar sets of accounting standards.

As shown from the above, it is not uncommon for major property developers in the PRC to hold a portfolio of investment properties for rental income.

It was clearly stated in the "Letter from the Board" in the Circular that the Directors consider the Acquisition a strategic move of the Group to attain a larger investment properties portfolio, in order to complement the Group's property development business. Recently, the Group has also made other investments in the property investment segment. It was disclosed in an announcement of the Company on 24 August 2010 that the Group intended to acquire a 65% equity interest in a property development project in Guangzhou City, for a total consideration up to approximately RMB3,717.6 million. The project, involving the development of a garment and fashion themed complex comprising office buildings, hotel, residential apartments, shopping arcades and an exhibition centre, is expected to provide a stable stream of rental income to the Group.

We agree with the Directors that the Acquisition, which will enhance the Group's future rental income, is in line with the Group's strategy to diversify resources between development and investment projects.

Discount to valuation

The Project has been valued by the Valuer on completion basis at approximately RMB8,750.0 million (or approximately HK$10,135.6 million) as at 31 October 2010, assuming that it is completed in accordance with the Company's development proposal. The consideration for the Acquisition is approximately RMB6,605.1 million (or approximately HK$7,651.0 million). On this basis, the Consideration is approximately RMB2,144.9 million (or approximately HK$2,484.6 million) lower than the Valuation, which means the Company is purchasing the Project at an approximately 24.5% discount to valuation. The calculation of the above discount is arrived at before attributing any interest element to the cash portion and any possible dividends on the Shares.

(vi) *Reasons for the Share Issue*

The Consideration of approximately RMB6,605.1 million (or approximately HK$7,651.0 million) will be satisfied (i) as to approximately RMB4,291.3 million (or approximately HK$4,970.8 million) (the "Share Consideration") by the Company issuing the Consideration Shares, and (ii) as to approximately RMB2,313.8 million (or approximately HK$2,680.2 million) in cash. This is a 65:35 split between equity and cash financing. Relative to the Group's unaudited consolidated cash and cash equivalents of approximately HK$4,329.3 million as at 30 June 2010, to satisfy the total Consideration of HK$7,651.0 million in cash may not be prudent. The issue of the Consideration Shares to partly satisfy the Consideration reduces the cash outlay for the Acquisition to a level which is well within the Group's financial capacity. Please also refer to the section below headed "Financial effects on the Group — Working capital" for further analyses on the Group's sufficiency of resources to honour the Cash Consideration.

The Company considered alternative financing methods instead of the Share Consideration, including bank loans and equity financing. Having considered the requirement of interest payments, the Group's current financial position, working capital requirement and gearing, and the maturity of the Group's borrowings, the Directors are of the view that obtaining further bank borrowings to finance the Acquisition, which would increase the Group's gearing and reduce banking facilities otherwise available for other property projects, may not be in the interests of the Shareholders. The Directors have also considered the alternative of equity financing for the Acquisition which would not affect the cash and debt position of the Group, including a private placement of Shares to independent third party investors or a rights issue or open offer to existing Shareholders.

A private placement has no significant advantage as far as the Independent Shareholders are concerned over an issue to a connected person, as the dilutive effect to them is the same. Private placements are also normally made at a significant discount to current market price. The Directors considered such factors as (i) the issue or subscription price of a private placement, rights issue or open offer may involve a deeper discount than in the case of the Share Issue, resulting in a further dilution to the net asset value per Share after taking into account the discounts involved for recent private placements, rights issues and open offers of companies listed on the Stock Exchange, and (ii) the likely costs involved (including the amount of placing or underwriting commissions and other administrative and legal expenses) and (iii) the lack of certainty in the successful implementation of a rights issue or open offer with their longer timetable. On this basis, the Directors did not consider a private placement, rights issue or open offer as appropriate means of fund raising for the Acquisition. The Company has therefore not approached any placing agent or other intermediaries for such alternative equity financing alternatives.

The issue price per Consideration Share is HK$9.50. Based on the pro forma financial information on the Enlarged Group as set out in Appendix IV of the Circular, the adjusted consolidated net tangible assets per Share ("Adjusted NTA") of the Group is expected to be reduced as follows:

	As at 30 June 2010 *HK$*	
Net asset value per Share as at 30 June 2010	18.55	
Less: intangible assets of approximately HK$121.7 million (approximately HK$0.07 per Share)	(0.07)	
Adjusted NTA of the Group per Share	**18.48**	*Per Appendix IV*
Unaudited pro forma Adjusted NTA of the Enlarged Group per Share	16.42	*Per Appendix IV*
Decrease	11.1%	

As shown in the above table, the unaudited pro forma Adjusted NTA of the Enlarged Group per Share on Completion of approximately HK$16.42 is approximately 11.1% lower than the Adjusted NTA of the Group per Share of approximately HK$18.48. This calculation does not take into account the premium of the Valuation over Consideration of approximately RMB2,144.9 million (or approximately HK$2,484.6 million) that the Group would be able to benefit from upon completion of the Project. This is equivalent to approximately HK$1.09 per Share based on the issued share capital of the Company as enlarged by the Share Issue. If this amount is added to the above unaudited pro forma Adjusted NTA per Share of approximately HK$16.42, the adjusted net assets per Share would be approximately HK$17.51. The discount to the Adjusted NTA per Share on this basis would be approximately 5.2%.

The issue price of HK$9.50 represents a significant discount to the Group's net asset value. However, as further detailed in section 7(i) below headed "Share price performance and comparison with issue price — Analysis of Share price performance", the market prices of the Shares have been trading consistently below HK$11 for during the period from 1 May 2010 to the Latest Practicable Date, while the consolidated NAV per Share as at 31 December 2009 and 30 June 2010 were approximately HK$17.71 and HK$18.55 respectively. Given the Consideration of approximately HK$7,651.0 million is significant compared to the Group's cash and cash equivalents as at 30 June 2010 of approximately HK$4,329.3 million, and the drawbacks outlined above of alternative financing methods, the Directors consider the issue of the Consideration Shares, at an issue price set at a premium over recent market prices, is the best alternative to finance most of the Acquisition.

2. Principal terms of the Share Purchase Agreement

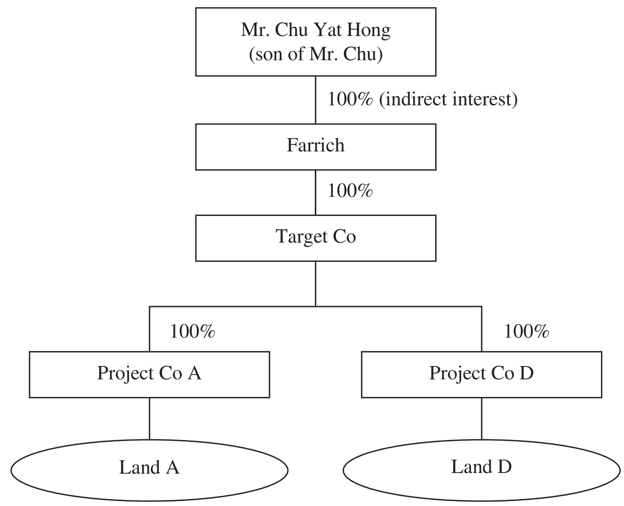
(i) *Subject matters*

Pursuant to the Share Purchase Agreement, the Company would acquire a 100% equity interest in the Target Co from Farrich. Upon Completion, the Company will, through the Target Co, own the equity interests in the Project Cos and in turn the interests and development right in the Project now being developed on the Lands.

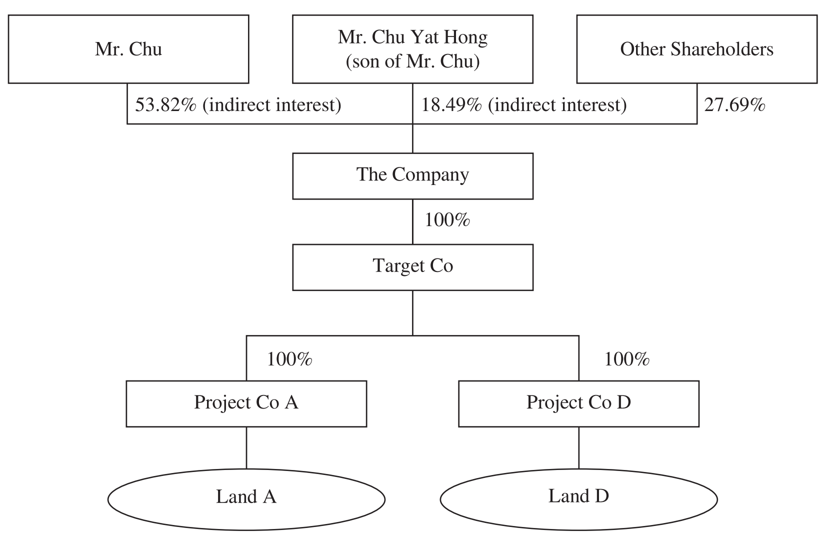
It has been agreed under the Share Purchase Agreement that upon Completion, the Target Co will have no assets except the equity interests in the Project Cos, which will have no assets except the Lands and interests in the Subsisting Construction Contracts, and will have no liabilities.

Set out below is the simplified shareholding structure of the Target Co immediately before (assuming completion of the Equity Transfer Agreement) and after Completion:

Immediately before Completion (assuming completion of the Equity Transfer Agreement)



Immediately after Completion



(ii) ***Consideration***

The aggregate consideration for the Acquisition is approximately RMB6,605.1 million (or approximately HK$7,651.0 million), which shall be satisfied (i) as to approximately RMB4,291.3 million (or approximately HK$4,970.8 million) by allotment and issue by the Company of approximately 523.2 million Consideration Shares at an issue price of HK$9.50 per Consideration Share upon Completion, and (ii) as to approximately RMB2,313.8 million (or approximately HK$2,680.2 million) by cash.

The Cash Consideration

The Cash Consideration of approximately RMB2,313.8 million (or approximately HK$2,680.2 million) will be paid by the Company to Farrich in 16 instalments at different stages of the construction of the Projects, as follows:

Construction Stage	Completion of works to ground level	Completion of 50% of the main structure of the buildings	Completion of 100% of the main structure of the buildings	Acceptance of the construction by the Company	Total
Phase 1 of Land A	5%[note]	5%	5%	5%	20%
Phase 2 of Land A	5%	5%	5%	15%	30%
Phase 1 of Land D	5%	5%	5%	5%	20%
Phase 2 of Land D	5%	5%	5%	15%	30%

Note: In terms of percentage of the Cash Consideration

According to the current construction plan and timetable of the Project, it is expected that, subject to Completion, the first instalment of approximately RMB115.7 million (5% of the Cash Consideration) will be due for payment by the first quarter of 2011. The remaining payments to Farrich will be settled by the Company throughout the construction period which is expected to be completed by the end of 2013. The Cash Consideration will be funded by the Group's internal resources.

The Share Issue

The Consideration Shares to be issued under the Share Issue represent approximately 29.9% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 23.0% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The Consideration Shares are to be issued in the following manner:

(a) at the direction of Farrich, 128,000,000 Consideration Shares (i.e. the Sounda Escrow Shares) will be allotted and issued to Sounda, a company wholly-owned by Mr. Chu; and

(b) the balance of 395,246,625 Consideration Shares (i.e. the Farrich Escrow Shares) will be allotted and issued to Farrich or its nominee.

The issue price of HK$9.50 per Consideration Share was agreed based on arm's length negotiations between the Company and Farrich and represents a premium of approximately 7.8% to the closing price of HK$8.81 per Share as quoted on the Stock Exchange on the last trading day immediately before the date of the Share Purchase Agreement.

In order to secure the due and punctual performance by Farrich of its obligations under the Share Purchase Agreement, the approximately 523.2 million Consideration Shares (i.e. the Escrow Shares, comprising the Sounda Escrow Shares and the Farrich Escrow Shares) will be delivered to and held in escrow, at Completion, by an escrow agent to be jointly appointed by the Company and Farrich. In the event that Farrich acts in breach of its obligations under the Share Purchase Agreement and fails to indemnify any loss that the Company may have incurred, the Company will be entitled to instruct the escrow agent to dispose of such number of Escrow Shares at such a price that is acceptable to the Escrow Agent in good faith to cover such loss incurred by the Company using the proceeds from disposal. There will be no restriction on the parties to whom the Escrow Shares may be sold.

The Escrow Shares will be released to Sounda or Farrich (as the case may be) at the following points of time:

(a) all the Sounda Escrow Shares and such number of Farrich Escrow Shares, representing in aggregate 50% of the Escrow Shares then held in escrow by the escrow agent will be released to Sounda and, where applicable, Farrich respectively after the Company and the project supervisor of the Project have jointly issued a certificate accepting the Project is 50% complete;

(b) the remaining Escrow Shares (all comprising the Farrich Escrow Shares), less 30,000,000 Farrich Escrow Shares, will be released to Farrich after the Company has accepted the final completion of the Project; and

(c) the remaining 30,000,000 Farrich Escrow Shares (or such number of Farrich Escrow Shares that are still held in escrow by the escrow agent) together with all moneys arising out of dividends and distributions to be paid or made by the Company in respect of the Farrich Escrow Shares and the Sounda Escrow Shares, shall be released to Farrich and Sounda respectively, after completion of the project settlement audit and submission of proofs of settlement by Farrich of all the outstanding construction costs.

(iii) ***Conditions precedent***

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

(1) the de-merger of Zhujiang Investments having been duly completed such that Project Co A and Project Co D have been duly set up and assigned with the land use rights of Land A and Land D respectively;

(2) Target Co and the vendor of the Equity Transfer Agreement having obtained all necessary approvals and completed all necessary filings and registrations for the transfer of the equity interests in each of the Project Cos to Target Co and presented to the Company proofs of such approvals, filings and registrations;

(3) all the Subsisting Construction Contracts having been novated to the Project Cos, and all necessary supplemental agreements having been made between Farrich (or any of its associates that is acceptable to the Company) and the other parties to

the Subsisting Construction Contracts whereby Farrich (or any of its associates that is acceptable to the Company) has assumed the payment obligations under the said contracts as the principal and primary debtor;

(4) the Project Cos having obtained the land use rights of the Lands, and the property development right and other ancillary rights therein, and the land use right owner as registered in the State-Owned Land Use Rights Certificate of Land A and Land D having been changed to Project Co A and Project Co D respectively;

(5) the project owner in respect of the development on Land A and Land D having been changed from Zhujiang Investments to Project Co A and Project Co D respectively, and all other permits and approvals in respect of such development having been issued in the names of Project Co A and Project Co D respectively;

(6) the Project Cos having obtained all necessary permits and approvals for the development of the Project on the Lands, and such permits and approvals being valid and subsisting;

(7) the Company being satisfied with its due diligence review and investigation in respect of each of Target Co and the Project Cos;

(8) the Independent Shareholders of the Company having passed all necessary resolution(s) at the SGM approving the Share Purchase Agreement and the transactions contemplated thereunder;

(9) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, all of the Consideration Shares, which approval not having been revoked prior to the issue and delivery of the Consideration Shares;

(10) the Company having obtained the valuation report on the Project issued by an independent valuer acceptable to the Company;

(11) the Company having obtained a legal opinion issued by a firm of PRC lawyers appointed by or acceptable to the Company confirming, among others, that the construction of loft style office buildings on the Lands does not contravene any PRC laws and regulations, the designated use of the Lands and any permits issued in connection with the development of the Project; as well as the legality of the transactions contemplated under the Share Purchase Agreement under the PRC laws and regulations, the lawful establishment of the Project Cos under the laws of the PRC; and the Project Cos' ownership to the land use rights of the Lands; and

(12) Sounda having obtained all necessary approvals, waivers and consents which may be required under any indenture, mortgage, charge, trust, lease, agreement, instrument or obligations to which Sounda is a party or by which any of its assets is bound, including but without limitation, approvals, waivers and consents from its bank creditors to the delivery and deposit of the Sounda Escrow Shares with the escrow agent pursuant to the Share Purchase Agreement, which approvals,

waivers and consents are, or will, when obtained, be in full force and effect and shall remain in full force and effect at Completion. The purpose of such condition is to remove any restrictions or limitations that Sounda may be subject to in placing the Sounda Escrow Shares under the escrow arrangement as a result of any negative pledge or undertakings which may be binding on Sounda.

Other than condition (12) above to be satisfied by Sounda and the Sounda Escrow Shares to be issued by the Company, Sounda has no other role in the Share Purchase Agreement.

As at the Latest Practicable Date, only condition (10) above in relation the valuation report on the Project has been satisfied. Completion will take place within 5 working days following satisfaction (or waiver) of all the conditions precedent to the Share Purchase Agreement. The Acquisition and the Share Issue will take place simultaneously on the date of Completion.

(iv) ***Other obligations of Farrich***

Pursuant to the Share Purchase Agreement, Farrich has further undertaken to the Company to:

(a) be responsible for the discharge and payment of all debts and liabilities of the Project Cos incurred or existing on or before the date of completion of the Project, except those incurred by or on behalf of the Project Cos in connection with the financing and marketing of the Project, and any related tax payments;

(b) perform and complete all necessary preparation and construction works and administrative formalities in relation to the Project on or before 31 December 2013 to the intent that Project will be completed in compliance with the specifications and requirements of the Company before the said deadline. Farrich shall bear all the costs and expenses for completing such works and formalities, including all the land transfer fees or premium or taxes payable to the government, as well as construction costs payable to contractors, but excluding any extra construction costs and government taxes that may be incurred for the construction of any extra GFA over and above the current planned total GFA of approximately 625,006 square meters; and

(c) provide to the Company LAT deductible invoices amounting to not less than approximately RMB4,375.0 million in respect of the costs of development of the Project. If Farrich fails to provide LAT deductible invoices up to the said amount, Farrich shall compensate the Company for any increase in the Project Cos' contingent liability for LAT as a result of any shortfall in the value of invoices so provided by Farrich, in which event, the Company shall be entitled to deduct the compensation from any outstanding Cash Consideration and/or instruct the escrow agent to dispose of such number of Escrow Shares and pay the proceeds thereof to the Company as compensation. There will be no restriction on the parties to whom the Escrow Shares may be sold. It is agreed in the Share Purchase Agreement that the escrow agent will be designated by the Company which is expected to be a licensed financial institution independent of each of Farrich, the Group and their respective associates.

In the event that the Project is not completed and delivered by Farrich to the Company by December 2013, the Company will be able to seek indemnification from Farrich under the Share Purchase Agreement, for losses arising from the delay, including any additional costs and expenses that may be incurred as a result of such delay. The Company will be entitled to instruct the escrow agent to dispose of such number of Escrow Shares and pay the proceeds thereof to the Company as compensation.

Any Escrow Shares disposed by the escrow agent would be sold at such price that is acceptable to the Escrow Agent in good faith.

In connection with Farrich's obligation to complete the Project in compliance with the specifications and requirements of the Company, on certain quantitative and qualitative requirements for the completed Project are set out in the Share Purchase Agreement, including the building structure, building exterior, lobby, stairways and also the specifications of equipment including electricity, elevators, monitoring system, fire safety systems and network communications. There will be no interior decoration upon delivery of the completed Project. The Group is expected to incur further decoration costs, currently estimated to be approximately RMB312.5 million, in order to bring the Project up to a quality suitable for future rental purpose. The estimated decoration cost was calculated with reference to the decorations costs incurred by the Group in its previous property projects. It was further agreed under the Share Purchase Agreement that a project supervisor, is acceptable to the Company and expected to be a third party independent of each of Farrich, the Project Cos, the Group and their respective associates, will be engaged to ensure that the Project will be completed on time within authorised cost and to the required quality standards. The project supervisor will also report to the Company monthly on the status of construction. Pursuant to the Share Purchase Agreement, the costs for employing the project supervisor are to be borne by Farrich. As advised by the management of the Group, the Project Cos are currently planning for the public tender for the appointment of the project supervisor.

The right of the Group to monitor progress of the Project is a safeguard to permit the Company to check that Farrich is delivering the Project to the Group on time and within the agreed quantitative and qualitative standard. It remains the responsibility of Farrich to ensure an appropriate project management structure is in place, at their cost.

To control and monitor Farrich's performance of its obligations in relation to the construction of the Project, the parties to the Share Purchase Agreement have agreed that:

(a) Farrich will have no authority to enter into any construction contracts to bind any of the Project Cos; all such contracts must be signed by the Project Co concerned and the third party contractor, with Farrich (or any of its associates that is acceptable to the Company) joining in to assume the payment obligations thereunder as the principal and primary debtor;

(b) Farrich must consult the Company with respect to the background and qualifications of the contractors and the terms and conditions of such contracts, and obtain the Company's written consent before entering into any contracts;

(c) Farrich shall adopt and carry into effect any comments and instructions that the Company may from time to time have with regard to the construction works;

(d) Farrich shall report to the Company on the progress of, and other relevant matters concerning, the construction works at the end of each month; and

(e) Farrich shall provide such other information, documents and assistance as the Company may reasonably require.

3. Valuation of the Project

The Project has been valued by DTZ Debenham Tie Leung Limited, an independent professional surveyor and property valuer. The full text of the valuation report and certificate dated 31 October 2010 is set out in Appendix V to the Circular, and Independent Shareholders are recommended to read in full.

When arriving at the Valuation of approximately RMB8,750.0 million (or approximately HK$10,135.6 million), the Valuer has adopted the basis of capitalisation of net income derived from the proposed completed development. Under this approach, unit rental of comparable properties (i.e. offices and ancillary facilities) are collated and analysed to arrive at the value appropriate to the Project as if it was completed as 31 October 2010 in accordance with the Company's development proposal. Comparisons are made in respect of the differences in locations, sizes, height of each unit, and other characteristics between the property and the relevant comparable properties in order to arrive at a value appropriate to the Project.

The above valuation methodology is, in our opinion, a reasonable approach in establishing the open market value of the Project designated as investment properties to be held for rental purpose. Using the above basis, the Valuer estimated the monthly rental income, including rental income from the Project's office units, shops and car parks, to be approximately RMB56.2 million. Most of the estimated rental income comes from the Project's office units, which occupy approximately 76.0% of the total GFA. Other areas in the Project, including civil defense shelter area and other ancillary facilities, are assigned a zero value and are therefore not included in the final valuation.

Set out below are a number of estimations and parameters used by the Valuer in arriving at the Valuation:

Yield	7%
Void allowance	10%
Bulk purchase discount	5%
Unexpired term under the relevant approval documents	46.2 years
Estimated monthly rental income	RMB56.2 million
GFA assigned with values *(Note 1)*	602,959 sqm
GFA assigned with zero value *(Note 2)*	22,047 sqm
	625,006 sqm

Notes:

1. GFA assigned with values includes office units, shops and car parks.

2. GFA assigned with zero value includes civil defense shelter area and other ancillary facilities.

In arriving at the above estimated monthly rental income and the final valuation, a void allowance of 10% (i.e. allowance for vacancies) and a yield of 7% was incorporated. We are informed by the Valuer that the void allowance of 10% and the yield of 7% (compared to the current PRC bank deposit interest rate of 4.15% for a term of three years) are considered normal for properties with similar characteristics. The Valuer has also taken into account the restriction that the completed properties could only be sold en bloc if relevant permits for strata sale are not yet obtained by the Projects Cos, and has incorporated a 5% bulk purchase discount in the Valuation. The Valuation makes no allowance for contingent LAT.

We have discussed with the Valuer the comparable properties used and adjustments made to arrive at the Valuation. We are informed by the Valuer that different types of comparable properties were analysed for different elements of the properties, including office units, shops and car parks. For each of these elements, unit rental information for a number of comparable properties are collated, and adjustments on the unit rentals are made in respect of the location, size, time of completion, facilities available, neighborhood environment and other relevant factors. An average of the adjusted unit rentals are then taken to arrive at the unit rental appropriate to the Project. In particular, a ceiling height adjustment factor of 1.55 times is made to arrive at the valuation of the Project's office units, which represents the characteristics of high ceilings (5.49 meters tall) of the Project's office units. We are advised by the Valuer that the ceiling height adjustment factor of 1.55 times is a reasonable adjustment to reflect the premium given to the higher ceilings of the Project's office units when compared to those of the other comparable properties. Analyses on the price difference between comparable properties with or without high ceilings were also performed by the Valuer in arriving at the Project's ceiling height adjustment factor.

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

4. Evaluation of the Consideration

The consideration for the Acquisition is approximately RMB6,605.1 million (or approximately HK$7,651.0 million). Pursuant to the Share Purchase Agreement, Farrich has undertaken to the Company to be responsible for the construction works and administrative formalities in relation to the Project, and to deliver the completed Project to the Company on or before 31 December 2013. It has been further agreed under the Share Purchase Agreement that the Target Co will have no assets and liabilities except the equity interests in the Project Cos which will have no assets except the Lands and interests in the Subsisting Construction Contracts, and will have no liabilities. Accordingly, our evaluation of the Consideration is made with reference to the value of the Project on completion basis.

The Project has been valued by the Valuer. Set out below is a comparison between the Consideration and the Valuation as at 31 October 2010:

	Valuation as at 31 October 2010	**Consideration**	**Discount to valuation**
	RMB million	*RMB million*	*RMB million*
The Project	8,750.0 *(Note)*	6,605.1	2,144.9 *(or 24.5%)*

Note: This represents the valuation of the Project assuming that it was completed as at 31 October 2010 in accordance with the Company's development proposal.

In assessing the fairness of the consideration for the Project, we consider it appropriate to refer to the independent valuation made by the Valuer. As reflected in the above table, the Valuation as at 31 October 2010 was approximately RMB2,144.9 million (or approximately HK$2,484.6 million) over the Consideration, which is beneficial to the Company.

According to the valuation report set out in Appendix V to the Circular, the value of the Lands in their existing state as at 31 October 2010 was approximately RMB2,300.0 million, and the outstanding construction to complete the Project is estimated to be approximately RMB3,125.0 million. The sum of the above two amounts, being approximately RMB5,425.0 million, is lower than the Valuation on completion basis of approximately RMB8,750.0 million. In general, buying on a completed basis provides an element of "developer's profit" to the vendor (Farrich in this case). As the Group is now purchasing the Lands and the Project at a discount to the Valuation on completion basis, it could be interpreted as the Company's ability to share part of the "developer's profit" which in general should be attributable to the developer.

5. Information of the Target Group

The Target Co, namely Sun Excel Investments Limited, is a company incorporated in the British Virgin Islands on 9 March 2007. As at the Latest Practicable Date, the Target Co is interested in the Equity Transfer Agreement dated 3 March 2010 in relation to its acquisition of the entire equity interests in each of the Project Cos, which was yet to be completed. As at 30 September 2010 and the Latest Practicable Date, the Project Cos were not yet transferred to the Target Co, pending completion of the Reorganisation and completion of the Equity Transfer Agreement.

Based on the accountant's report of the Target Co as set out in Appendix II to the Circular, the Target Co incurred audited net losses of approximately HK$10,000, HK$5,000 and HK$4,000 for the two years ended 31 December 2008 and 2009 and the nine months ended 30 September 2010. According to the management of the Group, such net losses mainly represented corporate secretarial and maintenance expenses.

Principal assets and liabilities of the Target Co as at 30 September 2010 represented cash balances of approximately HK$71,000 and amount due to a related company (a connected person of Mr. Chu) of approximately HK$130,000. The Target Co had net liabilities of approximately HK$56,000 as at 30 September 2010.

As mentioned in the section above headed "Background to and reasons and benefits for the Acquisition — Background of the Lands and the Project", since the Reorganisation was not yet completed as at the Latest Practicable Date, no separate management accounts have been prepared for the Project Cos.

6. Business and financial information of the Group

(i) *Business*

The Company is incorporated in Bermuda and its issued shares have been listed on the main board of the Stock Exchange since 1998. The Company is principally engaged in property development with most of its turnover derived from the PRC. Apart from property development, the Group is also engaged in property investment business.

As at 31 December 2009, the Group had over 45 commercial and residential property development projects under development or pending for future development, the majority of which are located in Guangzhou, Huizhou, Beijing, Tianjin and Shanghai. As at 31 December 2009 and 30 June 2010, the Group held two commercial investment properties, namely the Jiahe Commercial City located in Guangzhou and the Hopson International Plaza located in Shanghai.

(ii) ***Operating results and financial position***

Set out below are the condensed operating results of the Group for each of the two years ended 31 December 2009 and for the 6 months ended 30 June 2010 as extracted from the Group's 2009 annual report and the 2010 interim report:

Operating results

	For the six months ended 30 June		**For the year ended 31 December**	
	2010	**2009**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	4,667,928	3,902,317	11,225,246	10,774,624
Gross profit	1,683,110	1,608,355	4,667,261	4,858,648
Gross profit %	36.1%	41.2%	41.6%	45.1%
Operating profit	2,081,679	1,511,707	8,727,593	4,077,894
Profit before tax	1,965,277	1,360,910	8,791,918	3,861,762
Profit for the year/period	1,495,837	903,342	6,092,535	1,948,950

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

2009 compared to 2008

With the expansionary policies introduced by the PRC central government to offset the impact of global financial turmoil, the Group's revenue increased by approximately HK$450.6 million (or approximately 4.2%) to approximately HK$11,225.2 million in 2009. Out of the total revenue recognised, approximately HK$41.9 million and HK$31.2 million were attributable to rental income from the Group's property investment business for the year ended 31 December 2008 and 2009 respectively. The overall GFA delivered by the Group rose by approximately 20% to approximately 897,000 square meters in 2009, mainly due to the delivery of new projects in Huizhou, Shanghai and Tianjin. However, there was a drop in the average selling price for delivered and completed properties from approximately RMB12,500 per square meter in 2008 to approximately RMB10,400 per square meter in 2009, primarily due to more sales of properties with lower prices and lower profit margin recognised in that year. Accordingly, gross profit margin decreased by approximately 3.5% to approximately 41.6% in 2009.

Operating profit of the Group increased by approximately HK$4,649.7 million (or approximately 114.0%) to approximately HK$8,727.6 million in 2009, which was mainly attributable to the fair value gains on investment properties of approximately

HK$4,700.1 million. Due to the same reason, profit for the year increased by approximately HK$4,143.6 million (or approximately 212.6%) to approximately HK$6,092.5 million in 2009.

Six months ended 30 June 2010 compared to six months ended 30 June 2009

The Group recorded revenue of approximately HK$4,667.9 million for the six months ended 30 June 2010, which represented growth of approximately HK$765.6 million (or approximately 19.6%) when compared to the same period in 2009. However, gross profit margin further decreased from approximately 41.2% during first half of 2009 to approximately 36.1% during first half of 2010, which was mainly due to a general increase in the cost of construction during the period.

Operating profit and profit before tax increased to approximately HK$2,081.7 million and HK$1,965.3 million respectively during the first half of 2010, mainly attributable to a gain on disposal of a property holding subsidiary, namely Cheerocean Investments Limited, of approximately HK$958.2 million (2009: a gain on disposal of another subsidiary, Interwell Developments Limited, of approximately HK$468.9 million). Accordingly, profit for the six months ended 30 June 2010 increased by approximately HK$592.5 million (by approximately 65.6%) to approximately HK$1,495.8 million.

Assets and liabilities

	As at 30 June 2010	**As at 31 December 2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)
Non-current assets	16,926,899	16,362,819	10,187,390
Current assets	64,420,449	54,291,445	48,084,398
Total assets	81,347,348	70,654,264	58,271,788
Non-current liabilities	(22,140,740)	(15,309,780)	(16,376,469)
Current liabilities	(24,403,108)	(24,845,008)	(19,331,246)
Total liabilities	(46,543,848)	(40,154,788)	(35,707,715)
Equity attributable to equity holders of the Company	32,505,858	28,193,743	20,179,894
Non-controlling interests	2,297,642	2,305,733	2,384,179
Net assets	34,803,500	30,499,476	22,564,073
Net asset value (excluding non-controlling interests) ("NAV") per Share	HK$18.55	HK$17.71	HK$13.71

As at 30 June 2010, non-current assets of the Group represented mainly investment properties of approximately HK$8,540.9 million, properties and equipment of approximately HK$3,175.8 million and available-for-sale financial assets of approximately HK$2,790.4 million. Current assets of the Group as at 30 June 2010 represented mainly properties under development for sale of approximately HK$32,728.3 million and prepayments for acquisition of land of approximately HK$15,211.2 million.

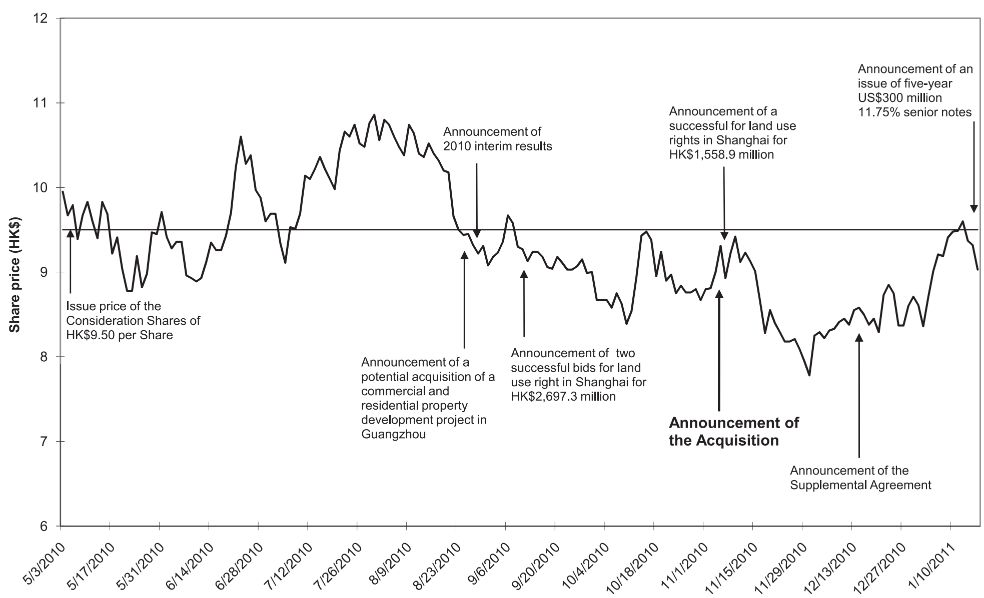
Non-current liabilities of the Group as at 30 June 2010 included borrowings of approximately HK$17,227.9 million and deferred tax liabilities of approximately HK$4,411.0 million. Current liabilities of the Group as at 30 June 2010 included pre-sale deposits of approximately HK$9,589.5 million received from customers for properties not yet delivered as at 30 June 2010, accounts payable of approximately HK$5,098.6 million, current tax liabilities of approximately HK$3,985.5 million and borrowings of approximately HK$1,811.3 million. Borrowings of the Group as at 30 June 2010, totaling approximately HK$19,039.2 million, included (i) bank borrowings of approximately HK$16,348.8 million, which were either secured or covered by guarantees with effective interest rate of approximately 5.6%; and (ii) senior notes of approximately HK$2,690.4 million with effective interest rate of approximately 8.6%.

Based on the Group's net debt (defined as borrowings, net of cash and bank deposits) of approximately HK$14,349.0 million and net assets of approximately HK$34,803.5 million as at 30 June 2010, the Group's net gearing ratio (defined as net debt divided by net assets) as at 30 June 2010 was approximately 41.2%, which represented an increase from approximately 31.6% as at 31 December 2009. As advised by the management of the Group, this was mainly due to more borrowings required to finance the Group's acquisition of land parcels, which mainly resulted from (i) an increase in borrowings of approximately HK$2,690.4 million when compared to 31 December 2009, and (ii) a decrease in cash and bank deposits of approximately HK$2,024.4 million when compared to 31 December 2009.

7. Share price performance and comparison with issue price

(i) *Analysis of Share price performance*

The chart below shows the closing price of the Shares during a period starting from 3 May 2010 (approximately 6 months preceding the date of the Share Purchase Agreement) up to and including the Latest Practicable Date (the "Period"). In April 2010, the PRC central government restrained speculative and investment activities in the property market by credit tightening through the introduction of a series of policies, including adjustment in capital adequacy ratio, increase in second home mortgage interest rate and ban on third-home mortgage. Share prices of the PRC property companies, including the Company's share prices, in general decreased during the month. Consequently, we consider the prices of the Shares in or before April 2010 are of less relevance and those starting from May 2010, which reflect the influence of the newly implemented PRC policies, are more relevant to our analysis.



Source: Bloomberg

As shown in the above table, the closing prices of the Shares fluctuated within a range of HK$8.78 to HK$9.95 for the period from 1 May 2010 to 16 June 2010. Prices of the Shares started to increase since 17 June 2010 and reached a high of HK$10.60 on 22 June 2010, then fell to a low of HK$9.11 on 5 July 2010, rose again to a high of HK$10.86 on 29 July 2010 but again fell back to HK$9.44 on 24 August 2010. This trend is in general similar to that of the Hang Seng Index during the same period. On 24 August 2010, the Company published an announcement regarding a potential acquisition of a commercial and residential property development project in Guangzhou City, for a total consideration up to approximately RMB3,717.6 million, which is expected to provide long term stable rental income to the Group. On 27 August 2010, the Company announced its 2010 interim results, which showed an increase in profit for the period by approximately 65.6% as compared to the same period in 2009, primarily due to the gain on disposal of a property holding subsidiary as discussed in the section above headed "Business and financial information of the Group — Operating results and financial position".

On 7 September 2010 and 10 September 2010, the Company further announced two successful bids for land use rights in Shanghai, with aggregate consideration of approximately HK$2,697.3 million.

Price of the Shares fluctuated within a range of HK$8.39 to HK$9.67 for the period from 1 September 2010 to 3 November 2010, the last trading day before the announcement of the Acquisition.

Following the release of the announcement regarding the Acquisition, the closing price of the Shares increased to HK$9.31 on 4 November 2010, representing an increase of approximately 3.4% over the previous trading day. After the trading hours on 4 November 2010, the Company further announced another successful bid for a land use right in Shanghai with a consideration of approximately HK$1,558.9 million. Price of the Shares then gradually dropped to a low of HK$7.78 on 30 November 2010, but rose back to HK$8.55 on 13 December 2010. On the same date, the Company announced the entering into of the Supplemental Agreement regarding certain changes in terms of the Share Purchase Agreement, including a decrease in the consideration of Acquisition to approximately RMB6,605.1 million and an increase in issue price to HK$9.50 per Consideration Share. Following the announcement of the Supplemental Agreement, prices of the Shares fluctuated within a range of approximately HK$8.29 to HK$8.85 during the period from 14 December 2010 to 31 December 2010. The price of the Shares then gradually rose from HK$8.70 on 3 January 2011 to a high of HK$9.60 on 12 January 2011 and subsequently dropped to HK$9.32 on 14 January 2011. On 17 January 2011, the Company announced that it entered into a subscription agreement on 14 January 2011, pursuant to which it agreed to issue a five-year 11.75% senior note in an aggregate principal amount of US$300 million. As at the Latest Practicable Date, the Shares closed at HK$9.03.

We have also made reference to the share price trend of the Comparable Companies. The trends of the Comparable Companies' share price movements are in general similar to the Company's share price movement.

Based on the above, we did not identify any significant irregularities regarding the prices of the Shares during the Period.

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

The following table sets out (i) the total number of Shares traded per month; (ii) the percentage of the monthly trading volume to the issued share capital of the Company; and (iii) the percentage of the monthly trading volume to total public float respectively for each full month from May 2010 to December 2010; and from 1 January 2011 to the Latest Practicable Date:

Month	**Number of the Shares traded per month** *(million)*	**Shares traded during the month as a percentage of the issued share capital of the Company**	**Shares traded during the month as a percentage of total public float**
May 2010	77.9	4.4%	12.6%
June 2010	37.0	2.1%	6.0%
July 2010	43.1	2.5%	7.0%
August 2010	47.4	2.7%	7.7%
September 2010	55.4	3.2%	9.0%
October 2010	84.7	4.8%	13.7%
November 2010	98.4	5.6%	15.9%
December 2010	55.5	3.2%	9.0%
Average	**62.4**	**3.6%**	**10.1%**
From 1 January 2011 up to the Latest Practicable Date	41.7	2.4%	6.8%

Source: Bloomberg and the Company

Based on the above table, the Shares were actively traded on the Stock Exchange during the Period. The monthly trading volume of the Shares from May 2010 to December 2010 represented between 2.1% and 5.6% of the total issued Shares, and between 6.0% and 15.9% of total public float. The trading volume of the Shares from 1 January 2011 to the Latest Practicable Date represented 2.4% of the total issued Shares, and 6.8% of total public float.

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

The issue price of HK$9.50 per Consideration Share was agreed based on arm's length negotiations between the Company and Farrich and represents:

(a) a premium of approximately 7.8% to the closing price of HK$8.81 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 8.3% over the average closing price of approximately HK$8.768 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

(c) a premium of approximately 7.9% over the average closing price of approximately HK$8.806 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

(d) a premium of approximately 5.9% over the average closing price of approximately HK$8.969 per Share as quoted on the Stock Exchange for the last 15 consecutive trading days up to and including the Last Trading Day; and

(e) a premium of approximately 5.2% to the closing price of HK$9.03 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

8. Financial effects on the Group

(i) ***Earnings***

Following Completion, the Target Co will become a wholly-owned subsidiary of the Group, and the financial results and financial position of the Target Group would be consolidated into the financial statements of the Group. The Project, regarded as investment properties by the Directors, will be carried at fair value after initial recognition. All future fair value gains or losses (including unrealised fair value gains or losses) in relation to the Project will be recognised in the consolidated income statement of the Group.

As the Lands are still undergoing the site formation works and completion of the Project is expected to be on or before 31 December 2013, the Acquisition would not immediately contribute turnover and profit to the Group upon Completion. However, the Directors believe that upon completion and transfer of the Project to the Group on or before the end of 2013 and further decoration to a quality standard comparable to the construction, the Project would provide the Group with long term stable rental income.

(ii) *Gearing*

Based on the Group's net debt (defined as borrowings, net of cash and bank deposits) of approximately HK$14,349.0 million and net assets of approximately HK$34,803.5 million as at 30 June 2010, the net gearing ratio of the Group (defined as net debt divided by net assets) was approximately 41.2% as at 30 June 2010. Immediately upon Completion, the pro forma net assets of the Group would be increased by approximately HK$4,970.8 million to approximately HK$39,774.3 million because of the substantial issue of new Shares. As it is agreed that the Target Group would have no borrowings at Completion, the net gearing ratio of the Group is expected to decrease by approximately 5.1% to approximately 36.1% immediately upon Completion.

(iii) *Working capital*

The Consideration would be partly satisfied by the Cash Consideration of approximately RMB2,313.8 million (or approximately HK$2,680.2 million). As mentioned in the section above headed "Principal terms of the Share Purchase Agreement — Consideration", payment of the Cash Consideration to Farrich would be made in 16 instalments at different stages of the construction of the Project, which is expected to be completed by December 2013. According to the current construction plan and timetable of the Project, it is expected that, subject to Completion, the first instalment of approximately RMB115.7 million (5% of the Cash Consideration) will be due for payment by the first quarter of 2011. Also, the Group has to incur further decoration costs of approximately RMB312.5 million of a quality suitable for future rental purpose. The Cash Consideration and the further decoration costs will be funded by the Group's internal resources.

The Directors confirm that the Enlarged Group would have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of the Circular. Having considered the fact that the Cash Consideration will be settled throughout the construction period of the Project till the end of 2013, and (i) cash and cash equivalents of the Group as at 30 June 2010 of approximately HK$4,329 million, (ii) the unutilised banking facilities available to the Group as at 30 June 2010 of approximately HK$39,144 million, (iii) bank borrowings of the Group as at 30 June 2010 of approximately HK$19,039 million, and (iv) capital commitment of the Group as at 30 June 2010 of approximately HK$11,386 million, we agree with the Directors that the Group would have sufficient resources to honour the Cash Consideration and the abovementioned further decoration costs in the future.

9. Shareholding structure

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

	As at the Latest Practicable Date		**Immediately after Completion**	
	No. of Shares	*Approx. %*	*No. of Shares*	*Approx. %*
Mr. Chu and its connected persons and associates (excluding Farrich)	1,101,003,809	62.83%	1,229,003,809	54.00%
Farrich	—	—	395,246,625	17.37%
Independent Shareholders	651,364,000	37.17%	651,364,000	28.63%
	1,752,367,809	100.00%	2,275,614,434	100.00%

The Share Issue allows the Company to limit the Cash Consideration required for the Acquisition to a prudent level. Assuming the Consideration Shares would be issued and delivered to Sounda or Farrich in full and there was no further issue of Shares between the Latest Practicable Date and the date of Completion, Independent Shareholders' holdings would be diluted by approximately 8.54% upon Completion, from approximately 37.17% to approximately 28.63%. Following the Completion, the Independent Shareholders would be able to secure interests in, among others, the Lands and the Project, which is expected to generate stable rental income to the Enlarged Group following delivery of the completed Project by the end of 2013.

10. Risks associated with the Acquisition and mitigating factors

Set out below are the principal risks associated with the Acquisition which we have considered during our assessment of the fairness and reasonableness of the Acquisition:

Recent PRC policies

Recently, the PRC government introduced various austerity measures and policies with a view to cool down the PRC residential property market. As mentioned in the section above headed "Background to and reasons and benefits for the Acquisition — Lands and Project", the Project is a commercial property development project, which in general is not the target of control under the above austerity measures and policies. As advised by the management of the Group, the inclusion of commercial properties in the Group's properties portfolio is expected to enhance the Group's resilience against market risks.

There is a general tightening of bank credits in the PRC with the result companies, including property developers, are in general finding it more difficult to obtain banking facilities. The Acquisition allows the Group to acquire the Project with approximately one-third of the Consideration settled by cash and the remaining portion settled by the Share Issue, reducing the need for debt financing and/or use of additional cash and avoiding a potential increase in gearing of the Group.

Approved use of the Lands

It is currently stated in the relevant construction permits of the Project that the Lands are designated for research buildings and ancillary facilities. The latest development plan of the Project calls for 38 individual office buildings to be erected on the Lands. We understand from the management of the Group that under the existing PRC laws and regulations, such designation applicable to the Project cannot be changed without a corresponding change in the zoning and town planning of the district.

According to legal advice from the independent PRC law firm (the "PRC Legal Adviser") engaged by the Company, there are no specific rules and regulations which prohibit research buildings from being used as office premises. The PRC Legal Adviser is of the view that it is highly improbable for the PRC government authority to take any administrative action against the Project Cos if the buildings developed on the Lands are to be used as office premises. One of the conditions precedent to Completion is that the Company shall have obtained a positive legal opinion issued by a firm of PRC lawyers on the above issue. If no such confirmation is given in the said legal opinion, unless otherwise waived by the Company, the Share Purchase Agreement will be terminated automatically and the Acquisition will not proceed.

Although the above PRC legal opinion is not binding on the PRC Government, Farrich has represented and warranted to the Company under the Share Purchase Agreement, among others, that the Lands could be developed into loft style office buildings in accordance with the permits issued by the PRC government authority in relation to the Project, and has agreed to indemnify the Company against all losses and damages that may arise if the said representation and warranty is untrue or misleading. In the event that Farrich is in breach of the above representation and warranty, the Company will be entitled to instruct the escrow agent to dispose of such number of Escrow Shares and pay the proceeds thereof to the Company as compensation.

Idle land issue

As at the Latest Practicable Date, the construction works on Land D have commenced. Construction works on Land A is currently expected to commence in or about July 2011. According to the relevant PRC rules and regulations, if a land is declared idle land, the land may be recovered by the government without compensation to the registered owner in some circumstances. In this connection, Farrich has represented and warranted under the Share Purchase Agreement that nothing has or would have occurred which may adversely affect the land use right in respect of the Lands and has agreed to indemnify the Company against all losses and damages that may arise should the Lands be treated as idle lands in breach of the said representation and warranty.

According to PRC Legal Adviser, the Lands would be treated as idle land upon receiving written confirmation from the relevant government authority. As at the Latest Practicable Date, neither Zhujiang Investments nor the Project Cos have received such notification by the relevant PRC government authority, or were aware of any investigation of idle land being conducted by the relevant authority. The Company's PRC legal Adviser is therefore of the view that the Lands should not be classified as or deemed to be idle lands. As regards Land D where construction works have commenced, the PRC Legal Adviser is of the view that there are no specific rules and regulations which may empower the PRC government authority to declare a piece of land as idle land after development works have commenced.

To address any potential risk that the Lands may be treated as idle land by the relevant PRC government authority, it was provided in the Share Purchase Agreement that Farrich will indemnify the Group of penalties or any other losses that may arise should the Lands be treated as idle land. As stated in the section above headed "Principal terms of the Share Purchase Agreement — Consideration", in the event that Farrich acts in breach of its obligations under the Share Purchase Agreement and fails to indemnify any loss that the Company may have incurred, including any losses and damages that may arise should the Lands be treated as idle lands, the Company will be entitled to instruct the escrow agent to dispose of such number of Escrow Shares to cover such loss incurred by the Company using the proceeds from disposal. In the circumstances, we consider that the risk to the Company arising from the idle land issue is adequately covered.

Construction Contracts of the Project Cos

In order to secure the Group's interests in the Lands and the Project upon Completion, it is provided in the Share Purchase Agreement that upon completion of the Acquisition, the Project Cos will hold the Lands and the interests in the Subsisting Construction Contracts. Although Farrich is responsible under the Share Purchase Agreement for the construction cost of the Project, counterparties to the Subsisting Construction Contracts may claim against the Project Cos, which will be owned by the Group upon Completion, as a party to the Subsisting Construction Contracts. Similar problems may also arise regarding any further construction contracts of the Project where the Projects Cos are parties to the contracts.

To address the above risk to the Group, it is provided in the Share Purchase Agreement that Completion is conditional upon all necessary supplemental agreements having been made between Farrich and the other parties to the Subsisting Construction Contracts whereby Farrich has assumed the payment obligations under the said contracts as the principal and primary debtor. It is further provided in the Share Purchase Agreement that Farrich will have no authority to enter into any construction contracts to bind any of the Project Cos, and all such contracts must be signed by the Project Co concerned and the third party contractor, with Farrich joining in to assume the payment obligations thereunder as the principal and primary debtor.

In the event that Farrich is unable to settle the construction costs, counterparties to the construction contracts may have the right to claim against the Project Cos as a party to such contracts. To mitigate this contingent claim on the Projects Cos, the escrow arrangement contemplated in the Share Purchase Agreement requires, among others, Farrich to submit proofs of its settlement of all the outstanding construction costs, before the remaining 30,000,000 Farrich Escrow Shares (or such number of Farrich Escrow Shares that are still held in escrow by the escrow agent), together with all moneys arising out of dividends and distributions by the Company in respect of the Escrow Shares, are released.

DISCUSSION AND ANALYSIS

In our work, we have reviewed the Acquisition and its financing as a package. It is presented to the Company as such, and it is not possible for the Company to accept some features and reject others. Independent Shareholders should therefore consider the Acquisition and its financing as a whole, based on the factors set out in detail above, and summarised below.

(i) Strategic move for the Group

As stated in the "Letter from the Board" in the Circular, the Directors consider the Acquisition is a strategic move for the Group to increase its investment property portfolio as a complement the Group's property development business. The book value of the Group's property investment segment has gained in importance recently, increasing threefold from approximately HK$2,856.1 million as at 31 December 2008 to approximately HK$8,378.1 million as at 31 December 2009. The Acquisition is a further step in this direction and will bring the proportion of investment properties to total assets to approximately 21.0%, which the Directors consider appropriate.

Based on our research, it is common practice for PRC property development groups of the Company's size to include a significant proportion of investment properties in their total assets. One reason for this, with which we agree, is to include an element of stable rental income to complement development profits, which tend to be more volatile. We therefore concur with the Directors' view that the Acquisition is a strategic move for the Group which is likely in due course to improve the balance between the Group's rental and development income.

(ii) Nature of Acquisition

The Acquisition, which is at present vacant land with development plans approved and construction work started in part, will be made on a completed basis (scheduled for 2013) at a price and form of consideration agreed now. This has advantages from the point of view of the Group as risks such as inflation in building materials and construction costs are borne by the vendor. However, the Group will need to monitor carefully the progress and quality of construction. The Share Purchase Agreement has detailed provisions in this regard. In addition, buying on a completed basis provides an element of "developer's profit" to the vendor, although in our opinion the discount to valuation (see (iii) below) mitigates this.

(iii) Discount to valuation

The Project has been valued by the Valuer on completion basis at approximately RMB8,750.0 million (or approximately HK$10,135.6 million) as at 31 October 2010, assuming that it is completed in accordance with the Company's development proposal. The Group is paying a consideration for the Acquisition of approximately RMB6,605.1 million (or approximately

HK$7,651.0 million), payable in instalments as construction proceeds. On this basis, the Consideration is approximately RMB2,144.9 million (or approximately HK$2,484.6 million) lower than the Valuation and the Company is purchasing the Project at an approximately 24.5% discount to valuation.

(iv) Gearing and form of consideration

The net gearing ratio of the Group was approximately 41.2% as at 30 June 2010. Immediately upon Completion, the net gearing ratio of the Group is expected to decrease, because the Target Group would have no borrowings and the Company's net assets will increase because of the substantial issue of new Shares. On this basis, the net gearing ratio of the Group is expected to decrease by approximately 5.1% to approximately 36.1% immediately upon Completion.

The Consideration of approximately RMB6,605.1 million (or approximately HK$7,651.0 million) will be satisfied (i) as to approximately RMB4,291.3 million (or approximately HK$4,970.8 million) by the Company issuing the Consideration Shares, and (ii) as to approximately RMB2,313.8 million (or approximately HK$2,680.2 million) in cash. This is a 65:35 split between equity and cash financing. Bearing in mind the substantial size of the Acquisition, the present gearing of Company and the recent tightening of bank credit in the PRC available to property groups, we regard this equity: cash ratio to be a prudent method of financing.

(v) Issue price of Consideration Shares compared to market

The issue price of HK$9.50 per Consideration Share was agreed based on arm's length negotiations between the Company and Farrich. It represents a premium of approximately 5.9% to the average closing price of approximately HK$8.969 per Share as quoted on the Stock Exchange for the last 15 consecutive trading days up to and including the Last Trading Day. While the Company's shares had traded substantially higher earlier in 2010, conditions in the property and stock markets are subject to change and in our view prices for issues of shares are usually set by reference to relatively recent market prices. The closing price of the Company's shares on the Latest Practicable Date was HK$9.03, which represents a premium of approximately 5.2% to the issue price of the Consideration Shares.

(vi) Dilution in net asset value per share

The issue price of HK$9.50 represents a discount of approximately 48.6% to the Group's Adjusted NTA of the Group per Share of approximately HK$18.48 as at 30 June 2010. As set out in the section below headed "Share price performance and comparison with issue price — Analysis of Share price performance", prices of the Shares have traded significantly below net asset value during recent months. Consequently, if an issue of Shares is made on usual market terms, a discount between the issue price and net asset value is unavoidable. The overall effect in this case is set out in the following paragraph.

The unaudited pro forma Adjusted NTA of the Enlarged Group per Share on completion of the Acquisition is approximately HK$16.42. This is approximately 11.1% lower than the Adjusted NTA of the Group per Share of approximately HK$18.48 as at 30 June 2010. This calculation does not take into account the surplus of the Valuation over Consideration of approximately RMB2,144.9 million (or approximately HK$2,484.6 million). This is equivalent to approximately

HK$1.09 per Share based on the issued share capital of the Company as enlarged by the Share Issue. If this amount is added to the above unaudited pro forma Adjusted NTA per Share of approximately HK$16.42, adjusted net assets per Share would be approximately HK$17.51. The discount to the Adjusted NTA per Share on this basis would be approximately 5.2%. We consider the level of overall dilution involved in this case, of 11.1% and 5.2%, are unattractive factors in themselves, but should not of themselves rule out the transaction if other attractive features outweigh them.

(vii) Decrease in Independent Shareholders' percentage shareholding

Independent Shareholders' holdings would be diluted by approximately 8.54% upon Completion, from approximately 37.17% to approximately 28.63%. We regard this as a significant dilution but some degree of dilution is inevitable once it was decided to finance the Acquisition mostly in equity, which we agree is prudent, unless a rights issue was made. However, the longer timetable and greater execution risk were considered unfavourable by the Directors. The dilution is an unattractive feature in itself, but in our view should be viewed in the context of the Acquisition as a whole.

(viii) Risk factors

We have set out above certain risk factors. For the reasons discussed in the section above headed "Risks associated with the Acquisition and mitigating factors", we consider these risks have been adequately addressed in the structure and documentation of the Acquisition.

(ix) Conclusion

Of the above factors, we consider factors (i) to (v) to be advantages, and factors (vi) to (vii), relating to the issue of shares at a discount to NAV and the dilution of Independent Shareholders' shareholding, to be disadvantages. The overall dilution in net assets per share is 11.1%, or 5.2% if the surplus on the Valuation is taken into account. In this respect, we note that the shares of the Company have persistently traded at a discount to net assets. Since issues of shares are usually made based on market price, it follows that any issue of shares by the Company is likely to result in a decrease in net assets per Share. In this case, we consider that the Acquisition is a strategic move for the Group of a size which should prudently be financed principally by shares, bearing in mind also the present gearing of the Group and current conditions in the credit markets. In these circumstances, we consider the dilution in net assets per Share which arises through the structure and price of the Acquisition is acceptable in view of the advantages set out in (i) to (v) above.

RECOMMENDATION

Having taken into account the above principal factors and reasons, and assessing the Acquisition and its method of financing as a whole, we consider that the Share Purchase Agreement is on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the entering into of the Share Purchase Agreement is in the ordinary and usual course of business of the Company and is in the interests of the Company and its shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve, among other things, the entering into of the Share Purchase Agreement.

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

A. FINANCIAL INFORMATION INCORPORATED BY REFERENCE

Financial information of the Group for each of the three financial years ended 31 December 2007, 2008 and 2009, including the notes thereto, has been disclosed in the 2007, 2008 and 2009 annual reports of the Company respectively, and the financial information of the Group for the 6 months ended 30 June 2010, including the notes thereto, has been disclosed in the 2010 interim report of the Company, is incorporated by reference into this circular. The said annual reports and interim report of the Company are available on the Company's website at www.irasia.com/listco/hk/hopson and the website of the Stock Exchange at www.hkexnews.hk.

The summary of litigation instituted by 中國一拖集團有限公司 (YTO Group Corporation) against 廣州羅蘭德房地產有限公司 (Guangzhou Laureland Property Co., Ltd.) ("Laureland Co") and 廣州紫雲山莊房地產有限公司 (Guangzhou Ziyun Village Real Estate Company Limited) ("Ziyun Co"), a subsidiary of the Group, in relation to a dispute over guarantee was disclosed in note 39(b) to the annual consolidated financial statements for the year ended 31 December 2009 and note 22(b) to the interim financial information for the 6 months ended 30 June 2010. On 13 August 2010, The Higher People's Court of Henan Province upheld the decision of the Intermediate People's Court of Luoyang City. Pursuant to the said judgment, Ziyun Co is liable for sums which Laureland Co may be unable to settle and the costs of the appeal of RMB507,432.

Although the decision of The Higher People's Court of Henan Province is final and conclusive, under the existing PRC laws and regulations, the Group is entitled to apply to The Supreme People's Court of the PRC for a retrial of the dispute. Based on the advice of the Group's internal and external legal counsel, the Directors consider that there are adequate grounds to defend the case and the Group will apply to The Supreme People's Court of the PRC for the retrial of the dispute.

Based on the advice of the Group's internal and external legal counsel, the Company's Directors consider that there are adequate grounds to defend the case and therefore no provision has been made in these financial statements.

The summary of the litigation in relation to contracts for the transfer of land use rights in state-owned land between Guangzhou Hopson Junjing Real Estate Limited, a subsidiary of the Group, and the Southern District Office of Zhongshan Municipal People's Government (the "Southern District Office") was disclosed in note 39(a) to the annual consolidated financial statements for the year ended 31 December 2009 and in note 22(a) to the condensed consolidated financial information for six months ended 30 June 2010.

On 20 December 2010, the Supreme People's Court of Guangdong Province (the "Supreme Court") issued a notice of civil mediation ("Notice") whereby the Supreme Court endorsed the settlement arrangement reached among Guangzhou Hopson Junjing Real Estate Limited, the Southern District Office and the Zhongshan Municipal Bureau of Land and Resources. Pursuant to the settlement arrangement, Guangzhou Hopson Junjing Real Estate Limited shall pay to the Southern District Office the following: (i) RMB100,000,000 (being part of the unpaid land transfer price) before 5 January 2011; (ii) the remaining balance of the land transfer price of RMB135,000,000 and the interest of RMB40,000,000 (together "Final Payment") before 30 May 2011, plus further interest to be accrued on the sum of RMB175,000,000 from the date of the settlement agreement to the date of the Final Payment calculated in accordance with the lending interest rate adopted by the bank. The settlement arrangement as set out in the Notice from the Supreme Court became effective upon receipt of the Notice by all three parties involved on 6 January 2011.

B. SUBSEQUENT ACQUISITIONS

1. Acquisition of the entire equity interests in 番禺珠江房地產有限公司 (Panyu Zhujiang Real Estate Limited) ("Panyu Zhujiang")

Subsequent to the publication of the Company's annual report for the financial year ended 31 December 2009, on 16 March 2010, Hopeson Holdings Limited ("Hopeson"), an indirect wholly-owned subsidiary of the Company, acquired the entire equity interests in Panyu Zhujiang pursuant to the terms of the Panyu Agreement made between Hopeson, 廣東韓江建築安裝工程有限公司 (Guangdong Hanjiang Construction Installation Project Limited) ("Hanjiang") and Mr. Chu. The total consideration of the said acquisition was RMB3,346,073,000 and was partly offset by the consideration for the sale of the entire issued share capital of Cheerocean Investments Limited by Hopson to Hanjiang in the sum of RMB960,000,000 and partly by the allotment and issue of 185,461,463 Shares at the issue price of HK$14.62 per Share to Sounda.

Panyu Zhujiang is principally engaged in property development and management. As at completion of the said acquisition, the assets of Panyu Zhujiang comprised (a) the portions of lands situated at 廣東省番禺市珠江河岸以南及南大路以北 (the south side of Zhujiang River bank of Nan Village Town and the north side of South Road in Panyu District of Guangdong Province) with a total site area of approximately 1,006,700 square meters, (b) another piece of land with a site area of approximately 40,000 square meters located at 廣東省番禺市南村鎮陳邊村 (Nan Village Town Chen Bian Village, Panyu District, Guangdong Province) and (c) 1% equity interests in 廣東華南新城房地產有限公司 (Guangdong Huanan New City Real Estate Limited), a sino-foreign co-operative joint venture established under the laws of the PRC (collectively "Assets").

Details of the said acquisition have been disclosed in the Company's circular dated 23 November 2009.

The aggregate of the remuneration payable to, and benefits in kind receivable by, the directors of Hopeson has not been varied in consequence of the abovementioned acquisition.

To satisfy the parties' intention that as at completion of the acquisition, Panyu Zhujiang had no other assets and liabilities except the Assets, a new Panyu Zhujiang was de-merged from the old Panyu Zhujiang to take up the Assets. Since the new Panyu Zhujiang, whose equity interests were acquired by the Group, was established on 31 January 2010, no audited financial statements for its financial results have been prepared.

2. Acquisition of 65% equity interests in 廣州第一染織廠 (Guangzhou Diyi Dyeing Factory) ("Diyi Dyeing")

On 18 August 2010, 合生(廣州)實業有限公司 (Hopson (Guangzhou) Industrial Company Limited), an indirect wholly-owned subsidiary of the Company, entered into 科貿園項目合作合同 (Kemaoyuan Project Cooperation Agreement) with 廣州紡織工貿集團有限 (Guangzhou Textile

Industrial and Trading Group Limited) for the acquisition of the 65% equity interests in Diyi Dyeing at a consideration of up to RMB3,717,600,000. The said consideration will be satisfied by the Group's internal resources.

Diyi Factory is a dying factory established in the PRC. Pursuant to the Guangzhou Municipal Government's policies to suppress the second industry and develop the third industry (退二進三政策) and to reform the three olds (old towns, old factories and old villages) (三舊改造政策), Diyi Factory has ceased operation since December 2007, and its factory premises have since then been leased to third parties pending the development thereon of a real estate project comprising office and hotel buildings, residential apartments, shopping arcades and exhibition centres with a total GFA of approximately 500,000 square meters. Details of the acquisition have been disclosed in the Company's announcement dated 24 August 2010. As at the Latest Practicable Date, completion of the said acquisition has not been taken place pending the satisfaction by the parties of certain conditions and obligations set forth under the cooperation agreement.

The aggregate of the remuneration payable to, and benefits in kind receivable by, the directors of合生(廣州)實業有限公司(Hopson (Guangzhou) Industrial Company Limited) has not been varied in consequence of the abovementioned acquisition.

C. INDEBTEDNESS STATEMENT

As at close of business on 30 November 2010, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had the following borrowings:

	HK$ Million
8.125% senior notes — secured *(Note (a))*	2,697
Bank borrowings — secured *(Note (b))*	21,621
Amount due to an associate — unsecured *(Note (c))*	6
Amounts due to related companies — unsecured *(Note (c))*	137
Amount due to a jointly controlled entity — unsecured *(Note (c))*	1,666
	26,127

Notes:

(a) The senior notes are jointly and severally guaranteed by certain subsidiaries and secured by the capital stock of the subsidiaries.

(b) The bank borrowings were secured by certain land costs, hotel properties, properties under development for sale, completed properties for sale and investment properties held by the Enlarged Group.

(c) The outstanding balances with an associate, related companies and a jointly controlled entity were unsecured, non-interest bearing and without pre-determined repayment terms.

As at close of business on 30 November 2010, financial guarantees not provided for in the financial statements are as follows:

	HK$ Million
Guarantees given to banks for mortgage facilities granted to certain buyers of the Enlarged Group's properties	10,395
Guarantees given to bank for bank borrowings of a jointly controlled entity	1,146
	11,541

As at close of business on 30 November 2010, the Enlarged Group had the following pending litigations:

(a) Summary of litigation in relation to contracts for transfer of land use rights in state-owned land between 廣州合生駿景房地產有限公司 (Guangzhou Hopson Junjing Real Estate Limited), a subsidiary of the Group and 中山市人民政府南區辦事處 (Southern District Office of Zhongshan Municipal People's Government); 廣州合生駿景房地產有限公司 (Guangzhou Hopson Junjing Real Estate Limited) and 中山市國土資源局 (Zhongshan Municipal Bureau of Land and Resources)

In September 2007, Guangzhou Hopson Junjing Real Estate Limited ("Hopson Junjing") successfully bid for the land use rights of a piece of land identified as Zhongshan Dongkeng Lot "P26-07-0049" (the "Lot") for a price of RMB500,000,000. On 10 October 2007, Hopson Junjing entered into the "Contract for transfer of land use rights in state-owned land in Zhongshan Municipal" with Zhongshan Municipal Bureau of Land and Resources for the transfer of the land use right of the Lot. After the execution of the said contract, Hopson Junjing paid a security deposit of RMB15,000,000 and partial land transfer price of RMB250,000,000, with the balance of the land transfer price of RMB235,000,000 remaining unpaid. On 28 October 2009, Zhongshan Municipal Bureau of Land and Resources assigned its rights to receive the said unpaid balance of the land transfer price from Hopson Junjing to the Southern District Office of Zhongshan Municipal People's Government ("Southern District Office").

On 9 November 2009, the Southern District Office, as plaintiff, instituted a civil proceeding against Hopson Junjing, as defendant, in the Higher People's Court of Guangdong Province for payment of the balance of the land transfer price of RMB235,000,000, an overdue penalty of RMB178,250,000 (a tentative sum which shall be adjusted in accordance with the actual payment date) arising from breach of contract, and the costs of the proceedings.

On 17 December 2009, Hopson Junjing, as plaintiff, instituted a proceeding against Zhongshan Municipal Bureau of Land and Resources, as defendant, in the Higher People's Court of Guangdong Province on the ground that the Lot did not meet the conditions of transfer of state-owned land, the transfer procedure was illegal, the Lot was not a cultivated land and the Lot could not be developed due to the presence of high voltage cables on the upper section of the Lot. Hopson Junjing pleaded for a judgment that the Zhongshan Municipal Bureau of Land and Resources shall repay the security deposit of RMB15,000,000, the land transfer price of RMB250,000,000 and interest of RMB42,890,250 accrued on the above sums (interest rate being the interest rate for bank loans of the same period, from the day following payment date to 25 December 2009, to be adjusted by the actual date of repayment), and to bear the costs of the proceedings. The Court has accepted and registered Hopson Junjing's application in January 2010.

On 20 December 2010, the Supreme People's Court of Guangdong Province (the "Supreme Court") issued a notice of civil mediation ("Notice") whereby the Supreme Court endorsed the settlement arrangement reached among Hopson Junjing, the Southern District Office and the Zhongzhan Municipal Bureau of Land and Resources. Pursuant to the settlement arrangement, Hopson Junjing shall pay to the Southern District Office the following: (i) RMB100,000,000 (being part of the unpaid land transfer price) before 5 January 2011; (ii) the remaining balance of the land transfer price of RMB135,000,000 and the interest of RMB40,000,000 (together "Final Payment") before 30 May 2011, plus further interest to be accrued on the sum of RMB175,000,000 from the date of the settlement agreement to the date of the Final Payment calculated in accordance with the lending interest rate adopted by the bank. The settlement arrangement as set out in the Notice from the Supreme Court became effective upon receipt of the Notice by all three parties involved on 6 January 2011.

(b) Summary of litigation instituted by 中國一拖集團有限公司 (YTO Group Corporation) against 廣州羅蘭德房地產有限公司 (Guangzhou Laureland Property Co., Ltd.) and 廣州紫雲山莊房地產有限公司 (Guangzhou Ziyun Village Real Estate Company Limited), a subsidiary of the Group, in relation to a dispute over guarantee

In December 2004, (YTO Group Corporation) ("YTO Group") and Guangzhou Laureland Property Co., Ltd. ("Laureland Co") entered into an agreement, whereby Laureland Co agreed to provide a counter-guarantee by pledging its seven villas as security for repayment in respect of the amount of RMB127,138,320 guarantee provided by YTO Group in respect of a bank loan obtained by 河南建業公司 (Henan Jian Ye Company). Payable of a balance of RMB93,138,320 by Laureland Co to YTO Group is overdue.

On 21 June 2007, YTO Group, as plaintiff, instituted a proceeding against Laureland Co, as defendant, in the Intermediate People's Court of Luoyang City, claiming for the payment of the remaining balance of RMB93,138,320. On 25 July 2007, the plaintiff issued "supplementary pleadings", claiming that Laureland Co and 廣州紫雲房地產有限公司 (Guangzhou Ziyun Real Estate Company Limited) ("Ziyun Co") maliciously colluded to transfer assets at an undervalue and infringed the legal rights of YTO Group, hence adding Ziyun Co as a co-defendant in the claim. YTO Group pleaded for judgment that the abovementioned transfer(s) at an undervalue be declared void and an order that the co-defendant to repay the balance of RMB93,138,320.

On 7 August 2007, the Intermediate People's Court of Luoyang City made an injunction to freeze the sum of RMB11,446,100 in the bank account of Ziyun Co and the land use rights of the land situated in Nanan Village, Zhangcheng Xintang Town, Guangzhou Province, with a total area of 130,452.83 square meters. On 18 March 2008, the Intermediate People's Court of Luoyang City released the said land and froze another land use rights of the land situated in the same location, with a total area of 239,498.29 square meters.

On the basis of the damage arising from the bank account and the land use rights being frozen as aforementioned, Ziyun Co instituted a proceeding in the Intermediate People's Court of Guangzhou City against YTO Group and Laureland Co, pleading for judgment that the co-defendants be injuncted from infringing the rights of Ziyun Co and to compensate Ziyun Co for its economic loss of RMB20,000,200.

The Intermediate People's Court of Luoyang City heard the proceedings in relation to YTO Group's claims on 15 and 16 May 2008. The court ordered Laureland Co to repay the sum of RMB93,138,320 owed to YTO Group and that YTO Group shall have priority in sums recovered by auction or sale of the mortgaged properties. The court further ordered that Ziyun Co shall be liable for sums which Laureland Co may be unable to settle. Ziyun Co appealed against the decision and applied to set aside the judgment and to declare that Ziyun Co shall not be liable for the settlement of the sums.

On 13 August 2010, the Higher People's Court of Henan Province upheld the decision of the Intermediate People's Court of Luoyang City. Pursuant to the said judgment, Ziyun Co is liable for sums which Laureland Co may be unable to settle and the costs of the appeal of RMB507,432.

Although the decision of the Higher People's Court of Henan Province is final and conclusive, under the existing PRC laws and regulations, the Group is entitled to apply to the Supreme People's Court of the PRC for a retrial of the dispute. Based on the advice of the Group's internal and external legal counsel, the Directors consider that there are adequate grounds to defend the case and the Group will apply to the Supreme People's Court of the PRC for the retrial of the dispute. Therefore, no provision has been made in these financial statements.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, none of the companies in the Enlarged Group had outstanding at the close of business on 30 November 2010 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

D. WORKING CAPITAL

Taking into account the expected Completion of the Acquisition and the financial resources available to the Enlarged Group, including the internally generated funds and the available banking facilities, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

E. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited financial statements of the Group were made up.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

21 January 2011

The Directors
Hopson Development Holdings Limited

Dear Sirs,

We report on the financial information of Sun Excel Investments Limited (the "Target Company") which comprises the balance sheets of the Target Company as at 31 December 2007, 2008 and 2009 and 30 September 2010, and the statements of comprehensive income, the statements of changes in equity and the cash flow statements of the Target Company for the period from 9 March 2007 (date of incorporation) to 31 December 2007, each of the years ended 31 December 2008 and 2009 and the nine months ended 30 September 2010 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes. This financial information has been prepared by the directors of Hopson Development Holdings Limited (the "Company") and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company dated 21 January 2011 (the "Circular") in connection with the proposed acquisition of the Target Company by the Company.

The Target Company was incorporated in the British Virgin Islands on 9 March 2007 as an exempted company with limited liability under the BVI Business Companies Act 2004. The Target Company has adopted 31 December as its financial year end date. No audited financial statements have been prepared by the Target Company as it has not been involved in any significant business transactions up to the signing of equity transfer agreement to purchase the equity interests in two property development companies in the Mainland China.

The financial information has been prepared based on the unaudited financial statements of the Target Company with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY

The directors of the Target Company during the Relevant Periods are responsible for the preparation and the fair presentation of the financial statements of the Target Company in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with HKFRSs and accounting policies presently adopted by the Company and its subsidiaries (together, the "Group") as set out in the audited annual consolidated financial statements of the Company for the year ended 31 December 2009 and the new accounting standards introduced that are effective for the nine months ended 30 September 2010, where applicable. This responsibility includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Company as at 31 December 2007, 2008 and 2009 and 30 September 2010 and of the Target Company's results and cash flows for each of the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections I to III below included in Appendix II to the Circular which comprises the statement of comprehensive income, the statement of changes in equity and the cash flow statement of the Target Company for the nine months ended 30 September 2009 and a summary of significant accounting policies and other explanatory notes (the "Stub Period Comparative Financial Information").

The directors are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 3 of Section II below which are in conformity with HKFRSs and accounting policies presently adopted by the Group as set out in the audited annual consolidated financial statements of the Company for the year ended 31 December 2009 and the new accounting standards introduced that are effective for the nine months ended 30 September 2010, where applicable.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 3 of Section II below which are in conformity with HKFRSs.

I. FINANCIAL INFORMATION OF THE TARGET COMPANY

The following is the financial information of the Target Company prepared by the directors of the Company as at 31 December 2007, 2008 and 2009 and 30 September 2010 and for the period from 9 March 2007 (date of incorporation) to 31 December 2007, each of the years ended 31 December 2008 and 2009, and the nine months ended 30 September 2010 and 2009.

Balance Sheets

			As at 31 December		**As at 30 September**
		2007	**2008**	**2009**	**2010**
	Note	*HK$*	*HK$*	*HK$*	*HK$*
ASSETS					
Current assets					
Due from the immediate holding company	*9*	8	8	8	8
Prepayments		—	1,982	1,982	3,172
Cash and cash equivalents	*5*	70,784	70,891	70,897	70,902
Total assets		70,792	72,881	72,887	74,082
EQUITY					
Share capital	*6*	8	8	8	8
Accumulated losses		(38,388)	(48,057)	(52,809)	(56,372)
Total deficit		(38,380)	(48,049)	(52,801)	(56,364)
LIABILITY					
Current liability					
Due to a related company	*9*	109,172	120,930	125,688	130,446
Total liability		109,172	120,930	125,688	130,446
Total equity and liability		70,792	72,881	72,887	74,082
Net current liability and total assets less current liability		(38,380)	(48,049)	(52,801)	(56,364)

Statements of Comprehensive Income

	Note	For the period from 9 March 2007 (date of incorporation) to 31 December 2007	For the year ended 31 December 2008	2009	For the nine months ended 30 September 2009	2010
		HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Interest income from bank deposits		18,694	107	6	—	6
General and administrative expenses		(57,082)	(9,776)	(4,758)	(3,569)	(3,569)
Loss before taxation		(38,388)	(9,669)	(4,752)	(3,569)	(3,563)
Taxation	*8*	—	—	—	—	—
Loss for the period/year		(38,388)	(9,669)	(4,752)	(3,569)	(3,563)
Other comprehensive income		—	—	—	—	—
Total comprehensive income for the period/year		(38,388)	(9,669)	(4,752)	(3,569)	(3,563)

Statements of Changes in Equity

	Share capital *HK$*	Accumulated losses *HK$*	Total *HK$*
For the period from 9 March 2007 to 31 December 2007			
Comprehensive income:			
Loss for the period	—	(38,388)	(38,388)
Total comprehensive income	—	(38,388)	(38,388)
Transaction with owner:			
Issue of share	8	—	8
Balance at 31 December 2007	8	(38,388)	(38,380)
For the year ended 31 December 2008			
Balance at 1 January 2008	8	(38,388)	(38,380)
Comprehensive income:			
Loss for the year	—	(9,669)	(9,669)
Total comprehensive income	—	(9,669)	(9,669)
Balance at 31 December 2008	8	(48,057)	(48,049)
For the year ended 31 December 2009			
Balance at 1 January 2009	8	(48,057)	(48,049)
Comprehensive income:			
Loss for the year	—	(4,752)	(4,752)
Total comprehensive income	—	(4,752)	(4,752)
Balance at 31 December 2009	8	(52,809)	(52,801)
For the nine months ended 30 September 2010			
Balance at 1 January 2010	8	(52,809)	(52,801)
Comprehensive income:			
Loss for the period	—	(3,563)	(3,563)
Total comprehensive income	—	(3,563)	(3,563)
Balance at 30 September 2010	8	(56,372)	(56,364)
For the nine months ended 30 September 2009 (unaudited)			
Balance at 1 January 2009	8	(48,057)	(48,049)
Comprehensive income:			
Loss for the period	—	(3,569)	(3,569)
Total comprehensive income	—	(3,569)	(3,569)
Balance at 30 September 2009	8	(51,626)	(51,618)

Cash Flow Statements

	For the period from 9 March 2007 (date of incorporation) to 31 December	For the year ended 31 December		For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Cash flows from operating activities					
Loss for the period/year	(38,388)	(9,669)	(4,752)	(3,569)	(3,563)
Adjustment for:					
— Interest income	(18,694)	(107)	(6)	—	(6)
Changes in working capital:					
— Due to related companies	109,172	11,758	4,758	4,758	4,758
— Prepayments	—	(1,982)	—	(1,189)	(1,190)
Net cash from/(used in) operating activities	52,090	—	—	—	(1)
Cash flows from investing activity					
Interest received	18,694	107	6	—	6
Net increase in cash and cash equivalents	70,784	107	6	—	5
Cash and cash equivalents at beginning of the period/year	—	70,784	70,891	70,891	70,897
Cash and cash equivalents at end of the period/year	70,784	70,891	70,897	70,891	70,902

II NOTES TO THE FINANCIAL INFORMATION

1 General information

Sun Excel Investments Limited (the "Target Company") is a limited liability company incorporated in the British Virgin Islands. The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the British Virgin Islands.

The Target Company has not been involved in any significant business transactions up to the signing of equity transfer agreement to purchase the equity interests in two property development companies in the Mainland China (See Note 10).

The immediate holding company is Farrich Investments Limited, incorporated in the British Virgin Islands, and the ultimate holding company is Clear Build Investments Limited, incorporated in the British Virgin Islands.

2 Basis of preparation

The financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") under the historical cost convention.

As at 31 December 2007, 2008 and 2009 and 30 September 2010, the Target Company's current liability exceeded its current assets by HK$38,380, HK$48,049, HK$52,801 and HK$56,364 respectively and there has deficit on shareholder's funds of HK$38,380, HK$48,049, HK$52,801 and HK$56,364 respectively. The Target Company's ultimate beneficial owner has confirmed its intention to provide continuing financial support to the Target Company so as to enable the Target Company to meet its liabilities as and when they fall due until the completion of the proposed acquisition of the Target Company by the Company. Accordingly, the directors of the Company have prepared the financial information on a going concern basis.

The preparation of the financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Company's accounting policies. There are no areas involving a higher degree of judgement or complexity, or where assumptions and estimates may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial information are set out below. These policies have been consistently applied to all the Relevant Periods presented, unless otherwise stated. In preparing this financial information, the Target Company has adopted HKFRSs that are effective for the accounting periods beginning on 1 January 2010 consistently throughout the Relevant Periods.

(a) *Standards, interpretations and amendments to existing standards that are not yet effective*

The Hong Kong Institute of Certified Public Accountants has issued certain new/revised standards, amendments and interpretations which are not effective for accounting periods beginning on 1 January 2010 or later periods, and which the Target Company has not early adopted.

New or revised standards, interpretations and amendments

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related Party Disclosures	1 January 2011
HKAS 32 Amendment	Classification of Right Issues	1 February 2010
HKFRS 9	Financial Instruments	1 January 2013
HK(IFRIC)-Int 14 Amendment	Prepayments of a Minimum Funding Requirement	1 January 2011
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
HKFRSs Amendments	Improvements to HKFRSs 2010	1 January 2011
HKAS 12 Amendments	Deferred Tax: Recovery of Underlying Assets	1 January 2012

The Target Company has already commenced an assessment of the impact of these new or revised standards, amendments and interpretation. The directors consider that these will not have significant impact on the Target Company's results, financial position or accounting policies.

(b) *Foreign currency translation*

(i) *Functional and presentation currency*

Items included in the financial information of the Target Company are measured using the currency of the primary economic environment in which the Target Company operates (the "functional currency"). The Target Company's financial information is presented in Hong Kong dollar, which is the Target Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

(c) *Cash and cash equivalents*

Cash and cash equivalents include cash in hand and deposits held at call with banks.

(d) *Share capital*

Ordinary shares are classified as equity.

(e) *Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Target Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(f) *Provisions*

Provisions are recognised when the Target Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

(g) *Revenue recognition*

Interest income is recognised on a time-proportion basis using the effective interest method.

4 Financial risk management

(a) *Financial risk factors*

The Target Company's activity exposes it to credit risk for bank deposits and liquidity risk. The Target Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Company's financial performance.

(i) *Credit risk*

The Target Company's credit risk is primarily attributable to deposits with banks. The Target Company monitors the exposure to this credit risk on an ongoing basis.

The Target Company manages its deposits with banks and financial institutions by monitoring credit ratings. During the Relevant Periods, all deposits with bank were made to international financial institution with sound credit ratings.

(ii) *Liquidity risk*

Liquidity risk is the risk that the Target Company is unable to meet its current obligations when they fall due. The Target Company obtains funding or financial support from its group companies.

Amount due to a related company was repayable on demand.

(b) *Capital risk management*

The Target Company's objectives when managing capital are to safeguard the Target Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Target Company's equity as shown on the balance sheet are managed as the Target Company's capital. In order to maintain or adjust the financing structure, the Target Company may issue new shares or repay or obtain advances from its group companies.

(c) *Fair value estimation*

The fair values of the Target Company's financial assets and liabilities approximate their carrying amounts due to their short-term maturities.

5 Cash and cash equivalents

	As at 31 December			As at 30 September
	2007	**2008**	**2009**	**2010**
	HK$	*HK$*	*HK$*	*HK$*
Cash at bank	70,784	70,891	70,897	70,902

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at 30 September
	2007	**2008**	**2009**	**2010**
	HK$	*HK$*	*HK$*	*HK$*
Hong Kong dollar	70,684	70,791	69,797	69,802
US dollar	100	100	1,100	1,100
	70,784	70,891	70,897	70,902

6 Share capital

	As at 31 December			As at 30 September
	2007	**2008**	**2009**	**2010**
	HK$	*HK$*	*HK$*	*HK$*
Authorised				
50,000 ordinary shares of US$1 each	387,500	387,500	387,500	387,500
Issued and fully paid				
1 ordinary share of US$1	8	8	8	8

On 9 March 2007, the date of incorporation, the Target Company issued 1 ordinary share at par value of US$1.

7 Directors' emoluments

During the Relevant Periods, none of the directors received any fees or other emoluments in respect of their services to the Target Company.

During the Relevant Periods, no directors waived any emoluments. No emoluments were paid by the Target Company to any of the directors as an inducement to join or upon joining the Target Company or as compensation for loss of office during the Relevant Periods.

8 Taxation

No Hong Kong profits tax was provided as the Target Company has no estimated assessable profit for the Relevant Periods.

The taxation on the Target Company's loss before taxation differs from the theoretical amount that would arise using the profits tax rate in Hong Kong as follows:

	For the period from 9 March 2007 (date of incorporation) to 31 December	For the year ended 31 December		For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Loss before taxation	(38,388)	(9,669)	(4,752)	(3,569)	(3,563)
Tax calculated at applicable tax rate	(6,718)	(1,595)	(784)	(589)	(588)
Income not subject to tax	(3,271)	(18)	(1)	—	(1)
Expenses not deductible for tax purposes	9,989	1,613	785	589	589
Taxation	—	—	—	—	—

The applicable tax rate was 17.5% for the period from 9 March 2007 (date of incorporation) to 31 December 2007 and 16.5% for the years ended 31 December 2008 and 2009 and the nine months ended 30 September 2010.

There was no significant unprovided deferred taxation as at 31 December 2007, 2008 and 2009 and 30 September 2010.

9 Balances with the immediate holding company and a related company

Balances with the immediate holding company and a related company were unsecured, non-interest bearing and repayable on demand.

10 Commitment

On 3 March 2010, the Target Company entered into an equity transfer agreement with Shenzhen Zhujiang Logistics Co. Limited, a related company, to purchase the entire equity interests in 北京創合豐威科技投資管理有限公司 (Beijing Chuang He Feng Wei Technology Investment and Management Co. Limited) (the "Project Company A") and 北京盛創恒達科技投資

管理有限公司 (Beijing Sheng Chuang Heng Da Technology Investment and Management Co. Limited) (the "Project Company D"), limited liability companies established in the Mainland China.

Upon completion of the equity transfer agreement, which is expected to take place in June 2011, the assets of Target Company will comprise the equity interests in the Project Company A and the Project Company D, which in turn hold the land use rights of a piece of land with a site area of approximately 68,539 square meters (the "Land A") and a piece of land with a site area of approximately 67,590 square meters (the "Land D") respectively in the Environmental Protection Industrial Park of Majuqiao, Tongzhou District, Beijing, on which a property development project is being developed.

The consideration for the equity interests of the Project Company A and the Project Company D would be determined based on the valuation carried out within 30 days after the de-merger of Project Company A and Project Company D from Beijing Zhujiang Investments Development Co. Limited, the wholly owned subsidiary of Shenzhen Zhujiang Logistics Co. Limited.

11 Related party transactions

(a) Balances with the immediate holding company and a related company were unsecured, non-interest bearing and repayable on demand.

(b) The ultimate beneficial owner has undertaken to provide continuing financial support for the future operations of the Target Company.

(c) On 3 March 2010, the Target Company entered into an equity transfer agreement with Shenzhen Zhujiang Logistics Co. Limited, a related company, to purchase the entire equity interests in 北京創合豐威科技投資管理有限公司 (Beijing Chuang He Feng Wei Technology Investment and Management Co. Limited) and 北京盛創恒達科技投資管理有限公司 (Beijing Sheng Chuang Heng Da Technology Investment and Management Co. Limited), limited liability companies established in the Mainland China (See Note 10).

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Target Company in respect of any period subsequent to 30 September 2010. No dividend or distribution has been declared, made or paid by the Target Company in respect of any period subsequent to 30 September 2010.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS ON TARGET GROUP

Target Co was incorporated on 9 March 2007 and has not carried on any business since its date of incorporation. As at 30 September 2010, the Target Co had an accumulated loss of approximately HK$56,000 which was mainly attributable to the payments of general and administrative expenses since its incorporation. As at 30 September 2010, the Target Co recorded a net liabilities of approximately HK$56,000. It had no borrowings or any significant contingent liabilities as at 30 September 2010.

At 30 September 2010, the Target Co did not record any investment cost in the Project. The Target Co will acquire the Lands through the acquisition of the equity interests in the Project Cos. The consideration is equivalent to the aggregate of the fair values of the Project Cos to be appraised by a valuer jointly appointed by Farrich and the vendor of the Equity Transfer Agreement. For the unaudited pro forma financial information of the Enlarged Group in Appendix IV, if the acquisition had completed on 30 June 2010, the Enlarged Group would have recognised the fair values of the land use rights of the Lands of RMB2,300,000,000 (equivalent to approximately HK$2,664,226,000), which were determined with reference to an independent valuation by DTZ Debenham Tie Leung Limited as at 30 June 2010. There is no difference for the valuation between 30 June 2010 and 31 October 2010 as stated in the valuation certificate issued by DTZ Debenham Tie Leung Limited included in Appendix V.

As at the Latest Practicable Date, the Target Co had no capital commitment other than its acquisition of the entire equity interests in the Project Cos under the Equity Transfer Agreement. Upon completion of the Equity Transfer Agreement, the Target Co will own the entire equity interests in Project Co A and Project Co D, which in turn hold the land use right of Land A and Land D respectively.

The Project is now being developed on the Lands. All costs and expenses for completing the necessary preparation and construction works and administrative formalities in relation to the Project will be borne by Farrich, except those incurred by or on behalf of Project Cos in connection with the financing and marketing of the Project, and any related tax payments. Such additional costs and expenses will be financed by the Group's internal resources and external borrowings.

The Project Cos were established on 21 October 2010. Since the de-merger and assets and liabilities allocation processes are still in progress, no separate accountant's report on each of the Project Cos can be prepared. Based on the capital verification reports both dated 8 October 2010 and issued by Zhong Ping Jian Hua Hao, certified public accountants, on each of Project Co A and Project Co D for the purpose of the de-merger, the net asset values of Project Co A and Project Co D as at 30 September 2010 were approximately RMB7.59 million and RMB5.36 million respectively. Each of Project Co A and Project Co D had a retained loss of RMB2.41 million and RMB9.64 million respectively as at 30 September 2010.

A. INTRODUCTION

Set out below are the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2010 and the unaudited pro forma statement of adjusted consolidated net tangible assets of the Enlarged Group as at 30 June 2010, which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisition as if it had taken place on 30 June 2010. This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 June 2010 or at any future date.

I. Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

		Pro forma adjustments			
	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2010	**Audited statement of assets and liabilities of the Target Company as at 30 September 2010**	**Other pro forma adjustments**	**Note**	**Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2010**
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*			
ASSETS					
Non-current assets					
Land costs	348,867	—			348,867
Prepayments for acquisition of land	198,591	—			198,591
Prepayments for construction work	—	—	2,306,617	3(b)	2,306,617
Properties and equipment	3,175,785	—			3,175,785
Investment properties	8,540,889	—	2,664,226	3(a)	11,205,115
Intangible assets	121,700	—			121,700
Investments in associates	45,442	—			45,442
Investment in a jointly controlled entity	1,472,995	—			1,472,995
Available-for-sale financial assets	2,790,433	—			2,790,433
Deferred tax assets	232,197	—			232,197
	16,926,899	—			21,897,742
Current assets					
Prepayments for acquisition of land	15,211,240	—			15,211,240
Properties under development for sale	32,728,303	—			32,728,303
Completed properties for sale	9,313,294	—			9,313,294
Financial assets at fair value through profit or loss	11,809	—			11,809
Accounts receivable	166,369	—			166,369
Prepayments, deposits and other current assets	2,255,076	3			2,255,079
Due from an associate	29,619	—			29,619
Due from related companies	14,513	—			14,513
Pledged/charged bank deposits	360,956	—			360,956
Cash and cash equivalents	4,329,270	71	(71)	3(c)	4,329,270
	64,420,449	74			64,420,452
TOTAL ASSETS	81,347,348	74			86,318,194

		Pro forma adjustments			
	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2010	Audited statement of assets and liabilities of the Target Company as at 30 September 2010	Other pro forma adjustments	Note	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2010
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*			
LIABILITIES					
Non-current liabilities					
Land cost payable	80,431	—			80,431
Borrowings	17,227,878	—			17,227,878
Due to minority shareholders	421,462	—			421,462
Deferred tax liabilities	4,410,969	—			4,410,969
	22,140,740	—			22,140,740
Current liabilities					
Accounts payable	5,098,591	—			5,098,591
Land cost payable	252,568	—			252,568
Borrowings	1,811,345	—			1,811,345
Deferred revenue	9,589,526	—			9,589,526
Accruals and other payables	1,699,283	—			1,699,283
Due to an associate	6,323	—			6,323
Due to related companies	150,514	130	(71)	3(c)	150,514
			(59)	3(c)	
Due to a jointly controlled entity	1,809,469	—			1,809,469
Current tax liabilities	3,985,489	—			3,985,489
	24,403,108	130			24,403,108
TOTAL LIABILITIES	46,543,848	130			46,543,848
NET ASSETS/(LIABILITIES)	34,803,500	(56)			39,774,346

Note:

1. The amounts are extracted from the unaudited condensed consolidated balance sheet of the Group as at 30 June 2010 as set out in the published interim report of the Company for the six months ended 30 June 2010.

2. The adjustment represents the inclusion of the statement of assets and liabilities of the Target Company as at 30 September 2010 as extracted from the accountant's report of the Target Company as at 30 September 2010 as set out in Appendix II to this circular.

3. The pro forma adjustments reflect the following:

   (a) Upon the completion of the Equity Transfer Agreement made between the Target Company, as the purchaser, and Shenzhen Zhujiang Logistics Co. Limited, as the vendor, for the sale and purchase of the entire equity interests in Project Co A and Project Co D, the Target Company will own the entire equity interests in Project Co A and Project Co D, which in turn hold the land use rights of Land A and Land D respectively. If the Acquisition had completed on 30 June 2010, the Enlarged Group would have recognised the fair values of the land use rights of Land A and Land D held by Project Co A and Project Co D respectively, which were determined with reference to an independent valuation performed by DTZ Debenham Tie Leung Limited as at 30 June 2010.

(b) In accordance with the Share Purchase Agreement and Supplemental Share Purchase Agreement, the Consideration of the Acquisition is RMB6,605,066,000 (equivalent to approximately HK$7,651,040,000), which is payable by (i) 523,246,625 Shares at issue price of HK$9.5 per share, totalling HK$4,970,843,000 (equivalent to approximately RMB4,291,279,000), and (ii) cash for the remaining balance of approximately RMB2,313,787,000 (equivalent to approximately HK$2,680,197,000) payable in 16 instalments at different stages of the construction of the Project. If the completion of the Acquisition had taken place on 30 June 2010, 523,246,625 Consideration Shares of HK$4,970,843,000 would have been issued for acquiring the land use rights of Land A and Land D of fair value of HK$2,664,226,000 (note3(a)) and for prepaying HK$2,306,617,000 for the construction work and administrative formalities services in relation to the Project to be performed and completed by Farrich. Since the construction work service of the Project has not been performed by Farrich as at 30 June 2010 and it relates to a future event, the pro forma adjustments do not reflect the remaining cash consideration of RMB2,313,787,000 (equivalent to approximately HK$2,680,197,000) which will be recorded as obligations arise when the construction service is received by stages.

(c) The settlement of other assets and liabilities and wavier of amounts due to related companies of the Target Company, except for the land use rights of Land A and Land D, by Farrich upon completion of the Acquisition in accordance with the Share Purchase Agreement.

Since the fair values of the land use rights of Land A and Land D at the date of completion of the Acquisition may be different from the fair values used in the preparation of this unaudited pro forma statement of assets and liabilities of the Enlarged Group, the final amount of assets to be recognised may be different from the amounts presented above.

In addition, the closing price of the Consideration Shares issued at the date of completion may be substantially different from the value of the Consideration Shares used in the preparation of this unaudited pro forma statement of assets and liabilities of the Enlarged Group. Under HK(IFRIC) Interpretation 8 "Scope of HKFRS 2", in case the fair value of the shares issued is higher than the fair values of the identifiable goods or services received, the difference will be recognised as an expense in the income statement.

4. For the purpose of the other pro forma adjustments, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.86329.

5. No other adjustment has been made to reflect any trading result or other transaction of the Enlarged Group entered into subsequent to 30 June 2010.

II. Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Enlarged Group

Unaudited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2010	Unaudited consolidated net tangible assets of the Group per share as at 30 June 2010	Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group attributable to equity holders of the Company as at 30 June 2010	Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group per share as at 30 June 2010
HK$'000	*HK$*	*HK$'000*	*HK$*
(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*
32,384,158	18.48	37,355,004	16.42

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2010 of HK$32,384,158,000 is calculated from the unaudited condensed consolidated balance sheet of the Group, which is based on the unaudited consolidated net assets of the Group as at 30 June 2010 of HK$34,803,500,000 with adjustments for non-controlling interests and intangible assets as at 30 June 2010 of HK$2,297,642,000 and HK$121,700,000 respectively.

2. The unaudited consolidated net tangible assets of the Group per share as at 30 June 2010 is calculated based on 1,752,367,809 shares issued and outstanding as at 30 June 2010.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group attributable to equity holders of the Company as at 30 June 2010 of HK$37,355,004,000 is calculated from the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group, which is based on the unaudited pro forma consolidated net assets of the Enlarged Group as at 30 June 2010 of HK$39,774,346,000 with adjustments for non-controlling interests and intangible assets as at 30 June 2010 of HK$2,297,642,000 and HK$121,700,000 respectively.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group per share as at 30 June 2010 is calculated based on 2,275,614,434 shares assumed to be issued and outstanding as at 30 June 2010, representing 1,752,367,809 existing shares and 523,246,625 new shares to be issued pursuant to the Acquisition.

5. No other adjustment has been made to reflect any trading result or other transaction of the Enlarged Group entered into subsequent to 30 June 2010.

III. Report on Unaudited Pro Forma Financial Information of the Enlarged Group

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF HOPSON DEVELOPMENT HOLDINGS LIMITED

We report on the unaudited pro forma financial information set out on pages IV-1 to IV-4 under the headings of "Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group" and "Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Enlarged Group" (the "Unaudited Pro Forma Financial Information") in Appendix IV of the circular dated 21 January 2011 (the "Circular") of Hopson Development Holdings Limited (the "Company"), in connection with the proposed acquisition of the entire issued share capital of Sun Excel Investments Limited (the "Target Company") and its interests under the equity transfer agreement for the acquisition of the entire interests in Beijing Chuang He Feng Wei Technology Investment and Management Co. Limited and Beijing Sheng Chuang Heng Da Technology Investment and Management Co. Limited (the "Acquisition") by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages IV-1 to IV-4 of the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by parapragh 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2010 and the unaudited consolidated net assets of the Group as at 30 June 2010 with the unaudited condensed consolidated financial information of the Group as at 30 June 2010, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2010 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 21 January 2011

B. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As at 30 June 2010, the pro forma consolidated total assets and net asset of the Enlarged Group amounted to approximately HK$86,318 million and HK$39,774 million respectively.

The Enlarged Group's gearing ratio (defined as borrowings, net of pledged/charged bank deposits and cash and cash equivalents, divided by total net assets) would decrease from 41% as at 30 June 2010 before the transaction to a pro-forma gearing ratio of 36% assuming immediate issue of 523,246,625 Consideration Shares to Farrich or its nominee(s).

In view of supply-and-demand relationship which determines the trend of the property market, the introduction and implementation of austerity measures in China will lead to a structural change in market demand. The demand will be from end-users instead of speculators, investors and home buyers. A pool of regular demand from end-users is ready for release in the market. Meanwhile, there were policies in China to boost supply of residential land and to secure the number and proportion of supply in social welfare housing and small-and-medium commodity properties. The increase in market supply will solve the problem of market imbalance and at the same time lead to changes in supply structure. However, the cyclical nature of property market makes it difficult to solve the market imbalance and the market supply is yet to upsurge in the near term. In the coming years, urbanization, city renewal and the desire for better living environment will continue to boost the demand in housing in China in the medium to long term. As market imbalance will continue to exist, the property sector will persist to witness impressive development in the years ahead.

In the long run, China is going through industrialization and urbanization. The large supply of work force, the anticipated currency appreciation, the function of property as an investment tool to maintain asset value and the popularity of property among Chinese people will all remain unchanged. Property sector will continue to enjoy stable growth and we are optimistic about the prospects of the real estate market.

Six new projects have been launched in the second half of the current financial year ended 31 December 2010 in prosperous regions around the nation, including one in Northern China, three in Eastern China and two in Southern China. These projects are located in cities namely Qinhuangdao, Ningbo, Shanghai, Hangzhou, Guangzhou and Huizhou Daya Bay National Economic and Technology Development Zone. New projects launched in the second half of the year vary from high-end residential and commercial buildings in city centres and countryside villas with natural landscape, to large-scale residential projects with comprehensive facilities in second-tier cities. With high quality and clear target audiences, these projects are highly receptive by potential buyers and it is expected they will generate satisfactory sales to the Enlarged Group.

Since the Project is scheduled to be completed by the end of 2013, it is not expected to bring any significant effect on the Enlarged Group's consolidated income statement for the financial year ending 31 December 2011.

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of the value of the property in the PRC, which is intended to be acquired by the Company as at 31 October 2010.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

21 January 2011

The Directors
Hopson Development Holdings Limited
Suites 3305 to 3309, 33/F
Jardine House
1 Connaught Place
Central
Hong Kong

Re: Two parcels of land known as Plots A and D (Southern Region) situated at Environmental Protection Industrial Park of Majuqiao, Tongzhou District, Beijing, the PRC

Instructions, Purpose & Date of Valuation

In accordance with your instructions for us to value the property which is intended to be acquired by Hopson Development Holdings Limited (referred to as the "Company") in the People's Republic of China (the "PRC") (as more particularly described in the valuation certificate), we confirm that we have inspected the property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of the value of the property on completion basis as at 31 October 2010 (the "date of valuation").

Definition of Market Value

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

Valuation Basis and Assumptions

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

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

In the course of our valuation of the property which is situated in the PRC, we have assumed that the transferable land use rights in respect of the property for a specific term at nominal annual land use fees would have been granted and that any premium would have been fully settled. We have also assumed that the grantee or the user of the property has free and uninterrupted rights to use, occupy or to assign or lease the property for the whole of the unexpired term as granted. We have relied on the information provided by the Company and the advice provided by Han Kun Law Offices, the Company's legal adviser, regarding the title to the property. For the purpose of our valuation, we have assumed that the grantee has enforceable title to the property.

In respect of the property situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the valuation certificate.

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

Our valuation is on an entire interest basis.

Method of Valuation

The property comprises two parcels of land. Site formation works are currently under undertaken. As per specific instruction from the Company, we are instructed to value the "capital value when completed" of the proposed development on the property because the subject transaction involves a sale and purchase of a proposed development assuming it were completed as at the date of valuation. The capital value when completed represents our opinion of the value of the proposed development assuming that it were completed as at the date of valuation in accordance with the Company's latest development proposal provided to us. In valuing the "capital value when completed" of the proposed development on the property", which is intended to be held by the Group for investment in the PRC, we have valued on the basis of capitalization of net income derived from the proposed completed development.

In respect of the value of the property in existing state, we have valued the property on the basis that the property will be developed and completed in accordance with the Company's latest development proposal provided to us. We have assumed that approvals for the proposal have been obtained. In arriving at our opinion of value, we have adopted 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.

Source of Information

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, development proposal, construction costs, estimated completion date, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in this valuation certificate are based on information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We have been provided with copies of documents in relation to the title to the property. However, we have not been able to conduct searches to verify the ownership of the property or to ascertain any amendment which may not appear on the copies handed to us.

Site Inspection

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

Currency

Unless otherwise stated, all money amounts indicated herein our valuations are in Renminbi (RMB), which is the official currency of the PRC.

We enclose herewith our valuation certificate.

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. KF Chan is a Registered Professional Surveyor who has over 23 years of experience in the valuation of properties in Hong Kong and the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value when completed as at 31 October 2010
Two parcels of land known as Plots A and D (Southern Region) situated at Environmental Protection Industrial Park of Majuqiao, Tongzhou District, Beijing, the PRC	The property comprises two parcels of bare land with a total site area of approximately 136,129.33 sq.m.	As at the date of valuation, the property was bare land and the works of site formation have been undertaken on Plot D.	RMB8,750,000,000

As advised by the Company, a proposed large-scale research and development project with ancillary facilities is planned to be developed on the property with a total planned gross floor area of approximately 625,006 sq.m.

As advised by the Company, the proposed development project will be developed in 4 phases and is scheduled to be completed in 2013.

Upon completion, the development will comprise some buildings with 2 levels of basement. Most of the units in the proposed development will be with high ceiling height of approximately 5.49 meters and the presence of a cockloft.

The details of the planned gross floor areas are summarized as follows:

Use	**Approximate planned gross floor area** *(sq.m.)*
Aboveground research and development space with ancillary facilities	517,720
Basement 1 and 2	
Ancillary facilities	72,726
Car parking spaces	34,560
Total	625,006

The property is held with land use rights for a term due to expire on 27 December 2056 for the use of research and development.

Notes:

(1) According to two Certificates for the Use of State-owned Land issued by the People's Government of Tongzhou District, Beijing, the land use rights of the property located at Environmental Protection Industrial Park of Majuqiao, Tongzhou District, Beijing, having a total site area of approximately 136,129.33 sq.m. have been vested in 北京珠江投資開發有限公司 (Beijing Zhujiang Investments Development Co Ltd.) for research and development use with details as follows:

Certificate No.	Date of issue	Expiry date of land use term	Land parcel	Site area *(sq.m.)*
(2007) 114	7 November 2007	27 December 2056	Plot A (Southern Region)	68,539.06
(2007) 077	6 August 2007	27 December 2056	Plot D (Southern Region)	67,590.27
			Total	136,129.33

(2) According to two Grant Contracts of State-owned Land Use Rights entered into between the Land Resources Bureau of Beijing ("the Grantor") and 北京珠江投資開發有限公司 (Beijing Zhujiang Investments Development Co Ltd.) (the "Grantee") both on 28 December 2006, the land use rights of the property located at Environmental Protection Industrial Park of Majuqiao, Tongzhou District, Beijing, with a total site area of 136,129.33 sq.m. have been granted to the Grantee for a total land premium of RMB82,135,680.

The land use terms of the land is 50 years for research and development use with details as follows:

Grant Contract No.	Land parcel	Site area *(sq.m.)*	Permitted developable above ground gross floor area *(sq.m.)*	Land premium *(RMB)*
(2006) 823	Plot A (Southern Region)	68,539.06	169,976	40,794,240
(2006) 0302	Plot D (Southern Region)	67,590.27	172,256	41,341,440
	Total	136,129.33	342,232	82,135,680

As advised by the Company, the Grantor and the Grantee will enter into a supplementary grant contract for increasing the permitted developable above ground gross floor area and the Grantee will pay a further land premium in the sum of RMB26,685,379 to the Grantor. The process is being undertaken. According to the Company, pursuant to the share purchase agreement dated 3 November 2010 (as varied and amended by the supplemental agreement dated 13 December 2010) ("Share Purchase Agreement") made between the Company and Farrich Investments Limited (遠富投資有限公司) ("Farrich"), the additional land premium will be borne by Farrich whereas the construction costs for the increased permitted developable above ground gross floor area will be borne by the Company.

(3) According to Planning Permit for Construction Use of Land No. 2009 (0018) issued by the Planning Committee of Beijing on 1 June 2009, 北京珠江投資開發有限公司 (Beijing Zhujiang Investments Development Co Ltd.) was permitted to construct a project located at Environmental Protection Industrial Park of Majuqiao in Tongzhou District, Beijing, with a site area of 274,589.286 sq.m. for research and development center and ancillary uses.

The site area stated in Planning Permit for Construction Use of Land (建設用地規劃許可證) usually comprises the land area for surrounding roads and ancillary facilities. Therefore such site area is usually larger than that stated in the Certificates for the Use of State-owned Land (國有土地使用證).

(4) According to ten Planning Permits for Construction Works (建設工程規劃許可證) issued by the Planning Committee of Beijing, 北京珠江投資開發有限公司 (Beijing Zhujiang Investments Development Co Ltd.) was permitted to construct a research and development project at Environmental Protection Industrial Park of Majuqiao in Tongzhou District, Beijing, with a total gross floor area of 625,006.37 sq.m., including 10,400 sq.m. of civil defense shelter area. Most of the proposed buildings are permitted to be constructed with 14 storeys and the height of 79.86 meters. The details of the permits are as follows:

Permit No.	**Date of Issue**	**Scale of Construction** *(sq.m.)*
(2009) 0123	26 June 2009	54,702.29
(2009) 0124	26 June 2009	92,265.72
(2009) 0125	26 June 2009	18,596.15
(2009) 0126	26 June 2009	54,702.29
(2009) 0169	20 July 2009	54,702.29
(2009) 0172	21 July 2009	18,178.59
(2009) 0173	21 July 2009	54,702.29
(2009) 0250	21 October 2009	92,496.95
(2009) 0251	21 October 2009	92,496.95
(2009) 0252	21 October 2009	92,162.85
	Total	625,006.37

(5) According to six Permits for Commencement of Construction Works (建築工程施工許可證) issued by the Beijing Committee of Housing and Rural Construction, 北京珠江投資開發有限公司 (Beijing Zhujiang Investments Development Co Ltd.) was permitted to construct a research and development project at Environmental Protection Industrial Park of Majuqiao in Tongzhou District, Beijing, with details as follows:

Permit No.	**Date of Issue**	**Scale of Construction** *(sq.m.)*
(2010) 1523	29 September 2010	54,702.29
(2010) 1524	29 September 2010	37,794.66
(2010) 1525	29 September 2010	54,702.29
(2010) 1526	29 September 2010	37,563.43
(2010) 1527	29 September 2010	54,702.29
(2010) 1528	29 September 2010	18,596.15
	Total	258,061.11

(6) As advised by the Company, the outstanding construction cost for completion of the property as at the date of valuation was RMB3,125,000,000 which, according to the Company, will be borne by Farrich pursuant to the Share Purchase Agreement. We have taken into account such amount in our valuation.

(7) The capital value of the property in existing state as at 31 October 2010 was approximately RMB2,300,000,000.

(8) According to Business Licence No. 110000008158249 dated 13 June 2008, 北京珠江投資開發有限公司 (Beijing Zhujiang Investments Development Co Ltd.) was established as a limited company with a registered capital of RMB280,000,000 for an operation period from 11 April 2005 to 10 April 2035.

(9) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, *inter alia*, the following information:

(i) The Certificates for the Use of State-owned Land of the property are legal, valid and enforceable under the PRC laws;

(ii) 北京珠江投資開發有限公司 (Beijing Zhujiang Investments Development Co Ltd.) is the sole legal land user of the property and has obtained the relevant certificates and approvals from the government in respect of the construction of the part of the proposed development;

(iii) 北京珠江投資開發有限公司 (Beijing Zhujiang Investments Development Co Ltd.) will enter into a supplementary grant contract with the Land Resources Bureau of Beijing for increasing the permitted developable above ground gross floor area and will pay a further land premium in the sum of RMB26,685,379. The process is being undertaken;

(iv) Confirmed as at the Latest Practicable Date, 北京珠江投資開發有限公司 (Beijing Zhujiang Investments Development Co Ltd.) was not aware of any investigation of idle land being conducted by the relevant authority or has received any decision of idle land. The property is not and should not be classified as or deemed to be idle land as no such investigation has been taken place and no decision of idle land has been served on 北京珠江投資開發有限公司 (Beijing Zhujiang Investments Development Co Ltd.); and

(v) 北京珠江投資開發有限公司 (Beijing Zhujiang Investments Development Co Ltd.) has the right to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property after completion of the requirements stated in the Grant Contracts of State-owned Land Use Rights.

(10) Based on the legal opinion issued by the Company's PRC legal advisor in relation to the issue of idle land as stated in note (9)(iv), we have not taken into account of the issue of idle land in the course of our valuation.

(11) The status of the title and grant of major approvals and licenses in accordance with the information provided to us by the Company are as follows:

Certificates for the Use of State-owned Land	Yes
Grant Contracts of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permits for Construction Works	Yes
Permits for Commencement of Construction Works	Yes (portion)
Business License	Yes

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the issue of the Consideration Shares was and will be, as follows:

Authorised Share Capital:	*HK$*
2,000,000,000 Shares of HK $0.10 each as at the Latest Practicable Date:	200,000,000
1,000,000,000 Shares to be created upon completion of the increase in authorised share capital:	100,000,000
3,000,000,000 Shares upon completion of the increase in authorised share capital	300,000,000
Issue as fully paid:	
1,752,367,809 Shares as at the Latest Practicable Date	175,236,781
To be issued pursuant to the Share Issue	
523,246,625 Consideration Shares	52,324,663
	227,561,444

All the Shares in issue and to be issued rank and will rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. As at the Latest Practicable Date, no share or loan capital of the Company will be issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital, except for the proposed issue of the Consideration Shares.

3. 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:

(a) Long position in Shares

Name	Number of Shares beneficially held		Approximate percentage of Shares in issue
	Personal	Corporate	
Mr. Chu Mang Yee	—	1,101,003,809[(1)]	62.83
Mr. Au Wai Kin	—	34,500,000[(2)]	1.97

Notes:

1. Mr. Chu Mang Yee held 1,032,363,809 Shares through Sounda Properties Limited, a company wholly-owned by him and HKSCC Nominees Limited and 68,640,000 through Hopson Education Charitable Funds Limited.

2. Mr. Au Wai Kin held 34,500,000 shares of the Company through a company wholly-owned and controlled by him.

(b) Long position in underlying Shares

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

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

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which, since 31 December 2009, 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.

Except as disclosed above, 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.

4. 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	Approximate percentage of Shares in issue
Sounda Properties Limited	1,032,363,809	58.91

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

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 CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) were entered into by members of the Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date, which are or may be material:

(a) the placing agreement dated 3 June 2009 entered into by the Company and UBS AG and Deutsche Bank AC, Hong Kong Branch in respect of the placing of 120,000,000 Shares;

(b) the Panyu Agreement; and

(c) the subscription agreement dated 14 January 2011 entered into by the Company, all of the Company's wholly-owned subsidiaries incorporated or organised outside the PRC and UBS AG, Hong Kong Branch in respect of the issue by the Company of 11.75% senior notes due 2016 in the aggregate principal amount of US$300 million.

7. EXPERT

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

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

As at the Latest Practicable Date, Somerley Limited, DTZ Debenham Tie Leung Limited and PricewaterhouseCoopers did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

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

As at the Latest Practicable Date, Somerley Limited, DTZ Debenham Tie Leung Limited and PricewaterhouseCoopers did not have any interest, direct or indirect, in any assets which since 31 December 2009, 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

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

9. COMPETING BUSINESS

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal office in Hong Kong at Suites 3305–3309, 33/F, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours from 21 January 2011 to 22 February 2011 (both dates inclusive):

(a) the Share Purchase Agreement dated 3 November 2010;

(b) the Supplemental Agreement dated 13 December 2010;

(c) the letter from the Board, the text of which is set out on pages 5 to 33 of this circular;

(d) the letter from the Independent Board Committee, the text of which is set out on page 34 of this circular;

(e) the letter from Somerley Limited, the text of which is set out on pages 35 to 69 of this circular;

(f) the memorandum and articles of association of the Company;

(g) the annual reports of the Company for the three financial years ended 31 December 2009;

(h) the interim report of the Company for the six months ended 30 June 2010;

(i) the report from PricewaterhouseCoopers in respect of the financial information on the Target Company as set out in Appendix II to this circular;

(j) the report from PricewaterhouseCoopers on the unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV to this circular;

(k) the valuation report of the Valuer in respect of the Project, the text of which is set out in Appendix V to this circular;

(l) the written consents referred to in the section headed "Expert" in this appendix;

(m) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(n) all circulars issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which have been issued since the date of the latest published audited accounts (i.e. 31 December 2009); and

(o) this circular.

11. LITIGATION

Save as disclosed in Paragraph C headed "Indebtedness Statement" in Appendix I to this circular, 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

(a) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business in Hong Kong is at Suites 3305–3309, 33/F, Jardine House, 1 Connaught Place, Central, Hong Kong.

(b) The Hong Kong branch registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited which is situated at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The English text of this circular will prevail over the Chinese text in the event of inconsistency.

合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Stock Code: 754)

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

NOTICE IS HEREBY GIVEN that a Special General Meeting of Hopson Development Holdings Limited ("Company" together with its subsidiaries, the "Group") will be held at Vinson Room, Pacific Place Conference Centre, 5/F One Pacific Place, 88 Queensway, Hong Kong on Tuesday, 22 February 2011 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

"1. **THAT** the authorised share capital of the Company be increased from HK$200,000,000 to HK$300,000,000 by the creation of an additional 1,000,000,000 shares of HK$0.1 each and that all such new shares shall rank *pari passu* in all respects with the existing shares of the Company."

"2. **THAT**:

(a) the share purchase agreement dated 3 November 2010 (as varied and amended by the supplemental agreement dated 13 December 2010) ("Share Purchase Agreement") made between the Company and Farrich Investments Limited ("Farrich"), in respect of the acquisition by the Company of the entire issued share capital of Sun Excel Investments Limited ("Acquisition") at a total consideration of RMB6,605,066,000 ("Consideration"), which shall be partly satisfied by the allotment and issue by the Company of 523,246,625 shares of HK$0.1 each in the share capital of the Company ("Consideration Shares") and partly by cash (a copy of which has been produced to this meeting and marked "A" and initialed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) the execution, delivery and performance by the Company of the Share Purchase Agreement be and are hereby approved, confirmed and ratified;

(c) the Acquisition and all transactions contemplated under or incidental to the Share Purchase Agreement and all actions taken or to be taken by the Company and/or its subsidiaries pursuant to the Share Purchase Agreement be and are hereby approved, confirmed and ratified;

(d) the allotment and issue of 128,000,000 and 395,246,625 Consideration Shares credited as fully paid at an issue price of HK$9.5 per share to Sounda Properties Limited ("Sounda") and Farrich and/or its nominee(s) (as Farrich may direct), respectively, in accordance with the terms of the Share Purchase Agreement for part payment of the Consideration be and are hereby approved and the share registrar of the Company be and is hereby instructed to issue certificate(s) under seal for the said 128,000,000 and 395,246,625 Consideration Shares to Sounda and Farrich and/or its nominee(s) (as Farrich may direct), respectively on such date (including a day on which the register of members of the Company is closed for transfer of the Shares) as the Company may instruct, and any one Director acting singly be and is hereby authorised to take any and all action and execute any documents as he may see fit in connection with the aforesaid; and

(e) any one Director of the Company be and is hereby authorized for and on behalf of the Company to do all such acts and things, to sign, execute and deliver all such other documents, deeds, instruments and agreements and to take such steps as he may consider necessary, desirable or expedient to give effect to or in connection with the Share Purchase Agreement and the issue of the Consideration Shares or any of the transactions contemplated under the Share Purchase Agreement and all other matters incidental thereto."

By Order of the Board
Chu Mang Yee
Chairman

Hong Kong, 21 January 2011

Principal Office:
Suites 3305–3309
33/F, Jardine house
1 Connaught Place, Central
Hong Kong

Notes:

(1) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote in his stead. Any such member who is a holder of two or more shares may appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.

(2) In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney or other authority, must be deposited at the principal office of the Company at Suites 3305–3309, 33/F, Jardine House, 1 Connaught Place, Central, Hong Kong not less than 48 hours before the time appointed for holding the said meeting or any adjournment thereof.

(3) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

* *for identification purposes only*