THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Hopson Development Holdings Limited (the "Company"), you should at once hand this circular to the purchaser or the transferee, or to the stockbroker, registered dealer in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 754)

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

MAJOR AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONSIDERATION SHARES AND SECOND SUPPLEMENTAL AGREEMENT

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

SOMERLEY LIMITED

A letter from the Board is set out on pages 6 to 14 of this circular. A letter from the Independent Board Committee is set out on pages 15 to 16 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 17 to 39 of this circular.

A notice convening a special general meeting to be held at Alexandra Room, 2nd Floor, Mandarin Oriental, 5 Connaught Road Central, Hong Kong on Monday, 3 December 2012 at 10:00 a.m. is set out on pages SGM-1–SGM-2 of this circular.

Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the principal office of the Company at Suites 3305–3309, 33rd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the 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*

16 November 2012

CONTENTS

In this circular, unless the context otherwise requires, 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
"Amendments"	proposed amendments to the Share Purchase Agreement set out in the Second Supplemental Agreement
"Announcements"	announcements of the Company relating to, among other things, the Share Purchase Agreement and the Acquisition dated 3 November 2010, 13 December 2010 and 2 November 2011 respectively
"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Cash Consideration"	RMB2,313,787,000 payable by the Company to Farrich under the Share Purchase Agreement to satisfy part of the consideration of the Acquisition
"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
"Conditions Precedent"	the conditions required to be satisfied or waived (as the case may be) before Completion may take place under the Share Purchase Agreement
"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 completion of 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

"Farrich"	Farrich Investments Limited (遠富投資有限公司), a company incorporated in the British Virgin Islands
"First Payment"	has the meaning as defined in the section headed "Amendments to the Share Purchase Agreement" in the letter from the Board of this circular
"First Supplemental Agreement"	the supplemental agreement dated 13 December 2010 made between the Company and Farrich to amend and supplement certain terms and conditions of the original share purchase agreement in relation to the Acquisition dated 3 November 2010 and entered into between Company and Farrich
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hopson Education Funds"	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"	committee of the Board established to advise the Independent Shareholders in respect of the Amendments and to give recommendation to the Independent Shareholders as to voting in respect of the resolution proposed to approve the Amendments at the SGM
"Independent Shareholders"	the Shareholders other than Sounda, Hopson Education Funds and their respective associates
"Industrial Park"	北京市通州區馬駒橋鎮國家環保產業園區 (National 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, at the South Zone of the plot of land identified as "Land A"
"Land D"	the piece of land with a site area of approximately 67,590.274 square meters located in the Industrial Park, at the South Zone of the plot of land identified as "Land D"
"Lands"	Land A and Land D

"Latest Practicable Date"	12 November 2012, 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
"Long Stop Date"	the last day by which the Conditions Precedent have to be satisfied or waived under the Share Purchase Agreement
"Mr. Chu"	Mr. Chu Mang Yee, the chairman of the Board
"Ms. Chu"	Ms. Chu Kut Yung, an executive Director
"PRC"	the People's Republic of China
"Previous Circular"	circular of the Company relating to, among other things, the Share Purchase Agreement and the Acquisition dated 21 January 2011
"Project"	a property development on the Lands comprising 38 individual office buildings with a total gross floor area of approximately 625,006 square meters
"Project Co A"	北京創合豐威房地產開發有限公司 (Beijing Chuanghe Fengwei Real Property Development Co. Limited) (formerly known as 北京創合豐威科技投資管理有限公司 (Beijing Chuanghe Fengwei Technology Investment and Management Co. Limited))
"Project Co D"	北京盛創恒達房地產開發有限公司 (Beijing Shengchuang Hengda Real Property Development Co. Limited) (formerly known as 北京盛創恒達科技投資管理有限公司 (Beijing Shengchuang Hengda Technology Investment and Management Co. Limited))
"Project Completion Date"	the deadline for completion of the construction of the Project as set out in the Share Purchase Agreement
"Project Cos"	Project Co A and Project Co D
"RMB"	Renminbi
"Sale Shares"	the entire issued share capital of Target Co

"Second Supplemental Agreement"	the supplemental agreement dated 26 October 2012 entered into between the Company and Farrich to further extend the Long Stop Date to 2 November 2013, to extend the Project Completion Date to 30 June 2015 and to amend, supplement and clarify other terms and conditions of the Share Purchase Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting to be convened by the Company to obtain the approval of the Amendments by the Independent Shareholders
"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 amended and supplemented by the First Supplemental Agreement)
"Shareholders"	holders of the Shares
"Shares"	the ordinary shares of HK$0.10 each in the share capital of the Company
"Somerley"	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, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Amendments
"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

"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 RMB0.81522 for illustration purposes. 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

(Incorporated in Bermuda with limited liability)

(Stock Code: 754)

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

Executive Directors:
CHU Mang Yee *(Chairman)*
ZHANG Yi
(Deputy Chairman, Chief Financial Officer)
XIANG Bin *(Deputy Chairman)*
AU Wai Kin
LIAO Ruo Qing *(Vice President)*
CHU Kut Yung *(Executive Vice President)*

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

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

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

16 November 2012

To the Shareholders

Dear Sir and Madam,

BACKGROUND

Reference is made to the Announcements and the Previous Circular in relation to the Acquisition.

On 3 November 2010, the Company and Farrich entered into the original share purchase agreement relating to the Acquisition which was subsequently amended and supplemented by the First Supplemental Agreement on 13 December 2010. Pursuant to the Share Purchase Agreement, Farrich conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Share, representing the entire issued share capital of the Target Co, at the consideration of RMB6,605,066,000 to be satisfied partly in cash and partly by way of the Share Issue.

The Share Purchase Agreement constituted a major and connected transaction of the Company under the Listing Rules. It was approved by the then independent Shareholders at the special general meeting of the Company held on 22 February 2011.

* *for identification purposes only*

On 2 November 2011, the Company and Farrich agreed to extend the Long Stop Date from 2 November 2011 to 2 November 2012 pursuant to the terms and conditions of the Share Purchase Agreement.

On 26 October 2012, the Company and Farrich entered into the Second Supplemental Agreement to further extend the Long Stop Date to 2 November 2013, and to amend, supplement and clarify certain terms and conditions of the Share Purchase Agreement relating to, among other things, the Project Completion Date and the payment terms of part of the Cash Consideration as set out in the section headed "Second Supplemental Agreement" below subject to the Company obtaining the approval of the Independent Shareholders to the Amendments.

SECOND SUPPLEMENTAL AGREEMENT

Date: 26 October 2012

Parties: (i) the Company

(ii) Farrich

Farrich is a company indirectly wholly-owned by Mr. Chu Yat Hong. Mr. Chu Yat Hong is a son of Mr. Chu, who is the ultimate controlling Shareholder of the Company and an executive Director and the Chairman of the Company. Mr. Chu Yat Hong is also a brother of Ms. Chu Kut Yung, an executive Director of the Company.

Amendments to the Share Purchase Agreement:

Pursuant to the Second Supplemental Agreement, the Company and Farrich conditionally agreed to amend, supplement and clarify certain terms and conditions of the Share Purchase Agreement as follows:

(1) The existing Long Stop Date will be further extended to 2 November 2013 (or such other date as the parties may agree).

(2) Farrich undertakes to the Company to complete the construction of the Project by 30 June 2015 instead of 31 December 2013.

(3) Subject to Completion taking place, the aggregate sum of the Cash Consideration payable by the Company to Farrich based on the construction works completed as at the date of Completion (the "**First Payment**") will be divided into three equal instalments and payable by the Company within (i) 5 working days after the Company has confirmed the total amount of the First Payment; (ii) 90 days after the date of Completion; and (iii) 180 days after the date of Completion, respectively.

(4) For the avoidance of doubt, delivery of the properties under the Project, which is being developed in 4 phases, by Farrich to the Company may take place in stages as and when all the necessary procedures and the confirmation of completion of any one phase of the Project to the satisfaction of the Company have been obtained.

(5) For the avoidance of doubt, prior to the formal assignment of all the receivables of Farrich or its affiliates due from the Project Cos to the Company or its nominees upon completion of the Project, Farrich or its affiliates will hold such receivables in trust for the benefit of the Company and will not demand payment by the Project Cos.

The Amendments are subject to and conditional upon the Company obtaining the approval of the Independent Shareholders before 5:00 p.m. of 31 December 2012 (Hong Kong time). If the Independent Shareholders do not approve the Amendments at the SGM, the Share Purchase Agreement will lapse in accordance with its terms and the Acquisition will not proceed.

Initial extension of the Long Stop Date:

The Share Purchase Agreement provides that it will be terminated automatically if any of the Conditions Precedent is not satisfied or waived on or before the Long Stop Date. As at the Latest Practicable Date, some of the Conditions Precedent had not been fulfilled (see the section headed "Conditions Precedent under the Share Purchase Agreement" below). To avoid the automatic termination of the Share Purchase Agreement pending the Independent Shareholders' voting on the Amendments at the SGM, the Company and Farrich agreed, to initially extend the Long Stop Date from 2 November 2012 to the earlier of (a) the conclusion of the SGM (including adjournment thereof, if any); or (b) 31 December 2012.

INFORMATION ON THE TARGET CO, THE PROJECT COS AND THE PROJECT

As at the Latest Practicable Date, the process of the de-merger of Zhujiang Investments into Project Co A and Project Co D, the allocation of assets and liabilities to various companies including the Project Cos incidental to the de-merger, and the transfer of the ownership of land use rights in respect of Land A and Land D to the Project Cos had been completed. As certain governmental approvals for the transfer of the equity interests in the Project Cos have not yet been issued, the Target Co has not acquired the entire equity interest in the Project Cos pursuant to the Equity Transfer Agreement.

Based on the accountant's report on the Target Co and the Project Cos contained in Appendix IIA, Appendix IIB and Appendix IIC, respectively, the audited net assets/(liabilities) of the Target Co, Project Co A and Project Co D as at 30 June 2012 amounted to approximately (HK$109,000); HK$8,897,000 and (HK$11,713,000) respectively. According to the Share Purchase Agreement, all the liabilities of the Target Co and the Project Cos incurred prior to Completion (other than the liabilities arising from the indebtedness due to Farrich or its affiliates which interest will be assigned to the Group) will be assumed by Farrich.

The Project is a commercial property development located at the Industrial Park. It is being developed on the Lands in 4 phases, namely phase 1 and 2 of Land A and phase 1 and 2 of Land D. As at the Latest Practicable Date, construction of the main structure of the buildings in phase 1 of Land D and the foundation works of phase 2 of Land D have been completed, and the site formation works of phase 1 and phase 2 of Land A is in progress. On completion of the Project, it will comprise 38 individual office buildings with a total gross floor area of approximately 625,006 square meters. The "capital value when completed" of Project as at 30 September 2012 is valued by the Valuer at RMB8,808,000,000. The valuation report and the valuation certificate for the valuation are reproduced in Appendix V to this circular for your information.

Based on the market research available to the Company and the intended market positioning strategy in respect of the Project finalised in the fourth quarter of 2011, the Company requested Farrich to cause changes to the construction plans of the Project in late November of 2011. The changes include the alteration of the original structural design of the buildings in the Project by consolidating small-sized office units ranging from 100 square meters to 200 square meters to medium-to-large sized office units ranging from 400 square meters to 2,000 square meters and the enhancement of the quality of the Project by adding ancillary facilities such as lifts, parking spaces and a podium level connecting the buildings, improving the design of the parking spaces, improving the systems of public utilities and upgrading the overall style of the Project as a high-end commercial development. The Company expects that the Project, with the changes mentioned above made, will be able to capture well-established and large scale enterprises, which can afford higher rentals for more spacious offices with higher quality ancillary facilities, as tenants. The Company expected that making available office units of various sizes and widening the potential tenant base would bring a comparatively more stable occupancy rate and more stable and higher return for the Project.

Having considered the proposed changes in the construction plans, in December of 2011, Farrich indicated to the Company that the changes would likely result in completion of the Project taking place after 31 December 2013. Based on the current construction schedule of the Project, it is expected that the construction work for phase 1 and 2 of Land D will be completed in the second half of 2013 and 2014 respectively and the construction work for the phase 1 and 2 of Land A will be completed in the first half of 2015.

CONDITIONS PRECEDENT UNDER THE SHARE PURCHASE AGREEMENT

Completion of the Share Purchase Agreement is conditional upon the fulfilment/waiver of the Conditions Precedent. Since the Target Co has not yet obtained all necessary approvals for the transfer of the equity interests in each of the Project Cos to it, the transfer of the equity interests in each of the Project Cos to the Target Co pursuant to the Equity Transfer Agreement has yet to be completed. Subject to completion of the corporate structure of the Target Group, the Company will complete the due diligence review and investigation in respect of the Target Group and confirm if the results of such review and investigation are satisfactory. Novation of the construction contracts to the Project Cos, application for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange and Sounda's application for the waiver and consent in connection with the escrow arrangement on the Sounda Escrow Shares under certain negative pledge or undertakings binding on it are still in progress. Save for the conditions set out above and that incidental to them, the Company is not aware of any major Conditions Precedent which had not been fulfilled as at the Latest Practicable Date. The Company notes no material adverse findings in its due diligence conducted on the Target Group and the Project so far.

REASONS FOR ENTERING INTO THE SECOND SUPPLEMENTAL AGREEMENT

As mentioned above, since the Target Co has not yet obtained all necessary approvals for the transfer of the equity interests in each of the Project Cos to it, the transfer of the equity interests in each of the Project Cos to the Target Co pursuant to the Equity Transfer Agreement has yet to be completed. Based on the information provided by Farrich and to the best knowledge of the Company, as a result of the macroeconomic control policies and the austerity measures in respect of the real estate sector currently adopted by the Chinese Government, the approval regarding foreign investment in the real estate sector and transfer of the land use right of State-owned land has tightened up in general. Although Farrich and the Target Co have encountered unexpected difficulty and delay in completing the approval procedures, the approval seeking has been progressing, albeit at unexpectedly slow pace. Based on the negotiation with Farrich and the past experience of the Group's management, the Company is cautiously optimistic that all the approvals relating to the transfer of the equity interests in each of the Project Cos to the Target Co will be available for completion of the Equity Transfer Agreement by the proposed new Long Stop Date, having considered that the application for the approval of Beijing Municipal Commission of Development and Reform (北京市發展和改革委員會) is in progress and it is unusual to take more than one year to obtain the approvals of Beijing Municipal Commission of Development and Reform and the Ministry of Commerce (商務部) and to complete the subsequent filing procedures of the Ministry of Commerce, which are the outstanding approvals and procedures as at the Latest Practicable Date. In addition, the Company notes that the delay in the completion of the construction of the Project to the first half of 2015 is mainly caused by its request for changes to the construction plan of the Project relating to the structure of buildings, ancillary facilities and the overall design of the Project as stated above. Having considered the factors stated above, the Company conditionally agreed to extend the Long Stop Date to 2 November 2013 (or such later date and time as the parties may agree) and to amend the Project Completion Date to 30 June 2015 under the Second Supplemental Agreement after arms' length negotiations between the Company and Farrich.

The Company believes that, based on the prevailing market rents of office buildings of similar classes equipped with similar facilities in the neighbourhood, the Project with the new structural design, comprising office units of various sizes to capture tenants with different requirements, and improved ancillary facilities, is expected to have a comparatively more stable occupancy and to generate more stable and higher rental income to the Group. Based on the information available as at the Latest Practicable Date and subject to the audit of construction costs to be conducted after completion of the Project, it is expected that the total construction cost to be incurred on the Project under the new construction plans requested by the Company will be slightly higher than that under the original construction plans. According to the Share Purchase Agreement, all of the construction costs of the Project will be borne by Farrich and the parties to the Share Purchase Agreement have not negotiated on or agreed to any change to this term under the Acquisition. The Directors maintain their view that the Acquisition enables the Group to attain a larger investment properties portfolio to complement the Group's property development business, which is in line with its corporate strategy, and consider the benefits that may be brought to the Group by the alteration of the construction design plan of the Project offset or even outweigh the downside of the delay in completion and delivery of the Project.

Under the Share Purchase Agreement, Farrich has undertaken to complete the construction of the Project before 31 December 2013 and it is obliged to indemnify the Group for losses arising from any delay in the completion of the construction of the Project, including any additional costs and expenses that may be incurred as a result of such delay. The Company is satisfied itself that Farrich will be able to complete the construction of the Project by the original Project Completion Date of 31 December 2013 if no substantial change has been made to the original construction plans. On this basis, the Company does not consider the extension of the Project Completion Date a waiver of the obligations of Farrich under the Share Purchase Agreement. Based on the extent of changes to the construction plans requested by the Company and the additional work involved, the Company considers the delay of the Project Completion Date by more than one year is justifiable. In fact, the proposed new Project Completion Date of 30 June 2015 is only the deadline for completion of the construction in 4 phases of the Project as a whole. As indicated in the table under the section headed "Cash Consideration" in this

Letter from the Board below, it is expected that the construction work in Phase 1 of Land D of the Project will have completed by 2 November 2013 (the proposed new Long Stop Date). Under the Share Purchase Agreement, Farrich may deliver the Project to the Company in stages.

The amount of the Cash Consideration and the payment of the Cash Consideration by instalment remain unchanged. Under the Share Purchase Agreement, subject to Completion, the Cash Consideration will be paid by the Company to Farrich in 16 instalments based on the stages of construction of the Project. If Completion shall take place at a late stage of the construction of the Project, a number of instalments of the Cash Consideration will have become due and payable shortly after Completion. Based on the current status of the construction of the Project reported by Farrich and the assessment of the Company, it is expected that the First Payment will amount to approximately 50% of the Cash Consideration if Completion shall take place on or around 2 November 2013 (the conditionally agreed new Long Stop Date under the Second Supplemental Agreement). To alleviate the pressure that may be asserted on the cash flow of the Group, the Company agreed to the proposed settlement of the First Payment in three equal instalments within 180 days following Completion as set out in the section headed "Amendments to the Share Purchase Agreement" above. It is expected that the payment of the Cash Consideration in accordance with the Share Purchase Agreement as amended by the Second Supplemental Agreement will not cause any adverse effect to the financial condition of the Group.

In view of the adoption of austerity measures on the real property market, in particular the residential property market, by the Chinese Government in the last two years, the Group has responded to the change in the property market by increasing the portion of commercial properties and premium hotels as investment properties in the Group's property product mix and portfolio. Accordingly, the acquisition of the Project for long term rental income is in line with the Group's corporate strategy. In addition, the Acquisition also provides the Group with a valuable investment opportunity to acquire loft style offices in Beijing which supply will become scarce due to the prevailing restrictions on the height of office buildings located in Beijing.

Taking into account the factors stated above, the Directors consider that the proposed extension of the Long Stop Date and the Project Completion Date under the Second Supplemental Agreement will not have material adverse impact on the Group save for the delay in the Project's contribution of rental income to the Group and the Directors also consider that the Amendments, which were concluded based on arms' length negotiation between the Company and Farrich, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

CASH CONSIDERATION

Under the Share Purchase Agreement, the Cash Consideration will be paid by the Company to Farrich in 16 instalments at different stages of the construction of the Project. The proportion of the Cash Consideration (representing the percentages of the total amount of the Cash Consideration) payable by the Company upon the achievement of different stages of the construction of the Project are set out below:

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% *(Note)*	5%	5%
Phase 2 of Land A	5% *(Note)*	5% *(Note)*	5%	15%
Phase 1 of Land D	5% *(Note)*	5% *(Note)*	5% *(Note)*	5% *(Note)*
Phase 2 of Land D	5% *(Note)*	5% *(Note)*	5%	15%

Note: It is expected that these stages of the construction of the Project will have been achieved by 2 November 2013, being the conditionally agreed new Long Stop Date under the Second Supplemental Agreement.

Assuming Completion shall take place on or around 2 November 2013, being the proposed new Long Stop Date under the Second Supplemental Agreement, it is expected that the First Payment will amount to RMB1,156,900,000, representing 10 instalments and 50% of the total amount of the Cash Consideration. The stages of construction of the Project expected to be achieved by 2 November 2013 are shown in the table above.

It is expected that the Cash Consideration including the First Payment will be funded by the Group's internal resources and bank borrowings.

SHARE ISSUE

523,246,625 Shares will be issued at the price of HK$9.5 per Share pursuant to the Share Issue. The Issue Price represents:

(a) a premium of approximately 37.92% over the average closing price of approximately HK$5.8980 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the date of the Second Supplemental Agreement;

(b) a premium of approximately 35.44% over the average closing price of approximately HK$6.1335 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days up to and including the date of the Second Supplemental Agreement;

(c) a premium of approximately 32.68% over the average closing price of approximately HK$6.3950 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the date of the Second Supplemental Agreement; and

(d) a premium of approximately 14.87% over the closing price of approximately HK$8.2700 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The existing and enlarged shareholding structures of the Company immediately after the completion of the Share Issue are respectively set out below (assuming no Shares are issued or repurchased 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*(Note 1)*	1,032,363,809	59.47%	1,160,363,809	51.36%
Hopson Education Funds*(Note 2)*	68,640,000	3.95%	68,640,000	3.04%
Yield Plentiful Incorporated*(Note 3)*	34,500,000	1.99%	34,500,000	1.53%
Zhang Yi	90,000	0.00%	90,000	0.00%
Farrich	—	—	395,246,625	17.49%
Public Shareholders	600,410,000	34.59%	600,410,000	26.58%
	1,736,003,809	100%	2,259,250,434	100%

Notes:

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

Application for the listing of, and permission to deal in, the Consideration Shares has been made to the Stock Exchange.

GENERAL

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

Farrich is an investment holding company which is indirectly wholly-owned by Mr. Chu Yat Hong. Mr. Chu Yat Hong is a son of Mr. Chu, who is the ultimate controlling Shareholder of the Company and executive Director and the Chairman of the Company. Mr. Chu Yat Hong is also a brother of Ms. Chu Kut Yung, an executive Director of the Company. Accordingly, Farrich is a connected person of the Company and the Share Purchase Agreement constituted a connected transaction of the Company. The Share Purchase Agreement and the transactions contemplated thereunder were approved by the then independent Shareholders at the special general meeting of the Company held on 22 February 2011. None of Mr. Chu and Ms. Chu Kut Yung voted or counted as quorum in the meeting of the Board held to approve the Second Supplemental Agreement.

As the Amendments are subject to and conditional upon the Company obtaining the approval of the Independent Shareholders, the Company will convene the SGM for the Independent Shareholders to consider, and if thought fit, to pass the necessary resolution(s) to approve the Amendments.

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 Amendments.

Somerley has been appointed to advise the Independent Board Committee and the Independent Shareholders on the Amendments.

Your attention is drawn to the letter from the Independent Board Committee, containing its recommendation to the Independent Shareholders, set out on pages 15–16 of this circular and the advice from Somerley to the Independent Board Committee and the Independent Shareholders set out on pages 17 to 39 of this circular.

SGM

A notice convening the SGM is enclosed. At the SGM, a resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Amendments. As at the Latest Practicable Date, Mr. Chu Yat Hong and his associates did not have any Shares. Sounda and Hopson Education Funds, being the associates of Mr. Chu and holders of 1,101,003,809 Shares in aggregate as at the Latest Practicable Date, will abstain from voting in respect of the resolution proposed to approve the Amendments at the SGM.

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.

RECOMMENDATION

The Directors consider the Amendments are normal commercial terms, fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution proposed at the SGM.

By Order of the Board
Hopson Development Holdings Limited
Chu Mang Yee
Chairman

合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 754)

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

To the Independent Shareholders

16 November 2012

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES AND SECOND SUPPLEMENTAL AGREEMENT

INTRODUCTION

We refer to the circular dated 16 November 2012 issued by the Company, of which this letter forms part ("**Circular**"). Terms used in this letter shall have the same meanings defined elsewhere in the Circular unless the context requires otherwise.

The Independent Board Committee comprising Messrs. Lee Tsung Hei, David, Wong Shing Kay, Oliver and Tan Leng Cheng, Aaron has been established to advise you in respect of the Second Supplemental Agreement, details of which are set out in the Circular. Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Second Supplemental Agreement.

RECOMMENDATION

We wish to draw your attention to the Letter from the Board set out on pages 6 to 14 of the Circular, and the letter from Somerley which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Amendments as set out on pages 17 to 39 of the Circular.

* *for identification purposes only*

Having considered the Amendments, and taken into account the advice of Somerley and the principal factors and reasons considered by Somerley, we consider that the Amendments are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution proposed at the SGM to approve the Amendments.

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

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

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

SOMERLEY LIMITED
20th Floor
Aon China Building
29 Queen's Road Central
Hong Kong

16 November 2012

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 Second Supplemental Agreement entered into between the Company and Farrich on 26 October 2012. Details of the Second Supplemental Agreement are contained in the circular to the Shareholders dated 16 November 2012 (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 and our letter of advice dated 21 January 2011 (the "Original Letter of Advice") as reproduced in Appendix VI to the Circular.

As at the Latest Practicable Date, the Company was beneficially owned as to approximately 63.42% 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 Second Supplemental Agreement between the Company and Farrich constitutes a connected transaction of the Company, and the revised terms of the Acquisition (as amended by the Second Supplemental Agreement) 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 Second Supplemental Agreement. We, Somerley Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

The Second Supplemental Agreement stipulates certain changes to the Share Purchase Agreement including, among others, the extension of the long stop date of the Completion and the payment terms of the Cash Consideration. However, as the Share Purchase Agreement was entered into approximately two years ago and changes in the PRC property market condition, the financial position of the Group and of other relevant factors may have been substantial, we have re-assessed the Acquisition as a whole in this letter based on the latest information available. Independent Shareholders should also refer to the Original Letter of Advice, which is reproduced in Appendix VI to the Circular, for the background to, and our previous discussion on and assessment of, the Acquisition.

In considering whether the terms of the Share Purchase Agreement together with the Second Supplemental 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 and reasons for entering into the Second Supplemental Agreement

(i) *Status of the Share Purchase Agreement and the reasons for the Amendments*

At the special general meeting of the Company held on 22 February 2011, the then independent shareholders of the Company approved the Acquisition as stipulated under the Share Purchase Agreement (as amended by the Supplemental Agreement dated 13 December 2010). Under the Share Purchase Agreement, the Company would acquire a 100% equity interest in the Target Co from Farrich. Upon Completion, the Company would, 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 was stipulated in the Share Purchase Agreement dated 3 November 2010 that the Acquisition should be completed within 12 months from the date of the Share Purchase Agreement. As detailed in the sub-sections below, it became clear subsequently that Farrich required a longer time to fulfil the Conditions Precedent due principally to a delay in obtaining government approval for the reorganisation of the Target Group. Accordingly, the Company and Farrich agreed on 2 November 2011 to extend the Long Stop Date for one year to 2 November 2012.

By October 2012, the above government approvals for the reorganisation of the Target Group were still not obtained. In addition, the construction of the buildings in the Project was expected to be completed on a date later than the original deadline of 31 December 2013 as agreed in the Share Purchase Agreement, due to an alteration of the original structural design of the Project as requested by the Company. Accordingly, the Second Supplemental Agreement was entered into on 26 October 2012 with a view to, among other things, extending the Long Stop Date by one further year to 2 November 2013 and the Project Completion Date by a further 18 months to 30 June 2015.

Details of the major Conditions Precedent are included in the Original Letter of Advice. As disclosed in the "Letter from the Board" in the Circular, certain Conditions Precedent, including the completion of the Equity Transfer Agreement (as discussed below) and completion of the due diligence review and investigation in respect of the Target Group are not yet fulfilled as at the Latest Practicable Date. Neither the Cash Consideration or the Share Consideration has been paid by the Company as at the Latest Practicable Date.

(ii) ***The Group's strategic direction***

The Group is currently one of the largest property developers in the PRC in terms of land bank. For the year ended 31 December 2011 and for the six months ended 30 June 2012, the Group recorded consolidated revenue of approximately HK$8,007.5 million and approximately HK$5,122.6 million respectively, most of which were derived from its property development segment. 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$16,860.5 million as at 30 June 2012. As at 30 June 2012, the Group held six commercial investment properties, mostly situated in the first-tier cities in the PRC.

The Acquisition represents a further step to adjust the strategic balance between the Company's investment and development activities.

(iii) ***Target Co and status of the Equity Transfer Agreement***

The Target Co 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, which will in turn own the interests and development right in the Project now being developed on the Lands. Completion of the Equity Transfer Agreement is conditional upon, among others:

- 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"). Following completion of the Reorganisation, the principal assets of Project Co A and Project Co D now are 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; and

- the obtaining of all necessary approvals for the transfer of the equity interests in each of the Project Cos to the Target Co (the "Equity Transfer").

The Reorganisation was completed in early 2012. As advised by the management of the Group, the Target Co is still in the process of applying to the relevant authorities for the Equity Transfer. Since the Equity Transfer was not yet completed as at the Latest Practicable Date, no consolidated financial statements have been prepared for the Target Group. However, separate audited financial statements of the Target Co, Project Co A and Project Co D have been prepared as set out in Appendices IIA, IIB and IIC of the Circular respectively, and are further analysed in the section below headed "Business and latest financial information of the Target Group". As provided in the Share Purchase Agreement, upon completion of the Acquisition, the Project Cos will have no assets except the Lands and 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.

(iv) ***Status of the Lands and the 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. 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, construction of main structure of the buildings in phase 1 of Land D and the foundation work of phase 2 of Land D have been completed, and the site formation work of phase 1 and phase 2 of Land A is in progress. The Group currently intends to hold the Project for long term investment, which will provide the Group with stable rental income.

Pursuant to the Share Purchase Agreement, Farrich has undertaken to the Company to be responsible for the construction work 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. According to the website of the National Bureau of Statistics of China, the annual consumer price inflation in the PRC was 1.7% in October 2012, which was lower than the rate of 5.1% in November 2010 when the Share Purchase Agreement was first entered into. However, the minimum wage of Beijing city was raised by approximately 8.6% to RMB1,260 per month in 2012 when compared to RMB1,160 per month in 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.

Changes to the construction plans and extension of the Project Completion Date

In late November of 2011, the Company requested Farrich to change the construction plans of the Project including the consolidation of small-sized office units to medium-to-large sized office units, and the enhancement of the quality of the Project by adding certain ancillary facilities. The request of changes to the construction plans was made with a view to upgrade the overall style of the Project as a high-end commercial development, and to widen the potential tenant base to capture also well-established and large scale enterprises. Taking into account the above alterations, the Company considers that it is justifiable to extend the Project Completion Date to 30 June 2015, representing an extension of 18 months from the original Project Completion Date of 31 December 2013. As further disclosed in the "Letter from the Board" in the Circular, the Company has satisfied itself that had there been no substantial change to the original construction plans, Farrich would have been able to complete the construction of the Project by the original Project Completion Date of 31 December 2013. Accordingly, the Company does not consider the extension of the Project Completion Date is in substance a waiver of the obligations of Farrich under the Share Purchase Agreement.

It is expected that the total construction cost to be incurred on the Project under the new construction plans requested by the Company will be slightly higher than that under the original construction plans. Despite the fact that the request of change was made by the Company, we understand from the Company that the parties to the Share Purchase Agreement did not negotiate on or agree to any change to the term regarding the responsibility of the construction cost. According to the Share Purchase Agreement, Farrich is responsible for the construction costs of the Project.

The Company believed that, with a new structural design comprising office units of various sizes and additional ancillary facilities to capture tenants with different requirements and to widen the potential tenant base, the Project would have a comparatively more stable occupancy and generate higher rental income to the Group.

(v) *Benefits of the Acquisition, taking into account the Amendments*

If the Amendments under the Second Supplemental Agreement are not approved by the Independent Shareholders at the SGM, the Acquisition would automatically be terminated pursuant to the original terms pursuant to the Share Purchase Agreement. For this reason we consider it appropriate to re-evaluate the benefits of the Acquisition as a whole while also assessing the fairness and reasonableness of the Amendments, as detailed below:

Strategic move to broaden investment properties portfolio

As stated in the "Letter from the Board" in the Circular and the Previous Circular, 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. As at 30 June 2012, the carrying value of the Group's investment properties in the consolidated balance sheet was approximately HK$16,860.5 million, compared to the fair value of the Project on completion basis as at 30 September 2012 of approximately RMB8,808.0 million (or approximately HK$10,804.4 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 to complement development profits, which can be more volatile in nature.

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 balance resources between development and investment projects.

Consideration at a discount to valuation

The consideration for the Acquisition is approximately RMB6,605.1 million (or approximately HK$8,102.2 million). The Project has been valued by the Valuer on completion basis at approximately RMB8,808.0 million (or approximately HK$10,804.4 million) as at 30 September 2012, assuming that it is completed in accordance with the Company's development proposal. The discount to valuation is as follows:

	Valuation as at 30 September 2012	Consideration	Discount to valuation
	RMB million	*RMB million*	*RMB million*
The Project	8,808.0	6,605.1	2,202.9
	(Note)		*(or 25.0%)*

Note: This represents the valuation of the Project assuming that it was completed as at 30 September 2012 in accordance with the Company's development proposal, with its new structural design.

As reflected in the above table, the valuation as at 30 September 2012 was approximately RMB2,202.9 million (or approximately HK$2,702.2 million) over the Consideration, which means the Company is purchasing the Project at an approximately 25.0% 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.

According to the valuation report set out in Appendix V to the Circular, the value of the Project in its existing state as at 30 September 2012 was approximately RMB2,910.0 million, and the outstanding construction cost to complete the Project is estimated to be approximately RMB2,750.0 million. The sum of the above two amounts, being approximately RMB5,660.0 million, is lower than the valuation on completion basis of approximately RMB8,808.0 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 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.

Share Issue as part of the Consideration

Having considered the Group's cash and cash equivalents as at 30 June 2012 of approximately HK$4,430.6 million, the settlement of the entire Consideration of approximately RMB6,605.1 million (or approximately HK$8,102.2 million) in cash may not be prudent. The Consideration will be partly satisfied by the Share Issue, at an issue price of HK$9.50 per Consideration Share. Based on the pro forma financial information of the Enlarged Group as set out in Appendix IV of the Circular, the effect is a decreased adjusted consolidated net tangible assets per Share ("Adjusted NTA") of the Group as follows:

	As at 30 June 2012 *HK$*	
Net asset value per Share as at 30 June 2012	24.10	
Less: intangible assets of approximately HK$41.0 million (approximately HK$0.02 per Share)	(0.02)	
Adjusted NTA of the Group per Share	**24.08**	*Per Appendix IV*
Unaudited pro forma Adjusted NTA of the Enlarged Group per Share	20.71	*Per Appendix IV*
Decrease	*14.0%*	

As shown in the above table, the unaudited pro forma Adjusted NTA of the Enlarged Group per Share on Completion of approximately HK$20.71 is approximately 14.0% lower than the Adjusted NTA of the Group per Share of approximately HK$24.08. This calculation does not take into account the premium of the valuation over Consideration of approximately RMB2,202.9 million (or approximately HK$2,702.2 million) that the Group would be able to benefit from upon completion of the Project. This is equivalent to approximately HK$1.19 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$20.71, the adjusted net assets per Share would be approximately HK$21.90. The discount to the Adjusted NTA per Share on this basis would be approximately 9.1%. The issue price of HK$9.50 represents a significant discount to the Group's net asset value.

On the other hand, as explained in more detail in the section below headed "Share price performance and liquidity analysis", since the signing of the Share Purchase Agreement in November 2010, prices of the Shares have in general stayed substantially below the Issue Price of HK$9.50. The Issue Price of HK$9.50 represents a premium of approximately 14.9% over the closing price of the Shares as at the Latest Practicable Date of HK$8.27.

2. Principal terms of the Second Supplemental Agreement

Pursuant to the Second Supplemental Agreement, the Company and Farrich agreed to amend certain terms and conditions of the Share Purchase Agreement as follows:

	Previous terms	**Amendments made in Second Supplemental Agreement**
Long Stop Date	2 November 2012	2 November 2013
Completion date of the construction of the Project undertaken by Farrich	31 December 2013	30 June 2015
The First Payment of the Cash Consideration	Payable by the Company within 7 days after the Company has confirmed the total amount of the First Payment (as stated in the Share Purchase Agreement)	Divided into three equal instalments and payable by the Company within (i) 5 working days after the Company has confirmed the total amount of the First Payment; (ii) 90 days after the date of Completion; and (iii) 180 days after the date of Completion, respectively

Apart from the above, certain clarifications in relation to the procedures and confirmation of completion of construction, and the assignment of the amounts due from the Projects Cos to Farrich, are also made in the Second Supplemental Agreement. The above Amendments are subject to the approval of the Independent Shareholders at the SGM.

The Share Purchase Agreement provides that it will be terminated automatically if any of the Conditions Precedent is not satisfied or waived on or before the Long Stop Date. To avoid the automatic termination of the Share Purchase Agreement pending the Independent Shareholders' voting on the Amendments at the SGM, the Company and Farrich have agreed to extend the Long Stop Date from 2 November 2012 to the earlier of the conclusion of the SGM or 31 December 2012. If the Amendments are not approved at the SGM, the Share Purchase Agreement will lapse in accordance with its terms and the Acquisition will not proceed.

Save from this extension, all the other terms of the Share Purchase Agreement remain unchanged, including the Consideration of RMB6,605.1 million and the Issue Price of the Share Consideration of HK$9.50 per Consideration Share.

3. Business and latest financial information of the Group

(i) *Business*

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 the business of property investment.

As at 31 December 2011, the Group had over 52 commercial and residential property development projects under development or pending for future development, the majority of which are expected to be completed by or after 2015. As at 30 June 2012, the Group held six commercial investment properties. Starting from the two commercial investment properties held by the Group as at 30 June 2010, the Group has been implementing its stated strategy to attain a larger investment properties portfolio in order to complement the Group's property development business and achieve a more diversified portfolio mix between its property development business and its property investment business.

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

Set out below are the condensed operating results of the Group for the two financial years ended 31 December 2010 and 31 December 2011 respectively, and for the six months ended 30 June 2011 and 30 June 2012 respectively, as extracted from the Group's 2011 annual report and 2012 interim report:

Operating results

	For the six months ended 30 June		**For the year ended 31 December**	
	2012	**2011**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*
Revenue	5,122,555	4,833,445	8,007,537	14,379,253
Gross profit	2,285,575	2,256,742	3,678,376	5,687,232
Gross profit %	*44.6%*	*46.7%*	*45.9%*	*39.6%*
Fair value gains on investment properties	107,697	18,776	107,397	3,795,624
Operating profit	3,474,508	1,817,293	2,409,558	9,078,972
Profit before tax	3,361,056	1,675,744	2,197,184	8,843,109
Profit for the year/period	2,593,173	1,054,172	1,408,411	6,293,012

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 Guangzhou, Shanghai, Beijing and Tianjin.

Financial year ended 31 December 2011 compared to financial year ended 31 December 2010

In 2011, with the implementation of property market policies by the PRC government in order to moderate the increase of real estate prices and support the sustainable development of the market, the Group recorded revenue of approximately HK$8,007.5 million in 2011, representing a decrease of approximately 44.3% from approximately HK$14,379.3 million in 2010. The Group's rental income generated from its properties in the PRC amounted to approximately HK$92.5 million and approximately HK$147.7 million out of the total revenue recognised in 2010 and 2011 respectively. On the other hand, gross profit margin increased by approximately 6.3 percentage points from approximately 39.6% in 2010 to approximately 45.9% in 2011 principally due to the delivery of some higher margin projects.

Operating profit of the Group decreased by approximately 73.5% to approximately HK$2,409.6 million in 2011, which was mainly attributable to (i) the decrease of fair value gains on investment properties from approximately HK$3,795.6 million in 2010 to approximately HK$107.4 million in 2011; and (ii) a one-off net gain recognised in 2010 of approximately HK$958.2 million resulting from the full disposal of a property holding subsidiary. Profit for the year decreased by approximately 77.6%, from approximately HK$6,293.0 million in 2010 to approximately HK$1,408.4 million in 2011.

Six months ended 30 June 2012 compared to six months ended 30 June 2011

The revenue of the Group increased by approximately 6.0% from approximately HK$4,833.4 million for the six months ended 30 June 2011 to approximately HK$5,122.6 million for the six months ended 30 June 2012. The gross profit margin, however, decreased by 2.1 percentage points from approximately 46.7% during the first half of 2011 to approximately 44.6% during the first half of 2012, which was mainly attributable to the increase in the proportion of lower-margin properties during the period.

Operating profit of the Group nearly doubled to approximately HK$3,474.5 million during the first half of 2012 in comparison to the first half of 2011, mainly due to a one-off gain of approximately HK$1,729.6 million resulting from the disposal of the Group's investment in a company listed on the Shanghai Stock Exchange. Due to the same reason, profits before and after taxation for the first half of 2012 increased by approximately 101% and 146% respectively, to approximately HK$3,361.1 million and HK$2,593.2 million respectively.

Assets and liabilities

	As at 30 June	**As at 31 December**	
	2012	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	*(audited)*	*(audited)*
Non-current assets	26,134,083	28,118,009	25,162,663
Current assets	85,936,626	81,778,716	65,998,097
Total assets	112,070,709	109,896,725	91,160,760
Non-current liabilities	(25,753,677)	(28,056,704)	(26,142,153)
Current liabilities	(41,555,181)	(37,773,912)	(24,025,508)
Total liabilities	(67,308,858)	(65,830,616)	(50,167,661)
Equity attributable to equity holders of the Company	41,852,315	41,084,452	38,187,155
Non-controlling interests	2,909,536	2,981,657	2,805,944
Net assets	44,761,851	44,066,109	40,993,099
Net asset value (excluding non-controlling interests) ("NAV") per Share	HK$24.10	HK$23.67	HK$21.79

As at 30 June 2012, assets of the Group mainly comprised of (i) properties under development for sale and completed properties for sale of approximately HK$62,727.6 million in aggregate, representing approximately 56.0% of the total assets; (ii) investment properties of approximately HK$16,860.5 million; (iii) prepayments for acquisition of land of approximately HK$13,618.5 million and (iv) cash and cash equivalents of approximately of HK$4,430.6 million.

As at 30 June 2012, liabilities of the Group mainly comprised of (i) borrowings of approximately HK$33,505.1 million including (a) secured borrowings from financial institutions of approximately HK$28,504.7 million and (b) senior notes of approximately HK$5,000.4 million; (ii) pre-sale deposits of approximately HK$10,613.0 million; (iii) current and deferred tax liabilities of approximately HK$10,087.9 million in aggregate and (iv) property construction fees payable to various contractors of approximately HK$6,528.6 million.

Based on the Group's net debt (defined as borrowings, net of cash and bank deposits) of approximately HK$27,804.3 million and net assets of approximately HK$44,761.9 million as at 30 June 2012, the Group's net gearing ratio (defined as net debt divided by net assets) as at 30 June 2012 was approximately 62.1%, which represented an improvement of approximately 9.8 percentage points compared to approximately 71.9% as at 31 December 2011. The improvement was mainly attributable to the repayment of due loans in the first half of 2012 combined with an increase in cash and bank deposits of approximately HK$2,052.6 million when compared to 31 December 2011.

4. Business and latest financial 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. The Target Co has not been involved in any significant business transactions up to the signing of the Equity Transfer Agreement. 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 has yet to be completed. As at the Latest Practicable Date, the Project Cos had not yet been transferred to the Target Co.

Based on the accountant's report on the Target Co as set out in Appendix IIA to the Circular, the Target Co incurred audited net losses of HK$38,525, HK$14,858 and HK$2,379 for the two years ended 31 December 2010 and 2011 and the six months ended 30 June 2012. Principal assets and liabilities of the Target Co as at 30 June 2012 represented cash balances of HK$70,903 and an amount due to a related company (controlled by a director of the Target Co) of HK$183,835. The Target Co had net liabilities of approximately HK$108,563 as at 30 June 2012. These figures are not significant because the Equity Transfer was not yet completed as at the Latest Practicable Date and no consolidated financial statements have been prepared for the Target Group. However, separate audited financial statements of Project Co A and Project Co D have been prepared.

Based on the accountant's report on the Project Co A as set out in Appendix IIB to the Circular, Project Co A incurred audited net losses of HK$120,223 and HK$281,719 for the year ended 31 December 2011 and for the six months ended 30 June 2012 respectively. As at 30 June

2012, total assets of Project Co A amounted to approximately HK$277.9 million, which mainly comprised of assets under construction, namely land and construction costs and capitalised expenditures. As at 30 June 2012, total liabilities of Project Co A amounted to approximately HK$269.0 million, which mainly comprised of amounts due to related parties and accounts payable and accruals.

Based on the accountant's report on the Project Co D as set out in Appendix IIC to the Circular, Project Co D incurred audited net losses of HK$9.5 million and HK$8.2 million for the year ended 31 December 2011 and for the six months ended 30 June 2012 respectively. According to the management of the Group, such net losses mainly represented payments of general and administrative expenses. As at 30 June 2012, total assets of Project Co D amounted to approximately HK$657.5 million, which was mainly comprised of assets under construction, namely land and construction costs and capitalised expenditures. As at 30 June 2012, total liabilities of Project Co D amounted to approximately HK$669.2 million, which was mainly comprised of amounts due to related parties and accounts payable and accruals.

Pursuant to the Share Purchase Agreement, upon Completion, the Project Cos will have no assets except the Lands and interests in the Subsisting Construction Contracts, and will have no liabilities.

5. Evaluation of the Consideration and valuation of the Project

The consideration for the Acquisition remains unchanged at approximately RMB6,605.1 million. Pursuant to the Share Purchase Agreement, Farrich has undertaken to the Company:

- to be responsible for the construction work and administrative formalities in relation to the Project, and to deliver the completed Project to the Company on or before 31 December 2013, and

- 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. An updated valuation on the Project has been prepared by DTZ Debenham Tie Leung Limited, an independent professional surveyor and property valuer. The full text of the updated valuation report and certificate dated 30 September 2012 is set out in Appendix V to the Circular, and Independent Shareholders are recommended to read it in full.

The valuation of the Project of approximately RMB8,808.0 million as at 30 September 2012 is slightly higher than the valuation of approximately RMB8,750.0 million as at 31 October 2010 as stated in the Previous Circular. Based on the valuation of the Project as at 30 September 2012 of RMB8,808.0 million, the Consideration of approximately RMB6,605.1 million represents a discount of approximately RMB2,202.9 million, or approximately 25.0%, which we consider beneficial to the Company. In our view, since the Consideration remains unchanged, any increase in the valuation is beneficial to the Company.

When arriving at the valuation of approximately RMB8,808.0 million (or approximately HK$10,804.4 million) as at 30 September 2012, the Valuer has adopted the basis of capitalisation of potential net income derived from the proposed completed development, which is the same approach adopted by the Valuer in its previous valuation report included in the Previous Circular. 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.

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. We have also visited the site of the Project and reviewed its progress.

6. Share price performance and liquidity analysis

(i) *Analysis of Share price performance*

The chart below shows the movement of the closing prices of the Shares during a period starting from 1 November 2010, approximately two years prior to the Second Supplemental Agreement, up to and including the Latest Practicable Date (the "Period").

Source: Bloomberg

As shown in the above chart, following the release of the announcements regarding the Acquisition and a successful bid for a land use right in Shanghai with a consideration of approximately HK$1,558.9 million on 3 and 4 November 2010 respectively, the price of the Shares fluctuated within a range of HK$7.78 to HK$9.42 on 13 December 2010, when the Company announced the entering into of the First Supplemental Agreement regarding certain changes in the terms of the Share Purchase Agreement, including a decrease in the consideration for the Acquisition to approximately RMB6,605.1 million and an increase in the issue price to HK$9.50 per Consideration Share. Prices of the Shares then fluctuated within a range of approximately HK$7.8 to HK$9.6 during the period from 14 December 2010 to 30 March 2011. On 31 March 2011, the Company announced its 2010 annual results, which showed a slight increase in profit for the year by approximately 3.3% as compared to 2009.

Following the 2010 annual results announcement on 31 March 2011, the price of the Shares showed a downward trend in general, showing a decrease from HK$8.64 on 1 April 2011 to HK$4.70 on 1 November 2011. During the period, the Company announced its 2011 interim result which recorded a decrease in profit for the period by approximately 29.5%, mainly due to a one-off gain on the disposal of a property holding subsidiary during the first half of 2010.

On 2 November 2011, the Company announced a 12 month extension of the long stop date in the Share Purchase Agreement to 2 November 2012, in view of the longer time required for fulfillment of the conditions as stated in the agreement.

Since then, the price of the Shares declined to a low of HK$3.66 on 6 January 2012 and started to pick up gradually to a high of HK$6.69 on 24 February 2012 before dropping back to HK$4.55 on 30 March 2012, the date of which the Company announced its 2011 annual results which showed an approximately 77.6% drop in net profit. During April and May 2012, the Company made various announcements that the Group had disposed of its investment in a company (the "A Share Disposal") listed on the Shanghai Stock Exchange during the period from 2 March 2012 to 28 May 2012, and recorded a one-off gain of approximately HK$1,729.6 million. During the same period, the price of the shares fluctuated between HK$3.97 and HK$6.14.

Separately, on 17 April 2012, the Company announced that it had completed its subscription for a 4.99% equity interest in Beijing Rural Commercial Bank Co., Ltd., a financial institution in the PRC, on or around 26 August 2011, for a total consideration of approximately HK$1,759.0 million so as to diversify its investments into non-property development related business.

During the period from 29 May 2012 to 27 August 2012, the price of the Shares fluctuated between HK$3.93 to HK$5.56. On 28 August 2012, the Company announced its 2012 interim result, which showed a significant increase in net profit by approximately 1.5 times to HK$2,593.2 million, principally due to the one-off gain on the A Share Disposal. Since then, the price of the Shares has gradually picked up from HK$4.91 on 28 August 2012 to HK$7.05 on 26 October 2012, the date that the Company announced the entering into of the Second Supplemental Agreement. Following the announcement relating to the Second Supplemental Agreement, prices of the Shares continued the upward trend and increased from HK$7.22 on 29 October 2012 to HK$8.27 on the Latest Practicable Date.

Based on the above, we have not identified any significant Share price irregularities during the Period. To conclude, we note that the Share price in general has stayed substantially below the Issue Price of HK$9.50 per Consideration Share during the Period. As at the Latest Practicable Date, the Issue Price of HK$9.50 represents a premium of approximately 14.9% over the closing price HK$8.27. On this basis, we consider the issue of the Consideration Shares by the Company at a premium to market price to be attractive to the Independent Shareholders.

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

The following table sets out (i) the total number of Shares traded per month; (ii) the percentage of the monthly trading volume to the issued share capital of the Company; and (iii) the percentage of the monthly trading volume to total public float respectively for each full month from November 2010 to October 2012; and from 1 November 2012 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**
2010			
November	98.4	5.6%	16.0%
December	53.2	3.0%	8.6%
2011			
January	67.1	3.8%	10.9%
February	33.9	1.9%	5.5%
March	31.3	1.8%	5.1%
April	50.1	2.9%	8.1%
May	101.7	5.8%	16.5%
June	58.8	3.4%	9.5%
July	37.4	2.1%	6.1%
August	38.0	2.2%	6.2%
September	51.2	2.9%	8.3%
October	37.0	2.1%	6.0%
November	19.2	1.1%	3.2%
December	20.8	1.2%	3.5%

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
2012			
January	47.6	2.7%	7.9%
February	84.5	4.9%	14.1%
March	33.9	2.0%	5.6%
April	20.6	1.2%	3.4%
May	19.8	1.1%	3.3%
June	59.6	3.4%	9.9%
July	49.9	2.9%	8.3%
August	15.6	0.9%	2.6%
September	21.7	1.3%	3.6%
October	37.9	2.2%	6.3%
Average	45.4	2.6%	7.4%
From 1 November 2012 up to the Latest Practicable Date	18.7	1.1%	3.1%

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 November 2010 to October 2012 represented between 0.9% and 5.8% of the total issued Shares, and between 2.6% and 16.5% of total public float. The trading volume of the Shares from 1 November 2012 to the Latest Practicable Date represented 1.1% of the total issued Shares, and 3.1% of total public float. As the shares have been actively traded, we consider recent market prices to fairly reflect the value which the market is placing on the Shares. This supports our view that the Issue Price of HK$9.50, at a premium to market, is a favourable aspect of the Acquisition for Independent Shareholders.

7. Financial effects on the Group

(i) *Earnings*

Following Completion, which is currently expected to be in November 2013, 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, classified as investment property by the Directors, will be carried at fair value after initial recognition. All future fair value gains or losses (including unrecognised fair value gains or losses) in relation to the Project will be recognised in the consolidated income statement of the Group.

The Project is not expected to be finished immediately following Completion. Accordingly, the Project would not immediately contribute turnover or profit to the Group upon Completion. According to the Second Supplemental Agreement, the Project will be finished on or before 30 June 2015. The Directors believe that once the project is finished and decoration work has been completed, it would provide the Group with stable rental income in the long term.

(ii) *Gearing*

Based on the Group's net debt (defined as borrowings, net of cash and bank deposits) of approximately HK$27,804.3 million and net assets of approximately HK$44,761.9 million as at 30 June 2012, the net gearing ratio of the Group (defined as net debt divided by net assets) was approximately 62.1% as at 30 June 2012. Immediately upon Completion, the pro forma net assets of the Group would be increased by approximately HK$4,970.8 million to approximately HK$49,732.7 million because of the substantial issue of new Shares. On the basis that the Target Group would have no borrowings at Completion, the net gearing ratio of the Group is expected to decrease by approximately 6.2 percentage points to approximately 55.9% 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$2,838.3 million). As mentioned in the section above headed "Principal terms of the Second Supplemental Agreement", the first payment of the Cash Consideration to Farrich would be made in three equal instalments at different stages of the construction of the Project, which is expected to be completed by 30 June 2015. According to the current construction plan and timetable of the Project, it is expected that, subject to Completion, the first payment of the Cash Consideration of approximately RMB1,156.9 million (equivalent to 50% of the Cash Consideration) will be due for payment after Completion in three equal instalments. Also, the Group has to incur decoration costs of approximately RMB312.5 million to bring the Project up to a quality suitable for future rental purpose. The Cash Consideration and the decoration costs will be funded by the Group's internal resources. The Directors have confirmed 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.

8. 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	63.42%	1,229,003,809	54.40%
Farrich	—	—	395,246,625	17.49%
Independent Shareholders	635,000,000	36.58%	635,000,000	28.11%
	1,736,003,809	100.00%	2,259,250,434	100.00%

The Share Issue allows the Company to reduce the Cash Consideration required for the Acquisition. 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 upon Completion would be diluted from approximately 36.58% to approximately 28.11% of total shareholdings, that is a 8.47 percentage points reduction. While the dilution of Independent Shareholders' holdings is an unattractive factor in itself, this in our view should be considered in the context of the interests being secured following Completion, among others, the Lands and the Project, which are expected to generate stable rental income to the Enlarged Group following delivery of the completed Project by the end of 2013.

9. Risks associated with the Acquisition and mitigating factors

In the Original Letter of Advice, we set out the principal risks associated with the Acquisition which we have considered during our assessment of the fairness and reasonableness of the Acquisition. We reproduce below these principal risks associated with the Acquisition, with relevant updates, as follows:

Recent PRC policies

Since the signing of the Share Purchase Agreement in two years ago, the PRC government has continued its implementation of various austerity measures and policies with a view to cool down the PRC property market. The unexpectedly slow approval process of the Target Group's reorganisation indicates the difficulties faced by Farrich and the Group to complete the Acquisition. However, as advised by the management of the Group, the Project is a commercial property development project, and in general less affected by the above austerity measures and policies, and the inclusion of commercial properties in the Group's properties portfolio is expected to enhance the Group's resilience against market risks.

During the same period, the general tightening of the availability of bank credit in the PRC remains in effect. As a result companies, including property developers, face difficulties in obtaining 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 debt financing. In addition, pursuant to the Second Supplemental Agreement, the First Payment can now be further divided into 3 equal portions and settled by the Group over a longer time frame, allowing a more flexible settlement option for 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. In the Previous Circular, the Company engaged an independent PRC law firm (the "PRC Legal Adviser"), who was of the view that (i) there were no specific rules and regulations which prohibit research buildings from being used as office premises, and (ii) it was highly improbable for the PRC government authority to take any administrative action against the Project Cos if the buildings developed on the Lands were to be used as office premises. For the purpose of the entering into of the Second Supplemental Agreement, the same PRC Legal Adviser has been engaged for a refreshed legal opinion regarding the Acquisition (the "Refreshed Legal Opinion"). In the Refreshed Legal Opinion, the PRC Legal Adviser has given the same view regarding the approved use of the Lands.

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 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.

Idle land issue

As at the Latest Practicable Date, the construction work on both Land A and Land D have commenced. However, we understand that the commencement dates of construction work for the Lands were later than the deadlines as required under the relevant land grant contracts. According to the relevant PRC rules and regulations, if land is declared "idle", it 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 the Refreshed Legal Opinion, the PRC Legal Adviser is of the view that the Lands would be treated as an idle land only if written confirmation is received from the relevant government authority. As at the Latest Practicable Date, neither Zhujiang Investments nor the Project Cos have received such notification from the relevant PRC government authority, or was aware of any investigation of idle land being conducted by the relevant authority. The Company's PRC legal Adviser is therefore of the view, as stated in its Refreshed Legal Opinion, that the Lands should not be classified as or deemed to be idle lands. The PRC Legal Adviser is also 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 work have commenced.

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 any contingent claim to the Projects Cos, an escrow arrangement contemplated in the Share Purchase Agreement is in place which requires Farrich to submit proofs of its settlement of all the outstanding construction costs, before certain Consideration Shares to be held in escrow, together with all moneys arising out of dividends and distributions by the Company in respect of the these Consideration Shares, are released to Farrich.

DISCUSSION AND ANALYSIS

At the special general meeting on 22 February 2011, the then independent shareholders of the Company approved the Acquisition. Since then, Farrich has been working to fulfill the Conditions Precedents to Completion for which it is responsible. However, it has encountered difficulties in obtaining the required government approvals for the reorganisation of the Target Group, in particular the approval for the transfer of the equity interests in each of the Project Cos to the Target Co. Also, there were difficulties in achieving the original Project Completion Date of 31 December 2013, principally due to the alteration of the original structural design of the Project as requested by the Company.

The Second Supplemental Agreement was entered into between the Company and Farrich on 26 October 2012 in order to extend the Long Stop Date and the Project Completion Date. The first payment of the Cash Consideration, which was originally payable by the Company shortly after Completion, is now separated into three tranches payable within 6 months after Completion.

Since the Share Purchase Agreement was entered into approximately two years ago, we have re-assessed the major terms of the Amendments and considered other relevant updates applicable to the Acquisition. A summary of the updates, which we believe are important for our analysis, is as follows:

	Previous Circular	**This Circular**
The Amendments:		
Long Stop Date	2 November 2012	2 November 2013
Completion date of the construction of the Project undertaken by Farrich	31 December 2013	30 June 2015
The First Payment of the Cash Consideration	Payable by the Company within 7 days after the Company has confirmed the total amount of the First Payment (as stated in the Share Purchase Agreement)	Divided into three equal instalments and payable by the Company within (i) 5 working days after the Company has confirmed the total amount of the First Payment; (ii) 90 days after the date of Completion; and (iii) 180 days after the date of Completion, respectively
Relevant analysis on the Acquisition:		
Status of construction	Land A: construction work yet to commence Land D: construction work commenced	Land A: site formation work in progress Land D: main structure of phase 1 completed, and foundation work of phase 2 completed
Valuation of the Project	RMB8,750 million	RMB8,808 million
Discount of the Consideration to valuation (approx.)	24.5%	25.0%
Decrease in Adjusted NTA without taking into account of premium of valuation over Consideration (approx.)	11.1%	14.0%

	Previous Circular	This Circular
Decrease in Adjusted NTA taking into account of premium of valuation over Consideration (approx.)	5.2%	9.1%
Dilution of Independent Shareholders' holdings (approx.)	Diluted by 8.54 percentage points	Diluted by 8.47 percentage points
Closing price of the Shares as at the latest practicable date	HK$9.03 (as at 17 January 2011)	HK$8.27 (as at 12 November 2012)
Issue Price's premium over closing price as at latest practicable date (approx.)	5.2%	14.9%
Status of the Group:		
Number of investment properties held by the Group	2	6
Cash balance of the Group (approx.)	HK$4,329.3 million	HK$4,430.6 million
Change in gearing following Completion (approx.)	41.2% → 36.1%	62.1% → 55.9%

As shown in the above table:

- The construction of the Project has been progressing, e.g. the main structure of phase 1 has been completed, but the alteration of the original structural design of the Project as requested by the Company has required the Project Completion Date to be pushed back 18 months further to 30 June 2015;

- The change in payment terms of the Cash Consideration allows the Group to settle the First Payment in three instalments, alleviating any impact on the cash flow of the Group;

- Valuation of the Project as at 30 September 2012 is marginally higher compared to two years ago. As there is no change to the Consideration, any increase in the valuation is beneficial to the Company;

- The expected decrease in Adjusted NTA of 14.0% (9.1% if the premium of valuation over the Consideration is taken in to account) is somewhat greater than before because of the intervening increase in the Group's NAV. This factor and the dilution of Independent Shareholders' holdings are unattractive factors in themselves, but in our view should be considered in the context of the Acquisition as a whole;

- The prices of the Shares were depressed in the past two years, and closed at HK$8.27 per Share as at the Latest Practicable Date. As the Issue Price remains unchanged at HK$9.50 per Share, the premium of the Issue Price over the prevailing market price of the Shares has increased. It is beneficial to the Independent Shareholders for Farrich to subscribe for the Consideration Shares at a premium to market price;

- As stated in both the Previous Circular and this Circular, the Directors consider the Acquisition to be 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 continued to gain importance in recent years, with the number of investment properties held increasing from two as at 30 June 2010 to six as at 30 June 2012. We concur with the Directors' view that the Acquisition is a strategic move for the Group which is likely in due course to further improve the balance between the Group's rental and development income; and

- The cash balances of the Group as at 30 June 2012 have remained at a similar level compared to 30 June 2010. The gearing ratio as at 30 June 2012 of approximately 62.1% represents a significant increase when compared to the gearing ratio as at 30 June 2010 of approximately 41.2%. The issue of the Consideration Shares as part of the Consideration would (i) lower the financial burden put on the Group when compared to a cash-only Consideration, and (ii) increase the net asset base of the Group, as implied by the expected decrease in gearing to approximately 55.9% following Completion.

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.

Generally speaking, 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 the present gearing of the Group and current conditions in the credit markets. Taking into account the need for a prudent financial structure and the fact that the Consideration represents an approximately 25.0% discount to valuation, we consider the dilution in net assets per Share and the dilution of Independent Shareholders' holdings which arise through the structure and price of the Acquisition is acceptable in view of the advantages set out above.

Independent Shareholders should note that if the Amendments are not approved at the SGM, the Share Purchase Agreement will lapse in accordance with its terms and the Acquisition will not proceed.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Second Supplemental 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 Second Supplemental 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 others, the entering into of the Second Supplemental 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 2009, 2010 and 2011, including the notes thereto, has been disclosed in the 2009, 2010 and 2011 annual reports of the Company respectively, and the financial information of the Group for the 6 months ended 30 June 2012, including the notes thereto, has been disclosed in the 2012 interim report of the Company.

The following is a quick link to the 2009 annual report of the Group published on 1 April 2010 with its audited consolidated financial statements for the year ended 31 December 2009 on pages 115 to 251: http://202.66.146.82/listco/hk/hopson/annual/2009/ar2009.pdf or http://www.hkexnews.hk/listedco/listconews/SEHK/2010/0401/LTN201004011264.pdf.

The following is a quick link to the 2010 annual report of the Group published on 15 April 2011 with its audited consolidated financial statements for the year ended 31 December 2010 on pages 120 to 249: http://202.66.146.82/listco/hk/hopson/annual/2010/ar2010.pdf or http://www.hkexnews.hk/listedco/listconews/SEHK/2011/0415/LTN20110415015.pdf.

The following is a quick link to the 2011 annual report of the Group published on 19 April 2012 with its audited consolidated financial statements for the year ended 31 December 2011 on pages 122 to 253: http://202.66.146.82/listco/hk/hopson/annual/2011/ar2011.pdf or http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0419/LTN20120419378.pdf.

The following is a quick link to the 2012 interim report of the Group published on 11 September 2012 with its unaudited condensed consolidated financial statements for the period ended 30 June 2012 on pages 26 to 66: http://202.66.146.82/listco/hk/hopson/interim/2012/intrep.pdf or http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0911/LTN20120911006.pdf.

The summary of litigation instituted by 中國一拖集團有限公司 (YTO Group Corporation) (“YTO Group”) 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 to the annual consolidated financial statements for the year ended 31 December 2011 and note 23 to the interim financial information for the 6 months ended 30 June 2012.

On 28 August 2012, The Higher People’s Court of Henan Province upheld its judgment made in August 2010 to order Ziyun Co to pay the judgment sums which Laureland Co is unable to settle.

Based on the management’s assessment, the maximum monetary liability of the Group under the dispute is estimated at RMB56,200,000. No provision has been made in respect of this amount in this financial information.

B. INDEBTEDNESS STATEMENT

As at close of business on 30 September 2012, 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$ '000
8.125% and 11.75% senior notes — secured *(Note (a))*	5,006,566
Bank borrowings — secured *(Note (b))*	29,775,951
Amount due to an associate — unsecured *(Note (c))*	6,770
Amounts due to related companies — unsecured *(Note (c))*	807,558
Amount due to a jointly controlled entity — unsecured *(Note (c))*	1,559,558
	37,156,403

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.

(d) In accordance with the Share Purchase Agreement, the amounts due to related companies of the Target Co, the Project Co A and the Project Co D will be waived upon completion of the Acquisition. Therefore, the amounts were not included in the statement of indebtedness of the Enlarged Group.

As at close of business on 30 September 2012, financial guarantees not provided for in the financial statements are as follows:

	HK$ '000
Guarantees given to banks for mortgage facilities granted to certain buyers of the Enlarged Group's properties	10,228,808

As at close of business on 30 September 2012, the Enlarged Group had the following pending litigation proceedings which were 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"), both independent third parties 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 under the guarantee provided by YTO Group in respect of a bank loan obtained by Henan Jian Ye Company. A balance of RMB93,138,320 was due and payable by Laureland Co to YTO Group.

In June 2007, YTO Group, as plaintiff, instituted a proceeding against Laureland Co, as defendant, in the Intermediate People's Court of Luoyang City ("Luoyang Court"), claiming for the payment of the said balance of RMB93,138,320. In July 2007, YTO Group issued "supplementary pleadings" adding Guangzhou Ziyun Village Real Estate Company Limited ("Ziyun Co"), a subsidiary of the Group a co-defendant and pleading that certain transfer(s) of assets at an undervalue be declared void and that the co-defendant be ordered to repay the said balance.

In August 2007, the Luoyang Court made an injunction to freeze the sum of RMB11,446,100 in the bank account of Ziyun Co and the land use rights of certain land situated in Nanan Village, Zengcheng Xintang Town, Guangdong Province. In March 2008, the court released the said land and made an order to freeze the land use rights of certain other land situated in the same location.

On the basis of the damage arising from the injunction as aforementioned, Ziyun Co instituted a proceeding in the Luoyang Court against YTO Group and Laureland Co, pleading that the co-defendants be injuncted from infringing the rights of Ziyun Co and seeking compensation for its economic loss of RMB20,000,200.

In May 2008, the Luoyang Court heard the proceedings in relation to YTO Group's claims and ordered that (i) Laureland Co shall repay the sum of RMB93,138,320 owed to YTO Group, (ii) YTO Group shall have priority in sums recovered by auction or sale of the mortgaged properties and (iii) 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 judgement.

In August 2010, the Higher People's Court of Henan Province upheld the decision of the Luoyang Court and ordered that Ziyun Co shall pay the costs of the appeal.

In June 2011, the bank deposits of Ziyun Co amounting to RMB12 million was temporarily transferred to the Higher People's Court of Henan Province.

In July 2011, the Supreme People's Court of the PRC accepted the application for retrial and in February 2012, the court hearing in the Higher People's Court of Henan Province was conducted, but judgment has not been handed down.

In May 2012, as requested by Ziyun Co, the Higher People's Court of Henan Province released the charge of the land use rights of a piece of land of approximately 239,500 square meters held by Ziyun Co after Ziyun Co provided another bank deposits of RMB30,000,000 and two other plots of land of approximately 23,000 square meters as charged items.

On 28 August 2012, The Higher People's Court of Henan Province upheld its judgment made in August 2010 to order Ziyun Co to pay the plaintiff judgment sums which Laureland Co is unable to settle.

Based on the management's assessment, the maximum monetary liability of the Group under the dispute is estimated at RMB56,200,000. No provision has been made in respect of this amount in this financial information.

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 September 2012 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.

C. WORKING CAPITAL

Taking into account the expected completion of the Acquisition on 2 November 2013 and the financial resources available to the Enlarged Group, including the internally generated funds and the available bank facilities of RMB716,940,000 (approximately HK$879,444,000), 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.

The Enlarged Group has commenced negotiations with certain banks for additional project loan facilities of RMB14,143,060,000 (approximately HK$17,348,556,000) for financing property development projects. Based on past experience, the Directors are of the opinion that the aforesaid loan arrangement can be completed as the property projects progress.

D. MATERIAL ADVERSE CHANGE

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

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.

pwc 羅兵咸永道

16 November 2012

The Directors
Hopson Development Holdings Limited

Dear Sirs,

We report on the financial information of Sun Excel Investments Limited (the "Target Co") which comprises the balance sheets of the Target Co as at 31 December 2009, 2010 and 2011 and as at 30 June 2012, and the statements of comprehensive income, the statements of changes in equity and the cash flow statements of the Target Co for each of the years ended 31 December 2009, 2010 and 2011 and for the six months ended 30 June 2012 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. 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 IIA to the circular of the Company dated 16 November 2012 (the "Circular") in connection with the proposed acquisition of the Target Co by the Company.

The Target Co 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 Co has adopted 31 December as its financial year end date. No audited financial statements have been prepared by the Target Co 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 directors of the Target Co during the Relevant Periods are responsible for the preparation and the fair presentation of the financial statements of the Target Co in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the interim report of the Company for the period ended 30 June 2012.

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 Co as at 31 December 2009, 2010 and 2011 and as at 30 June 2012 and of the Target Co's results and cash flows for 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 IIA to the Circular which comprises the statement of comprehensive income, the statement of changes in equity and the cash flow statements of the Target Co for the six months ended 30 June 2011 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company 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 and the accounting policies adopted by the Company as set out in the interim report of the Company for the period ended 30 June 2012.

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 of the Stub Period Comparative Financial Information 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, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 3 of Section II below.

I. FINANCIAL INFORMATION OF THE TARGET CO

The following is the financial information of the Target Co prepared by the directors of the Company as at 31 December 2009, 2010 and 2011 and 30 June 2012 and for each of the years ended 31 December 2009, 2010 and 2011, and the six months ended 30 June 2011 and 2012 (the "Financial Information").

Balance sheets

		As at 31 December			As at 30 June
		2009	**2010**	**2011**	**2012**
	Note	*HK$*	*HK$*	*HK$*	*HK$*
ASSETS					
Current assets					
Due from the immediate holding company	9	8	8	8	8
Prepayment		1,982	1,982	1,982	4,361
Cash and cash equivalents	5	70,897	70,903	70,903	70,903
Total assets		72,887	72,893	72,893	75,272
EQUITY					
Share capital	6	8	8	8	8
Accumulated losses		(52,809)	(91,334)	(106,192)	(108,571)
Total deficit		(52,801)	(91,326)	(106,184)	(108,563)
LIABILITY					
Current liability					
Due to a related company	9	125,688	164,219	179,077	183,835
Total liability		125,688	164,219	179,077	183,835
Total equity and liability		72,887	72,893	72,893	75,272
Net current liability and total assets less current liability		(52,801)	(91,326)	(106,184)	(108,563)

Statements of comprehensive income

		For the year ended 31 December			For the six months ended 30 June	
		2009	**2010**	**2011**	**2011**	**2012**
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(Unaudited)	
Interest income from bank deposits		6	6	—	—	—
General and administrative expenses		(4,758)	(38,531)	(14,858)	(2,379)	(2,379)
Loss before taxation		(4,752)	(38,525)	(14,858)	(2,379)	(2,379)
Taxation	*8*	—	—	—	—	—
Loss for the period/year		(4,752)	(38,525)	(14,858)	(2,379)	(2,379)
Other comprehensive income		—	—	—	—	—
Total comprehensive income for the period/year		(4,752)	(38,525)	(14,858)	(2,379)	(2,379)

Statements of changes in equity

	Share capital	Accumulated losses	Total
	HK$	*HK$*	*HK$*
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 year ended 31 December 2010			
Balance at 1 January 2010	8	(52,809)	(52,801)
Comprehensive income:			
Loss for the year	—	(38,525)	(38,525)
Total comprehensive income	—	(38,525)	(38,525)
Balance at 31 December 2010	8	(91,334)	(91,326)
For the year ended 31 December 2011			
Balance at 1 January 2011	8	(91,334)	(91,326)
Comprehensive income:			
Loss for the year	—	(14,858)	(14,858)
Total comprehensive income	—	(14,858)	(14,858)
Balance at 31 December 2011	8	(106,192)	(106,184)

	Share capital *HK$*	Accumulated losses *HK$*	Total *HK$*
For the six months ended 30 June 2011 (Unaudited)			
Balance at 1 January 2011	8	(91,334)	(91,326)
Comprehensive income:			
Loss for the period	—	(2,379)	(2,379)
Total comprehensive income	—	(2,379)	(2,379)
Balance at 30 June 2011 (unaudited)	8	(93,713)	(93,705)
For the six months ended 30 June 2012			
Balance at 1 January 2012	8	(106,192)	(106,184)
Comprehensive income:			
Loss for the period	—	(2,379)	(2,379)
Total comprehensive income	—	(2,379)	(2,379)
Balance at 30 June 2012	8	(108,571)	(108,563)

Cash flow statements

	For the year ended 31 December			For the six months ended 30 June	
	2009	**2010**	**2011**	**2011**	**2012**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Cash flows from operating activities					
Loss for the year/period	(4,752)	(38,525)	(14,858)	(2,379)	(2,379)
Adjustment for:					
— Interest income	(6)	(6)	—	—	—
Changes in working capital:					
— Due to related companies	4,758	38,531	14,858	2,379	2,379
Net cash from operating activities	—	—	—	—	—
Cash flows from investing activity					
Interest received	6	6	—	—	—
Net increase in cash and cash equivalents	6	6	—	—	—
Cash and cash equivalents at beginning of the year/period	70,891	70,897	70,903	70,903	70,903
Cash and cash equivalents at end of the year/period	70,897	70,903	70,903	70,903	70,903

II. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Sun Excel Investments Limited (the "Target Co") 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 Co 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 2009, 2010 and 2011 and 30 June 2012, the Target Co's current liability exceeded its current assets by HK$52,801, HK$91,326, HK$106,184 and HK$108,563 respectively and there has deficit on shareholder's funds of HK$52,801, HK$91,326, HK$106,184 and HK$108,563 respectively. The Target Co's ultimate beneficial owner has confirmed to provide continuing financial support to the Target Co so as to enable the Target Co to meet its liabilities as and when they fall due until the completion of the proposed acquisition of the Target Co 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 Co'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 Co has adopted HKFRSs that are effective for the accounting periods beginning on 1 January 2012 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 effective for accounting periods beginning on 1 January 2013 or later periods, and which the Target Co has not early adopted.

New or revised standards, interpretations and amendments

		Effective for accounting periods beginning on or after
HKFRS 7 (Amendment)	Disclosures — Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKAS 1 (Amendment)	Amendment Presentation of Financial Statements	1 July 2012
HKAS 32 (Amendment)	Amendment Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 19 (2011)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013

The Target Co 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 Co'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 Co are measured using the currency of the primary economic environment in which the Target Co operates (the "functional currency"). The Target Co's financial information is presented in Hong Kong dollar, which is the Target Co'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 year 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 country where the Target Co operates and generates 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 substantively 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 Co has a present legal or constructive obligation as a result of past events; it is probable 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 Co's activity exposes it to credit risk for bank deposits and liquidity risk. The Target Co's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Co's financial performance.

(i) *Credit risk*

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

The Target Co 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 Co is unable to meet its current obligations when they fall due. The Target Co 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 Co's objectives when managing capital are to safeguard the Target Co's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

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

(c) Fair value estimation

The fair values of the Target Co'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 June
	2009	**2010**	**2011**	**2012**
	HK$	*HK$*	*HK$*	*HK$*
Cash at bank	70,897	70,903	70,903	70,903

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at 30 June
	2009	**2010**	**2011**	**2012**
	HK$	*HK$*	*HK$*	*HK$*
Hong Kong dollar	69,797	69,803	69,803	69,803
US dollar	1,100	1,100	1,100	1,100
	70,897	70,903	70,903	70,903

6 SHARE CAPITAL

	As at 31 December			As at 30 June
	2009	**2010**	**2011**	**2012**
	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

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 Co.

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

8 TAXATION

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

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

	For the year ended 31 December			For the six months ended 30 June	
	2009	2010	2011	2011	2012
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Loss before taxation	(4,752)	(38,525)	(14,858)	(2,379)	(2,379)
Tax calculated at applicable tax rate	(784)	(6,357)	(2,452)	(393)	(393)
Income not subject to tax	(1)	(1)	—	—	—
Expenses not deductible for tax purposes	785	6,358	2,452	393	393
Taxation	—	—	—	—	—

The applicable tax rate was 16.5% for the year ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 and 2011.

There was no significant unprovided deferred taxation as at 31 December 2009, 2010 and 2011 and 30 June 2012 and 2011.

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 Co entered into an equity transfer agreement with Shenzhen Zhujiang Logistics Co. Limited, a related company, to purchase the entire equity interests in 北京創合豐威房地產開發有限公司 (Beijing Chuang He Feng Wei Real Estate Development Co. Limited) (the "Project Co A") and 北京盛創恒達房地產開發有限公司 (Beijing Sheng Chuang Heng Da Real Estate Development Co. Limited) (the "Project Co D"), limited liability companies established in the Mainland China.

Upon completion of the equity transfer agreement, the assets of Target Co will comprise the equity interests in the Project Co A and the Project Co 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 considerations for the equity interests of the Project Co A and the Project Co D were RMB12.7 million and RMB18.1 million respectively, which were determined with reference to the valuation carried out in May 2012.

11 RELATED PARTY TRANSACTIONS

(a) Balances with the immediate holding company and a related company were unsecured, non-interest bearing and repayable on demand. The related company is controlled by a director of the Target Co.

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

(c) On 3 March 2010, the Target Co entered into an equity transfer agreement with Shenzhen Zhujiang Logistics Co. Limited, a related company, to purchase the entire equity interests in 北京創合豐威房地產開發有限公司 (Beijing Chuang He Feng Wei Real Estate Development Co. Limited) and 北京盛創恒達房地產開發有限公司 (Beijing Sheng Chuang Heng Da Real Estate Development 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 Co in respect of any period subsequent to 30 June 2012 up to the date of this report. No dividend or distribution has been declared, made or paid by the Target Co in respect of any period subsequent to 30 June 2012.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

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.

pwc 羅兵咸永道

16 November 2012

The Directors
Hopson Development Holdings Limited

Dear Sirs,

We report on the financial information of 北京創合豐威房地產開發有限公司 (Beijing Chuang He Feng Wei Real Estate Development Co. Limited) (the "Project Co A") which comprises the balance sheets of the Project Co A as at 31 December 2010 and 2011 and as at 30 June 2012, and the statements of comprehensive income, the statements of changes in equity and the cash flow statements of the Project Co A for the period from 21 October 2010 (date of incorporation) to 31 December 2010, the year ended 31 December 2011 and the six months ended 30 June 2012 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. 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 IIB to the circular of the Company dated 16 November 2012 (the "Circular") in connection with the proposed acquisition of the Project Co A by the Company.

The Project Co A was incorporated in the People's Republic of China on 21 October 2010 with limited liability under the Company Law. The Project Co A has adopted 31 December as its financial year end date.

The director of the Project Co A during the Relevant Periods is responsible for the preparation and the fair presentation of the financial statements of the Project Co A in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The financial information has been prepared based on the unaudited financial statements of the Project Co A with no adjustment made thereon.

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DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the interim report of the Company for the period ended 30 June 2012.

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 Project Co A as at 31 December 2010 and 2011 and 30 June 2012 and of the Project Co A's results and cash flows for 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 IIB to the Circular which comprises the statements of comprehensive income, the statements of changes in equity and the cash flow statements of the Project Co A for the six months ended 30 June 2011 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company 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 and the accounting policies adopted by the Company as set out in the interim report of the Company for the period ended 30 June 2012.

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 of the Stub Period Comparative Financial Information 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, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 3 of Section II below.

I. FINANCIAL INFORMATION OF THE PROJECT CO A

The following is the financial information of the Project Co A prepared by the directors of the Company as at 31 December 2010 and 2011 and 30 June 2012 and for the period from 21 October 2010 (date of incorporation) to 31 December 2010, year ended 31 December 2011, and the six months ended 30 June 2011 and 2012 (the "Financial Information").

Balance sheets

		As at 31 December		As at 30 June
		2010	2011	2012
	Note	*HK$*	*HK$*	*HK$*
ASSETS				
Current assets				
Assets under construction	*5*	101,656,233	262,003,150	277,868,551
Cash and cash equivalents	*6*	2,293	16,977	13,884
Total assets		101,658,526	262,020,127	277,882,435
EQUITY				
Share capital	*7*	11,583,593	11,583,593	11,583,593
Accumulated losses		(2,801,404)	(2,921,627)	(3,203,346)
Currency translation differences		127,730	566,891	516,501
Total equity		8,909,919	9,228,857	8,896,748
LIABILITIES				
Current liabilities				
Accounts payable and accruals		41,759,017	106,836,683	123,464,311
Amount due to an intermediate holding company	*10*	44,064,821	46,251,484	45,995,042
Amount due to a related company	*10*	6,924,769	99,703,103	99,526,334
Total liabilities		92,748,607	252,791,270	268,985,687
Total equity and liabilities		101,658,526	262,020,127	277,882,435
Net current assets and total assets less current liabilities		8,909,919	9,228,857	8,896,748

Statements of comprehensive income

	Note	For the period from 21 October 2010 (date of incorporation) to 31 December 2010 HK$	For the year ended 31 December 2011 HK$	For the six months ended 30 June 2011 HK$ (unaudited)	For the six months ended 30 June 2012 HK$
General and administrative expenses		(11,423)	(120,223)	(502)	(281,719)
Loss before taxation		(11,423)	(120,223)	(502)	(281,719)
Taxation	9	—	—	—	—
Loss for the period/year		(11,423)	(120,223)	(502)	(281,719)
Other comprehensive income					
Currency translation differences		127,730	439,161	206,879	(50,390)
Total comprehensive income for the period/year		116,307	318,938	206,377	(332,109)

Statements of changes in equity

	Share capital	Accumulated losses	Currency translation differences	Total
	HK$	*HK$*	*HK$*	*HK$*
For the period from 21 October 2010 (date of incorporation) to 31 December 2010				
Comprehensive income:				
Loss for the period	—	(11,423)	—	(11,423)
Other comprehensive income:				
Currency translation differences	—	—	127,730	127,730
Total comprehensive income	—	(11,423)	127,730	116,307
Transaction with owner:				
Reorganisation of the Project Co A *(Note 1)*	11,583,593	(2,789,981)	—	8,793,612
Balance at 31 December 2010	11,583,593	(2,801,404)	127,730	8,909,919
For the year ended 31 December 2011				
Balance at 1 January 2011	11,583,593	(2,801,404)	127,730	8,909,919
Comprehensive income:				
Loss for the year	—	(120,223)	—	(120,223)
Other comprehensive income:				
Currency translation differences	—	—	439,161	439,161
Total comprehensive income	—	(120,223)	439,161	318,938
Balance at 31 December 2011	11,583,593	(2,921,627)	566,891	9,228,857

	Share capital *HK$*	Accumulated losses *HK$*	Currency translation differences *HK$*	Total *HK$*
For the six months ended 30 June 2011 (Unaudited)				
Balance at 1 January 2011	11,583,593	(2,801,404)	127,730	8,909,919
Comprehensive income:				
Loss for the period	—	(502)	—	(502)
Other comprehensive income:				
Currency translation differences	—	—	206,879	206,879
Total comprehensive income	—	(502)	206,879	206,377
Balance at 30 June 2011 (unaudited)	11,583,593	(2,801,906)	334,609	9,116,296
For the six months ended 30 June 2012				
Balance at 1 January 2012	11,583,593	(2,921,627)	566,891	9,228,857
Comprehensive income:				
Loss for the period	—	(281,719)	—	(281,719)
Other comprehensive income:				
Currency translation differences	—	—	(50,390)	(50,390)
Total comprehensive income	—	(281,719)	(50,390)	(332,109)
Balance at 30 June 2012	11,583,593	(3,203,346)	516,501	8,896,748

Cash flow statements

	For the period from 21 October 2010 (date of incorporation) to 31 December	For the year ended 31 December	For the six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$	*HK$*	*HK$*	*HK$*
			(Unaudited)	
Cash flows from operating activities				
Loss for the period/year	(11,423)	(120,223)	(502)	(281,719)
Changes in working capital:				
— Assets under construction	(47,853,456)	(77,013,843)	(13,188,023)	(17,366,225)
— Accounts payable and accruals	41,048,448	61,479,623	—	17,267,855
— Due to a related company	6,806,938	15,668,661	13,210,246	377,083
Net cash (used in)/from operating activities	(9,493)	14,218	21,721	(3,006)
Net (decrease)/increase in cash and cash equivalents	(9,493)	14,218	21,721	(3,006)
Cash and cash equivalents at beginning of the period/year	11,584	2,293	2,293	16,977
Exchange differences on cash and cash equivalents	202	466	305	(87)
Cash and cash equivalents at end of the period/year	2,293	16,977	24,319	13,884

II. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Beijing Chuang He Feng Wei Real Estate Development Co. Limited (the "Project Co A") is a limited liability company incorporated in the People's Republic of China. As a result of the reorganisation of Beijing Zhujiang Investments Development Co. Limited, the wholly owned subsidiary of Shenzhen Zhujiang Logistics Co. Limited, the Project Co A was established on 21 October 2010 to continue with the property development operation originally conducted by Beijing Zhujiang Investments Development Co. Limited. Immediately prior to and after the reorganisation, property development business is held by Shenzhen Zhujiang Logistics Co. Limited. The property development business is mainly conducted through Beijing Zhujiang Investments Development Co. Limited. Pursuant to the reorganisation, property development business is transferred to and held by the Project Co A. The Project Co A has not been involved in any other business prior to the reorganisation and does not meet the definition of a business. The reorganisation is merely a reorganisation of the property development business with no change in management of such business and the ultimate owners of the property development business remain the same. Accordingly, the financial information of Project Co A is presented using the carrying values of the property development business under Shenzhen Zhujiang Logistics Co. Limited for all periods presented. The address of its registered office is No. 23, Jingsheng South Fourth Street, Jinqiao Science and Technology Industrial Base, Tongzhou Park, Zhongguancun Science Park, Tongzhou District, Beijing.

The Project Co A is mainly engaged in development of properties in Mainland China.

The immediate holding company is Shenzhen Zhujiang Logistics Co. Limited, incorporated in the People's Republic of China, and the ultimate holding company is Guangdong Weiye Investment Co. Limited, incorporated in the People's Republic of China.

2 BASIS OF PREPARATION

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

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 Project Co A's accounting policies. There are no areas 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 Project Co A has adopted HKFRSs that are effective for the accounting periods beginning on 1 January 2012 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 effective for accounting periods beginning on 1 January 2013 or later periods, and which the Project Co A has not early adopted.

New or revised standards, interpretations and amendments

		Effective for accounting periods beginning on or after
HKFRS 7 (Amendment)	Disclosures — Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 19 (2011)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013

The Project Co A 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 results, financial position or accounting policies of Project Co A.

(b) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial information of the Project Co A are measured in Renminbi, which is the currency of the primary economic environment in which the Project Co A operates (the "functional currency"). The Project Co A's financial information is presented in Hong Kong dollar, which is the Project Co A's 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 statement of comprehensive income.

(c) Cash and cash equivalents

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

(d) Assets under construction

Assets under construction are included in current assets at the lower of cost and net realisable value.

The costs of assets under construction consist of land costs, construction expenditures and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

(e) Share capital

Ordinary shares are classified as equity.

(f) Current and deferred income tax

The tax expense for the year 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 Company operates and generates 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 substantively 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.

(g) Provisions

Provisions are recognised when the Project Co A has a present legal or constructive obligation as a result of past events; it is probable that 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.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) *Credit risk*

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

The Project Co A 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 institutions with sound credit ratings.

(ii) *Liquidity risk*

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

Amounts due to an intermediate company and a related company are repayable on demand.

(b) Capital risk management

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

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

(c) Fair value estimation

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

5 ASSETS UNDER CONSTRUCTION

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$	*HK$*	*HK$*
Amount comprises:			
Land cost	92,678,554	181,152,630	180,148,227
Construction costs and capitalised expenditures	8,977,679	80,850,520	97,720,324
	101,656,233	262,003,150	277,868,551

As at 31 December 2010 and 2011, the Project Co A was in the process of applying for formal land use rights certificate, which was obtained in January 2012. As at 30 June 2012, the assets under construction were held on land use rights in Mainland China of 44 years. As at 30 June 2012, the assets under construction were pledged for banking facilities for a related company, over which the director of the Project Co A has significant influence.

6 CASH AND CASH EQUIVALENTS

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$	*HK$*	*HK$*
Cash at bank	2,293	16,977	13,884

Cash and cash equivalents are denominated in Renminbi.

7 SHARE CAPITAL

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$	*HK$*	*HK$*
Registered and paid-in capital	11,583,593	11,583,593	11,583,593

On 21 October 2010, the Project Co A was established with registered capital of RMB10,000,000.

8 DIRECTOR'S EMOLUMENT

During the Relevant Periods, the director did not receive any fees or other emoluments in respect of his services to the Project Co A.

During the Relevant Periods, the director did not waive any emoluments. No emoluments were paid or payable by the Project Co A to the director as an inducement to join or upon joining the Project Co A or as compensation for loss of office during the Relevant Periods.

9 TAXATION

No Mainland China corporate income tax was provided as the Project Co A has no estimated assessable profit for the Relevant Periods.

The taxation on the Project Co A's loss before taxation differs from the theoretical amount that would arise using the corporate income tax rate in Mainland China as follows:

	For the period from 21 October 2010 (date of incorporation) to 31 December	For the year ended 31 December	For the six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$	*HK$*	*HK$*	*HK$*
			(Unaudited)	
Loss before taxation	(11,423)	(120,223)	(502)	(281,719)
Tax calculated at applicable tax rate	(2,856)	(30,056)	(126)	(70,430)
Expenses not deductible for tax	2,856	30,056	126	70,430
Taxation	—	—	—	—

The applicable tax rate was 25% for the year ended 31 December 2010, 2011 and the six months ended 30 June 2012 and 2011.

There was no significant unprovided deferred taxation as at 31 December 2010, 2011 and 30 June 2012.

10 BALANCES WITH AN INTERMEDIATE HOLDING COMPANY AND A RELATED COMPANY

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

11 COMMITMENT

Capital expenditure at the balance sheet date but not yet incurred are as follows:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$	*HK$*	*HK$*
Contracted but not provided for			
— Property construction costs	13,078,371	13,760,002	19,933,228

12 RELATED PARTY TRANSACTIONS

Balances with the intermediate holding company and a related company were unsecured, non-interest bearing and repayable on demand. The related company is significantly influenced by the director of the Project Co A.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Project Co A in respect of any period subsequent to 30 June 2012 up to the date of this report. No dividend or distribution has been declared, made or paid by the Project Co A in respect of any period subsequent to 30 June 2012.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

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.

pwc 羅兵咸永道

16 November 2012

The Directors
Hopson Development Holdings Limited

Dear Sirs,

We report on the financial information of 北京盛創恒達房地產開發有限公司 (Beijing Sheng Chuang Heng Da Real Estate Development Co. Limited) (the "Project Co D") which comprises the balance sheets of the Project Co D as at 31 December 2010 and 2011 and as at 30 June 2012, and the statements of comprehensive income, the statements of changes in equity and the cash flow statements of the Project Co D for the period from 21 October 2010 (date of incorporation) to 31 December 2010, the year ended 31 December 2011 and for the six months ended 30 June 2012 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. 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 IIC to the circular of the Company dated 16 November 2012 (the "Circular") in connection with the proposed acquisition of the Project Co D by the Company.

The Project Co D was incorporated in the People's Republic of China on 21 October 2010 with limited liability under the Company Law. The Project Co D has adopted 31 December as its financial year end date.

The director of the Project Co D during the Relevant Periods is responsible for the preparation and the fair presentation of the financial statements of the Project Co D in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The financial information has been prepared based on the unaudited financial statements of the Project Co D with no adjustment made thereon.

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DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies presently adopted by the Company and its subsidiaries (together, the "Group") as set out in the interim report for the Company for the period ended 30 June 2012.

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 Project Co D as at 31 December 2010 and 2011 and 30 June 2012 and of the Project Co D's results and cash flows for 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 IIC to the Circular which comprises the statements of comprehensive income, the statements of changes in equity and the cash flow statements of the Project Co D for the six months ended 30 June 2011 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The director of the Company is 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 and accounting policies adopted by the Company as set out in the interim report for the Company for the period ended 30 June 2012.

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 of the Stub Period Comparative Financial Information 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, is not 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 PROJECT CO D

The following is the financial information of the Project Co D prepared by the directors of the Company as at 31 December 2010 and 2011 and 30 June 2012 and for the period from 21 October 2010 (date of incorporation) to 31 December 2010, year ended 31 December 2011, and the six months ended 30 June 2011 and 2012 (the "Financial Information").

Balance sheets

		As at 31 December		As at 30 June
		2010	**2011**	**2012**
	Note	*HK$*	*HK$*	*HK$*
ASSETS				
Current assets				
Assets under construction	*5*	249,525,878	659,180,955	655,526,116
Prepayments		1,881,383	1,974,744	1,971,781
Cash and cash equivalents	*6*	2,058	8,314	15,247
Total assets		251,409,319	661,164,013	657,513,144
EQUITY				
Share capital	*7*	17,375,389	17,375,389	17,375,389
Accumulated losses		(11,498,053)	(21,027,719)	(29,274,845)
Currency translation differences		84,457	143,796	186,113
Total equity/(deficit)		5,961,793	(3,508,534)	(11,713,343)
LIABILITIES				
Current liabilities				
Accounts payable and accruals		10,883,384	383,937,187	117,307,273
Amount due to an intermediate holding company	*11*	205,787,209	215,999,149	460,134,086
Amount due to related companies	*11*	28,776,933	64,736,211	91,785,128
Total liabilities		245,447,526	664,672,547	669,226,487
Total equity and liabilities		251,409,319	661,164,013	657,513,144
Net current assets/(liabilities) and total assets less current liabilities		5,961,793	(3,508,534)	(11,713,343)

Statements of comprehensive income

	Note	For the period from 21 October 2010 (date of incorporation) to 31 December 2010	For the year ended 31 December 2011	For the six months ended 30 June 2011	For the six months ended 30 June 2012
		HK$	*HK$*	*HK$* (unaudited)	*HK$*
General and administrative expenses		(327,953)	(9,529,666)	(1,777,109)	(8,247,126)
Loss before taxation	*8*	(327,953)	(9,529,666)	(1,777,109)	(8,247,126)
Taxation	*10*	—	—	—	—
Loss for the period/year		(327,953)	(9,529,666)	(1,777,109)	(8,247,126)
Other comprehensive income					
Currency translation differences		84,457	59,339	68,419	42,317
Total comprehensive income for the period/year		(243,496)	(9,470,327)	(1,708,690)	(8,204,809)

Statements of changes in equity

	Share capital *HK$*	Accumulated losses *HK$*	Currency translation differences *HK$*	Total *HK$*
For the period from 21 October 2010 (date of incorporation) to 31 December 2010				
Comprehensive income:				
Loss for the period	—	(327,953)	—	(327,953)
Other comprehensive income:				
Currency translation differences	—	—	84,457	84,457
Total comprehensive income	—	(327,953)	84,457	(243,496)
Transaction with owner:				
Reorganisation of the Project Co D *(Note 1)*	17,375,389	(11,170,100)	—	6,205,289
Balance at 31 December 2010	17,375,389	(11,498,053)	84,457	5,961,793
For the year ended 31 December 2011				
Balance at 1 January 2011	17,375,389	(11,498,053)	84,457	5,961,793
Comprehensive income:				
Loss for the year	—	(9,529,666)	—	(9,529,666)
Other comprehensive income:				
Currency translation differences	—	—	59,339	59,339
Total comprehensive income	—	(9,529,666)	59,339	(9,470,327)
Balance at 31 December 2011	17,375,389	(21,027,719)	143,796	(3,508,534)
For the six months ended 30 June 2011 (unaudited)				
Balance at 1 January 2011	17,375,389	(11,498,053)	84,457	5,961,793
Comprehensive income:				
Loss for the period	—	(1,777,109)	—	(1,777,109)
Other comprehensive income:				
Currency translation differences	—	—	68,419	68,419
Total comprehensive income	—	(1,777,109)	68,419	(1,708,690)
Balance at 30 June 2011	17,375,389	(13,275,162)	152,876	4,253,103
For the six months ended 30 June 2012				
Balance at 1 January 2012	17,375,389	(21,027,719)	143,796	(3,508,534)
Comprehensive income:				
Loss for the period	—	(8,247,126)	—	(8,247,126)
Other comprehensive income:				
Currency translation differences	—	—	42,317	42,317
Total comprehensive income	—	(8,247,126)	42,317	(8,204,809)
Balance at 30 June 2012	17,375,389	(29,274,845)	186,113	(11,713,343)

Cash flow statements

	For the period from 21 October 2010 (date of incorporation) to 31 December	For the year ended 31 December	For the six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$	*HK$*	*HK$*	*HK$*
			(Unaudited)	
Cash flows from operating activities				
Loss for the period/year	(327,953)	(9,529,666)	(1,777,109)	(8,247,126)
Changes in working capital:				
— Due to related companies	318,425	33,695,014	2,896,734	27,680,868
— Due to an intermediate holding company	—	—	—	246,014,564
— Accounts payable	12,509,464	363,492,549	(31,692)	(264,804,129)
— Assets under construction	(12,509,464)	(387,651,892)	(999,464)	(637,178)
Net cash (used in)/from operating activities	(9,528)	6,005	88,469	6,999
Net (decrease)/increase in cash and cash equivalents	(9,528)	6,005	88,469	6,999
Cash and cash equivalents at beginning of the period/year	11,584	2,058	2,058	8,314
Exchange differences on cash and cash equivalents	2	251	22	(66)
Cash and cash equivalents at end of the period/year	2,058	8,314	90,549	15,247

II. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Beijing Sheng Chuang Heng Da Real Estate Development Co. Limited (the "Project Co D") is a limited liability company incorporated in the People's Republic of China. As a result of the reorganisation of Beijing Zhujiang Investments Development Co. Limited, the wholly owned subsidiary of Shenzhen Zhujiang Logistics Co. Limited, the Project Co D was established on 21 October 2010 to continue with the property development originally conducted by Beijing Zhujiang Investments Development Co. Limited. Immediately prior to and after the reorganisation, property development business is held by Shenzhen Zhujiang Logistics Co. Limited. The property development business is mainly conducted through Beijing Zhujiang Investments Development Co. Limited. Pursuant to the reorganisation, property development business is transferred to and held by the Project Co D. The Project Co D has not been involved in any other business prior to the reorganisation and does not meet the definition of a business. The reorganisation is merely a reorganisation of the property development business with no change in management of such business and the ultimate owners of the property development business remain the same. Accordingly, the financial information of Project Co D is presented using the carrying values of the property development business under Shenzhen Zhujiang Logistics Co. Limited for all periods presented. The address of its registered office is 15 Huanjing Rd., Jinqiao Technology Industry Base, Tongzhou Park, Zhongguancun Technology Park, Tongzhou District, Beijing.

The Project Co D is mainly engaged in development of properties in Mainland China.

The immediate holding company is Shenzheng Zhujiang Logistics Company Limited, incorporated in the People's Republic of China, and the ultimate holding company is Guangdong Weiye Investment Co. Limited, incorporated in the People's Republic of China.

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 2011 and 30 June 2012, the Project Co D's current liability exceeded its current assets by HK$3,508,534 and HK$11,713,323 and there has deficit on shareholder's funds of HK$3,508,534 and HK$11,713,343. The Project Co D's ultimate beneficial owner has confirmed to provide continuing financial support to the Project Co D so as to enable the Project Co D to meet its liabilities as and when they fall due until the completion of the proposed acquisition of the Target Co by the Company. Accordingly, the directors of the Project Co D 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 Project Co D's accounting policies. There are no areas 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 Project Co D has adopted HKFRSs that are effective for the accounting periods beginning on 1 January 2012 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 effective for accounting periods beginning on 1 January 2013 or later periods, and which the Project Co D has not early adopted.

New or revised standards, interpretations and amendments

		Effective for accounting periods beginning on or after
HKFRS 7 (Amendment)	Disclosures — Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 19 (2011)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013

The Project Co D 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 results, financial position or accounting policies of Project Co D.

(b) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial information of the Project Co D are measured in Renminbi, which is the currency of the primary economic environment in which the Project Co D operates (the "functional currency"). The Project Co D's financial information is presented in Hong Kong dollar, which is the Project Co D's 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 statement of comprehensive income.

(c) Cash and cash equivalents

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

(d) Assets under construction

Assets under construction are included in current assets at the lower of cost and net realisable value.

The costs of assets under construction consist of land costs, construction expenditures and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

(e) Share capital

Ordinary shares are classified as equity.

(f) Current and deferred income tax

The tax expense for the year 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 Company operates and generates 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 substantively 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.

(g) Provisions

Provisions are recognised when the Project Co D has a present legal or constructive obligation as a result of past events; it is probable 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.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) *Credit risk*

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

The Project Co D 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 institutions with sound credit ratings.

(ii) *Liquidity risk*

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

Amounts due to an intermediate holding company and related companies are repayable on demand.

(b) Capital risk management

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

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

(c) Fair value estimation

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

5 ASSETS UNDER CONSTRUCTION

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$	*HK$*	*HK$*
Amount comprises:			
Land cost	127,994,650	131,377,844	130,649,418
Construction costs and capitalised expenditures	121,531,228	527,803,111	524,876,698
	249,525,878	659,180,955	655,526,116

As at 31 December 2010 and 2011, the Project Co D was in the process of applying for formal land use rights certificate, which was obtained in February 2012. As at 30 June 2012, the assets under construction were held on land use rights in Mainland China of 44 years. As at 30 June 2012, the assets under construction were pledged for banking facilities for a related company, over which the director of the Project Co D has significant influence.

6 CASH AND CASH EQUIVALENTS

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$	*HK$*	*HK$*
Cash at bank	2,058	8,314	15,247

Cash and cash equivalents are denominated in Renminbi.

7 SHARE CAPITAL

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$	*HK$*	*HK$*
Registered and paid-in capital	17,375,389	17,375,389	17,375,389

On 21 October 2010, the date of incorporation, the Project Co D was established with registered capital of RMB15,000,000.

8 LOSS BEFORE TAXATION

Loss after taxation is stated after charging staff costs recharged by related companies as follows:

	For the period from 21 October 2010 (date of incorporation) to 31 December	For the year ended 31 December	For the six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$	*HK$*	*HK$*	*HK$*
			(Unaudited)	
Salaries and allowances	—	3,180,445	720,865	3,477,319
Pension costs	—	820,595	187,057	832,199
	—	4,001,040	907,922	4,309,518

9 DIRECTOR'S EMOLUMENT

During the Relevant Periods, the director did not receive any fees or other emoluments in respect of his services to the Project Co D.

During the Relevant Periods, the director did not waive any emoluments. No emoluments were paid by the Project Co D to any of the director as an inducement to join or upon joining the Project Co D or as compensation for loss of office during the Relevant Periods.

10 TAXATION

No Mainland China corporate income tax was provided as the Project Co D has no estimated assessable profit for the Relevant Periods.

The taxation on the Project Co D's loss before taxation differs from the theoretical amount that would arise using the corporate income tax rate in Mainland China as follows:

	For the period from 21 October 2010 (date of incorporation) to 31 December	For the year ended 31 December	For the six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$	*HK$*	*HK$*	*HK$*
			(Unaudited)	
Loss before taxation	(327,953)	(9,529,666)	(1,777,109)	(8,247,126)
Tax calculated at applicable tax rate	(81,988)	(2,382,417)	(444,277)	(2,061,782)
Expenses not deductible for tax	81,988	2,382,417	444,277	2,061,782
Taxation	—	—	—	—

The applicable tax rate was 25% for the period/year ended 31 December 2010, 2011 and the six months ended 30 June 2012 and 2011.

There was no significant unprovided deferred taxation as at 31 December 2010, 2011 and 30 June 2012.

11 BALANCES WITH AN INTERMEDIATE HOLDING COMPANY AND RELATED COMPANIES

Balances with an intermediate holding company and related companies were unsecured, non-interest bearing and repayable on demand.

12 COMMITMENT

Capital expenditures at the balance sheet date but not yet incurred are as follows:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$	*HK$*	*HK$*
Contracted but not provided for			
— Property construction costs	25,049,064	1,015,189,771	1,023,344,419

13 RELATED PARTY TRANSACTIONS

(a) Balances with the intermediate holding company and related companies were unsecured, non-interest bearing and repayable on demand. The related companies are significantly influenced by the director of the Project Co D.

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

(c) Staff costs recharged by related companies for providing management and administrative services to the Project Co D as disclosed in Note 8. The related companies are significantly influenced by the director of the Project Co D.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Project Co D in respect of any period subsequent to 30 June 2012 up to the date of this report. No dividend or distribution has been declared, made or paid by the Company in respect of any period subsequent to 30 June 2012.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

The Target Co was incorporated on 9 March 2007 and has not carried on any business since its date of incorporation. As at 30 June 2012, the Target Co had an accumulated loss of approximately HK$109,000 which was mainly attributable to the payments of general and administrative expenses since its incorporation. As at 30 June 2012, the Target Co recorded a net liabilities of approximately HK$109,000. It had no borrowings or any significant contingent liabilities as at 30 June 2012.

At 30 June 2012, 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. As reflected in the unaudited pro forma financial information of the Enlarged Group contained in Appendix IV, if the Acquisition had completed on 30 June 2012, the Enlarged Group would have recognised the fair values of the land use rights of the Lands of RMB2,774,000,000 (equivalent to approximately HK$3,402,762,000), which were determined with reference to an independent valuation of the Project by the Valuer as at 30 June 2012. There is no material difference between the valuation as at 30 June 2012 and 30 September 2012 as stated in the valuation certificate issued by the Valuer contained 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 pursuant to 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 demerged from Zhujiang Investments and was established on 21 October 2010. The Project Cos are mainly engaged in property development in the PRC. After completion of the allocation of assets and liabilities to the Project Cos and the related procedures in connection with the de-merger of Zhujiang Investment, the Project Cos have been engaged in the construction of the Project and have not recorded any income yet. It is scheduled that construction of the Project will complete by 30 June 2015. As at 30 June 2012, Project Co A and Project Co D were the registered owners of the land use rights in respect of Land A and Land D respectively, and the Project Cos' assets comprised the Project under construction and cash only. The audited net asset values of Project Co A and the net liabilities values of Project Co D as at 30 June 2012 were approximately HK$8,897,000 and HK$11,713,000 respectively. Each of Project Co A and Project Co D had accumulated losses of approximately HK$3,203,000 and HK$29,275,000 respectively as at 30 June 2012.

A. INTRODUCTION

Set out below are the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2012 and the unaudited pro forma statement of adjusted consolidated net tangible assets of the Enlarged Group as at 30 June 2012, 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 2012. 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 2012 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 2012 HK$'000 (Note 1)	Audited statement of assets and liabilities of the Target Co as at 30 June 2012 HK$'000 (Note 2)	Audited statement of assets and liabilities of the Project Co A as at 30 June 2012 HK$'000 (Note 2)	Audited statement of assets and liabilities of the Project Co D as at 30 June 2012 HK$'000 (Note 2)	Other pro forma adjustments HK$'000	Note	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2012 HK$'000
ASSETS							
Non-current assets							
Land costs	711,506	—	—	—			711,506
Prepayments for acquisition of land	130,493	—	—	—			130,493
Prepayments for construction work	—	—	—	—	1,568,081	3(b)	1,568,081
Properties and equipment	3,236,764	—	—	—			3,236,764
Investment properties	16,860,479	—	—	—	3,402,762	3(a)	20,263,241
Intangible assets	41,016	—	—	—			41,016
Investments in associates	152,329	—		—			152,329
Investment in a jointly controlled entity	1,742,079	—	—	—			1,742,079
Available-for-sale financial assets	3,000,736	—	—	—			3,000,736
Deferred tax assets	258,681	—	—	—			258,681
	26,134,083	—	—	—			31,104,926
Current assets							
Prepayments for acquisition of land	13,488,029	—	—	—			13,488,029
Properties under development for sale	49,002,373	—	—	—			49,002,373
Assets under construction	—	—	277,868	655,526	(933,394)	3(a)	—
Completed properties for sale	13,725,263	—	—	—			13,725,263
Financial assets at fair value through profit or loss	12,696	—	—	—			12,696
Accounts receivable	262,324	—	—	—			262,324
Prepayments, deposits and other current assets	3,707,571	4	—	1,972	(1,976)	3(c)	3,707,571
Due from an associate	31,713	—	—	—			31,713
Due from related companies	5,849	—	—	—			5,849
Pledged/charged bank deposits	1,270,227	—	—	—			1,270,227
Cash and cash equivalents	4,430,581	71	14	15	(100)	3(c)	4,430,581
	85,936,626	75	277,882	657,513			85,936,626
TOTAL ASSETS	112,070,709	75	277,882	657,513			117,041,552

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2012	Pro forma adjustments: Audited statement of assets and liabilities of the Target Co as at 30 June 2012	Audited statement of assets and liabilities of the Project Co A as at 30 June 2012	Audited statement of assets and liabilities of the Project Co D as at 30 June 2012	Other pro forma adjustments	Note	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 2)*			
LIABILITIES							
Non-current liabilities							
Land cost payable	28,679	—	—	—			28,679
Borrowings	19,694,329	—	—	—			19,694,329
Due to minority shareholders	437,401	—	—	—			437,401
Deferred tax liabilities	5,593,268	—	—	—			5,593,268
	25,753,677	—	—	—			25,753,677
Current liabilities							
Accounts payable	6,528,629	—	123,464	117,307	(240,771)	3(c)	6,528,629
Land cost payable	605,447	—	—	—			605,447
Borrowings	13,810,805	—	—	—			13,810,805
Deferred revenue	10,613,016	—	—	—			10,613,016
Accruals and other payables	3,001,023	—	—	—			3,001,023
Due to an associate	6,770	—	—	—			6,770
Due to an intermediate holding company	—	—	45,995	460,134	(506,129)	3(c)	—
Due to related companies	935,260	184	99,526	91,785	(191,495)	3(c)	935,260
Due to a jointly controlled entity	1,559,558	—	—	—			1,559,558
Current tax liabilities	4,494,673	—	—	—			4,494,673
	41,555,181	184	268,985	669,226			41,555,181
TOTAL LIABILITIES	67,308,858	184	268,985	669,226			67,308,858
NET ASSETS/(LIABILITIES)	44,761,851	(109)	8,897	(11,713)			49,732,694

Notes:

1. The amounts are extracted from the unaudited condensed consolidated balance sheet of the Group as at 30 June 2012 as set out in the published interim report of the Company for the six months ended 30 June 2012.

2. The adjustments represent the inclusion of the statements of assets and liabilities of the Target Co, Project Co A and Project Co D as at 30 June 2012 as extracted from the accountant's reports of the Target Co, Project Co A and Project Co D as at 30 June 2012 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 Co, 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 Co 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 2012, the Enlarged Group would have recognised the fair values of the assets under construction held by Project Co A and Project Co D respectively as the investment properties, which were determined with reference to an independent valuation performed by DTZ Debenham Tie Leung Limited as at 30 June 2012.

(b) In accordance with the Share Purchase Agreement and the Second Supplemental Agreement, the Consideration of the Acquisition is RMB6,605,066,000, which is payable by (i) 523,246,625 Shares, and (ii) cash for the remaining balance of approximately RMB2,313,787,000 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 2012, 523,246,625 Consideration Shares of HK$4,970,843,000 would have been issued for acquiring the assets under construction of fair value of HK$3,402,762,000 (note3(a)) and for prepaying HK$1,568,081,000 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 fully performed by Farrich nor confirmed by the Group as at 30 June 2012 and it relates to a future event, the pro forma adjustments do not reflect the remaining cash consideration of RMB2,313,787,000 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 Co, the Project Co A and the Project Co D, 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 assets under construction of Project Co A and Project Co 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 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 RMB0.81522.

5. No other adjustment has been made to reflect any trading result or other transactions of the Enlarged Group entered into subsequent to 30 June 2012.

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 2012	Unaudited consolidated net tangible assets of the Group per share as at 30 June 2012	Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group attributable to equity holders of the Company as at 30 June 2012	Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group per share as at 30 June 2012
HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*
41,811,299	24.08	46,782,142	20.71

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2012 of HK$41,811,299,000 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 2012 of HK$44,761,851,000 with adjustments for non-controlling interests and intangible assets as at 30 June 2012 of HK$2,909,536,000 and HK$41,016,000 respectively.

2. The unaudited consolidated net tangible assets of the Group per share as at 30 June 2012 is calculated based on 1,736,003,809 shares issued and outstanding as at 30 June 2012.

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 2012 of HK$46,782,142,000 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 2012 of HK$49,732,694,000 with adjustments for non-controlling interests and intangible assets as at 30 June 2012 of HK$2,909,536,000 and HK$41,016,000 respectively.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group per share as at 30 June 2012 is calculated based on 2,259,250,434 shares assumed to be issued and outstanding as at 30 June 2012, representing 1,736,003,809 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 transactions of the Enlarged Group entered into subsequent to 30 June 2012.

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.

pwc 羅兵咸永道

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 16 November 2012 (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 Co") and its interests under the equity transfer agreement for the acquisition of the entire interests in Beijing Chuang He Feng Wei Real Estate Development Co. Limited (the "Project Co A") and Beijing Sheng Chuang Heng Da Real Estate Development Co. Limited (the "Project Co D") (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 paragraph 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 2012 and the unaudited consolidated net tangible assets of the Group as at 30 June 2012 with the unaudited condensed consolidated financial information of the Group as at 30 June 2012 as set out in the 2012 interim report of the Company, 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 2012 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, 16 November 2012

B. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

As at 30 June 2012, the pro forma consolidated total assets and net asset of the Enlarged Group amounted to approximately HK$117,042 million and HK$49,733 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 62% as at 30 June 2012 before the transaction to a pro-forma gearing ratio of 56% assuming immediate issue of 523,246,625 Consideration Shares to Farrich or its nominee(s).

In face of the austerity policy implemented by the government over the real estate industry in the first half of 2012, the Group is of the opinion that it has to closely adapt to changes in the market, size up the situation, adjust its strategy, capture the demand of the market and continuously enhance its core competitiveness. Moreover, the Group needs to unify the directions, increase its marketing effort to facilitate the quick return of capital, maintain its steady financial strategy, actively expand the financing channels and reasonably plan for the capital allocation. The Group will also enhance its development of investment business segments, in order to accelerate the capital turnover and facilitate a continuous and stabilized cash flow for the Group. As to maintaining the margin and cash flow to lower the risks brought by the policy changes, the product mix of residential business segment had to be adjusted. The Group will continue to raise the brand awareness of "Hopson", it will also focus on its growth of internal value, reinforce the brand building and increase the added-value of products. Given the conditions of the increasingly intense competition in the market, the Group fully understands that enhancing the products' added value is the only way to stand out from the competition. In the future, the Group will continue to put its efforts on strengthening the brand building so that the corporate culture and the core values of the brand can merge perfectly.

In the second half of the year 2012, the Group has launched the Regal Park (合生濱江帝景), a residential development located at Tongzhou District of Beijing. Adhering to the high quality standard for developed products of the Group with target customers, the project is receptive and recognised by potential buyers and the Group expects that they will generate satisfactory sales to the Group with accumulating positive influence of brand recognition and effective marketing strategies.

The Group strongly believes that the government's austerity measures on the real estate market will provide a more steady and healthy environment for the development of the real estate industry, hence beneficial to the industry, corporates and consumers. By recognizing the rules of the industry development and capturing the market changes, the Group gained strategic opportunities for developments. In the future, the Group will continue to focus on the integration and optimization of product mix, aiming to lower the risks brought by the policies and diversify the risks of investment. Through keeping abreast to the market development, the Group's overall revenue from investment would be increased.

Since Completion is expected to take place in 2013 and the Project is scheduled to be completed by 30 June 2015, the Acquisition will not have any effect on the Enlarged Group's consolidated income statement for the financial year ending 31 December 2012. The Project, when completed, will add to the Group's rental property portfolio to provide the Group with a long term stable rental income.

The Project is only about 100 meters away from Dreams World (合生世界村) which is a large residential development of the Group in Majuqiao Town with a shopping centre to be built. 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 tenants in the Project, who will, in turn, bring in a stable source of customers 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 following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from DTZ Debanham Tie Leung Limited, an independent property valuer, in connection with its opinion of value of the property in the PRC, the land use rights owner of which is intended to be acquired by the Company as at 30 September 2012.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

16 November 2012

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

Re: The proposed development on two parcels of land known as Plots A and D (Southern Region) of National Environmental Protection Industrial Park, Tongzhou District, Beijing, the PRC

Instructions, Purpose & Date of Valuation

In accordance with your instructions for us to value the property in the People's Republic of China (the "PRC") (as more particularly described in the valuation certificate), the land use rights owner of which is intended to be acquired by Hopson Development Holdings Limited (referred to as the "Company"), 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 30 September 2012 (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 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 漢坤律師事務所 (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 an enforceable title to the property.

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 entirety interest and full completion basis.

Method of Valuation

The property comprises two parcels of land, Plot A was a bare land with site formation works commenced and Plot D was under construction. 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 based on capitalization of the potential net income derived from the proposed completed development.

In respect of the value of the property in existing state, we have valued the property which is under development in the PRC 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 land and buildings, 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 valuations. 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

Our Valuer, Ms. Iris Fang, registered China Real Estate Appraiser, inspected the exterior and, wherever possible, the interior of the property on 13 August 2012. 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.
Senior Director

Note: Mr. Andrew K.F. Chan is a Registered Professional Surveyor who has over 25 years of experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Property under development intended to be held for investment purpose in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value when completed as at 30 September 2012
The proposed development on two parcels of land known as Plots A and D (Southern Region) of National Environmental Protection Industrial Park, Tongzhou District, Beijing, the PRC	The property comprises two parcels of land with a total site area of approximately 136,129.33 sqm. The property is situated in the southwest of Majuqiao No. 1 Bridge, South 6th Ring Road. The property abuts Xinfang Road to the east, a piece of agricultural land on the south, Land A of The National Environmental Protection Industrial Park on the west and Land D of The National Environmental Protection Industrial Park on the north. Developments in the vicinity comprise mainly residential and office buildings, such as Hopson Dreams World, Beijing Solar Power Technology, interspersed with few retail facilities. The property is approximately 1 km to the South 6th Ring Road. The property is served by public bus routes. As advised by the Company, a proposed large-scale research and development project with ancillary facilities is planned to be developed on the site with a total planned gross floor area of approximately 625,006 sqm. As advised by the Company, the proposed development project will be developed and scheduled to be completed in full before first half of 2015. The details of the planned gross floor areas are summarized as follows:	As at the date of valuation, Plot A was a bare land with site formation works commenced. Plot D was under construction.	RMB8,808,000,000 (Plot A: RMB4,386,000,000; Plot D: RMB4,422,000,000)

Use	Approximate planned gross floor area *(sqm)*
Aboveground	
Conference centre	1,407.71
Research and development space with ancillary facilities	516,312.91
Basement 1	
Research and development space with ancillary facilities	37,032.61
Car parking spaces	36,774.74
Basement 2	
Ancillary facilities	18,585.66
Bicycle garage	4,237.46
Civil defense shelters	10,655.28
Total	625,006.37

The property is held with land use rights for terms due to expire on 27 December 2056 for research and development uses.

Notes:

(1) According to two Certificates for the Use of State-owned Land issued by Beijing Government of Tongzhou District, the land use rights of the property, having a total site area of approximately 136,129.33 sqm have been vested in 北京創合豐威房地產開發有限公司 (Beijing Chuanghe Fengwei Real Property Development Co. Limited) and 北京盛創恒達房地產開發有限公司 (Beijing Shengchuang Hengda Real Property Development Co. Limited) for research and development uses with details as follows:

Certificate No.	Date of issue	Land User	Location	Site Area *(sqm)*	Expiry date of land use term
(2012) 00007	28 February 2012	北京盛創恒達房地產開發有限公司 (Beijing Shengchuang Hengda Real Property Development Co. Limited)	Plot D (Southern Region) National Environmental Protection Industrial Park, Tongzhou District	67,590.270	27 December 2056
(2012) 00001	11 January 2012	北京創合豐威房地產開發有限公司 (Beijing Chuanghe Fengwei Real Property Development Co. Limited)	Plot A (Southern Region) National Environmental Protection Industrial Park, Tongzhou District	68,539.062	27 December 2056
			Total	136,129.332	

(2) According to two Grant Contracts of State-owned Land Use Rights entered into between Beijing Land Resources Bureau (the "Grantor") and 北京珠江投資開發有限公司 (Beijing Zhujiang Investments Development Co. Limited) (the "Grantee") on 28 December 2006, and the Supplementary Agreements dated 5 February 2009, 6 February 2009 and 2 June 2011, the land use rights of the property with a total site area of 136,129.336 sqm have been cortracted to be granted to the Grantee for a total consideration of RMB159,748,297.

The land use terms are each 50 years for research and development uses with details as follows:

Grant Contract No.	Location	Site Area *(sqm)*	Permitted developable above ground gross floor area *(sqm)*	Land premium *(RMB)*
(2006) 0302	Plot D (Southern Region)	67,590.274	259,094.92	64,948,751
(2006) 823	Plot A (Southern Region)	68,539.062	259,153.06	94,799,546
	Total	136,129.336	518,247.98	159,748,297

As advised by the Company, the land use rights of two lands were transferred to 北京創合豐威房地產開發有限公司 (Beijing Chuanghe Fengwei Real Property Development Co. Limited) and 北京盛創恒達房地產開發有限公司 (Beijing Shengchuang Hengda Real Property Development Co. Limited) from 北京珠江投資開發有限公司 (Beijing Zhujiang Investments Development Co. Limited) in 2012.

(3) According to Planning Permit for Construction Use of Land No. 2012(0018) issued by Planning Committee of Beijing on 1 April 2012, 北京珠江投資開發有限公司 (Beijing Zhujiang Investments Development Co. Limited), 北京盛創恒達房地產開發有限公司 (Beijing Shengchuang Hengda Real Property Development Co. Limited) and 北京創合豐威房地產開發有限公司 (Beijing Chuanghe Fengwei Real Property Development Co. Limited) were permitted to construct a project in National Environmental Protection Industrial Park in Tongzhou District with a site area of 274,589.286 sqm for research, 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 five Planning Permits for Construction Works issued by Planning Committee of Beijing, 北京盛創恒達房地產開發有限公司 (Beijing Shengchuang Hengda Real Property Development Co. Limited) was permitted to construct a project in National Environmental Protection Industrial Park Plot D (Southern Region) in Tongzhou District with a total gross floor area of 312,429.30 sqm, including 3,193.89 sqm of civil defense shelter area. Most of the proposed buildings are permitted to be constructed with 14 storeys and a height of 79.86 meters. The details of the permits are as follows:

Certificate No.	**Date of Issue**	**Name of Construction**	**Scale of Construction** *(sqm)*
(2012) 0072	13 April 2012	No. 201 R&D building and six other projects, Zhujiang Yijing, Science and Technology Park, Plot D (Southern Region)	92,265.72
(2012) 0069	13 April 2012	No. 206 R&D building and three other projects, Zhujiang Yijing, Science and Technology Park, Plot D (Southern Region)	54,702.29
(2012) 0074	13 April 2012	No. 209 R&D building and three other projects, Zhujiang Yijing, Science and Technology Park, Plot D (Southern Region)	54,702.29
(2012) 0070	13 April 2012	No. 212 R&D building and six other projects, Zhujiang Yijing, Science and Technology Park, Plot D (Southern Region)	92,162.85
(2012) 0071	13 April 2012	No. 219 Underground carpark spaces, Zhujiang Yijing, Science and Technology Park, Plot D (Southern Region)	18,596.15
		Total	312,429.30

According to five Planning Permits for Construction Works issued by Planning Committee of Beijing, 北京創合豐威房地產開發有限公司 (Beijing Chuanghe Fengwei Real Property Development Co. Limited) was permitted to construct a project in National Environmental Protection Industrial Park Plot A (Southern Region) in Tongzhou District with a total gross floor area of 312,577.07 sqm, including 7,461.39 sqm 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:

Certificate No.	**Date of Issue**	**Name of Construction**	**Scale of Construction** *(sqm)*
(2012) 0066	13 April 2012	No. 401 R&D building and six other projects, Zhujiang Yijing, Science and Technology Park, Plot A (Southern Region)	92,496.95
(2012) 0067	13 April 2012	No. 406 R&D building and three other projects, Zhujiang Yijing, Science and Technology Park, Plot A (Southern Region)	54,702.29
(2012) 0073	13 April 2012	No. 409 R&D building and three other projects, Zhujiang Yijing, Science and Technology Park, Plot A (Southern Region)	54,702.29
(2012) 0075	13 April 2012	No. 412 R&D building and six other projects, Zhujiang Yijing, Science and Technology Park, Plot A (Southern Region)	92,496.95
(2012) 0068	13 April 2012	No. 419 Underground carpark spaces, Zhujiang Yijing, Science and Technology Park, Plot A (Southern Region)	18,178.59
		Total	312,577.07

(5) According to seven Permits for Commencement of Construction Works issued by Planning Committee of Beijing, 北京盛創恒達房地產開發有限公司 (Beijing Shengchuang Hengda Real Property Development Co. Limited) was permitted to commence works of a project in National Environmental Protection Industrial Park Plot D (Southern Region) in Tongzhou District with a total gross floor area of 312,429.30 sqm, including 3,193.89 sqm of civil defense shelter area. The details of the permits are as follows:

Certificate No.	Date of Issue	Name of Construction	Scale of Construction *(sqm)*
(2012) 0544	31 May 2012	No. 209, No. 210, No. 211 R&D building, Zhujiang Yijing, Science and Technology Park, Plot D (Southern Region)	54,702.29
(2012) 0545	31 May 2012	No. 219 Underground carpark spaces, Zhujiang Yijing, Science and Technology Park, Plot D (Southern Region)	18,596.15
(2012) 0546	31 May 2012	No. 214, No. 215, No. 216 R&D building, Zhujiang Yijing, Science and Technology Park, Plot D (Southern Region)	54,368.19
(2012) 0547	31 May 2012	No. 212, No. 213, No. 218 R&D building, Zhujiang Yijing, Science and Technology Park, Plot D (Southern Region)	37,794.66
(2012) 0548	31 May 2012	No. 201, No. 202, No. 203 R&D building, Zhujiang Yijing, Science and Technology Park, Plot D (Southern Region)	54,702.29
(2012) 0549	31 May 2012	No. 204, No. 205, No. 217 R&D building, Zhujiang Yijing, Science and Technology Park, Plot D (Southern Region)	37,563.43
(2012) 0550	31 May 2012	No. 206, No. 207, No. 208 R&D building, Zhujiang Yijing, Science and Technology Park, Plot D (Southern Region)	54,702.29
		Total	312,429.30

According to seven Permits for Commencement of Construction Works issued by Planning Committee of Beijing, 北京創合豐威房地產開發有限公司 (Beijing Chuanghe Fengwei Real Property Development Co. Limited) was permitted to commence works of a project in National Environmental Protection Industrial Park Plot A (Southern Region) in Tongzhou District with a total gross floor area of 312,577.07 sqm, including 7,461.39 sqm of civil defense shelter area. The details of the permits are as follows:

Certificate No.	Date of Issue	Name of Construction	Scale of Construction *(sqm)*
(2012) 0589	5 June 2012	No. 419 Underground carpark spaces, Zhujiang Yijing, Science and Technology Park, Plot A (Southern Region)	18,178.59
(2012) 0590	5 June 2012	No. 412, No. 413, No. 418 R&D building, Zhujiang Yijing, Science and Technology Park, Plot A (Southern Region)	37,794.66
(2012) 0591	5 June 2012	No. 414, No. 415, No. 416 R&D building, Zhujiang Yijing, Science and Technology Park, Plot A (Southern Region)	54,702.29
(2012) 0592	5 June 2012	No. 409, No. 410, No. 411 R&D building, Zhujiang Yijing, Science and Technology Park, Plot A (Southern Region)	54,702.29
(2012) 0593	5 June 2012	No. 406, No. 407, No. 408 R&D building, Zhujiang Yijing, Science and Technology Park, Plot A (Southern Region)	54,702.29
(2012) 0594	5 June 2012	No. 404, No. 405, No. 417 R&D building, Zhujiang Yijing, Science and Technology Park, Plot A (Southern Region)	37,794.66
(2012) 0596	5 June 2012	No. 401, No. 402, No. 403 R&D building, Zhujiang Yijing, Science and Technology Park, Plot A (Southern Region)	54,702.29
		Total	312,577.07

(6) According to Business License No. 110112013304055 dated 29 June 2012, 北京盛創恒達房地產開發有限公司 (Beijing Shengchuang Hengda Real Property Development Co. Limited) was established as a limited company with a registered capital of RMB15,000,000 for an operation period from 21 October 2010 to 20 October 2060.

According to Business License No. 110112013304119 dated 29 June 2012, 北京創合豐威房地產開發有限公司 (Beijing Chuanghe Fengwei Real Property Development Co. Limited) was established as a limited company with a registered capital of RMB10,000,000 for an operation period from 21 October 2010 to 20 October 2060.

(7) The capital value of the property in existing state as at 30 September 2012 was approximately RMB2,910,000,000 (Plot A: RMB1,169,000,000; Plot D: RMB1,741,000,000).

(8) According to the information provided by the Company, the outstanding construction costs and indirect costs as at 30 September 2012 on Plot A and Plot D are approximately RMB1,528,000,000 and RMB1,222,000,000 respectively, which will be borne by Farrich Investments Limited pursuant to the Share Purchase Agreement. The total expended sums as at 30 September 2012 on Plot A and Plot D are approximately RMB66,000,000 and RMB393,000,000 respectively. In the course of our valuation, we have appropriately taken into account the above costs.

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

(i) The Certificates for the Use of State-owned Land of the property are legal and valid;

(ii) 北京盛創恒達房地產開發有限公司 (Beijing Shengchuang Hengda Real Property Development Co. Limited) and 北京創合豐威房地產開發有限公司 (Beijing Chuanghe Fengwei Real Property Development Co. Limited) are the legal land users of the property and have obtained the relevant certificates and approval from the government in respect of the construction of the proposed development;

(iii) 北京盛創恒達房地產開發有限公司 (Beijing Shengchuang Hengda Real Property Development Co. Limited) and 北京創合豐威房地產開發有限公司 (Beijing Chuanghe Fengwei Real Property Development Co. Limited) were not aware of any investigation of idle land being conducted by the relevant authority and have not received any warning or decision of idle land which may result in the termination of the Grant Contracts of State-owned Land Use Rights. 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 notice of decision of idle land has been served on 北京盛創恒達房地產開發有限公司 (Beijing Shengchuang Hengda Real Property Development Co. Limited) and 北京創合豐威房地產開發有限公司 (Beijing Chuanghe Fengwei Real Property Development Co. Limited) with administrative measures taken; and

(iv) The property is currently subject to two mortgages. 北京盛創恒達房地產開發有限公司 (Beijing Shengchuang Hengda Real Property Development Co. Limited) and 北京創合豐威房地產開發有限公司 (Beijing Chuanghe Fengwei Real Property Development Co. Limited) have the right to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property subject to the consents of the mortgagees.

(10) 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 Permits for Construction Use of Land	Yes
Planning Permits for Construction Works	Yes
Permits for Commencement of Construction Works	Yes
Business License	Yes

The following is the text of a letter of advice from Somerley dated 21 January 2011 to the independent board committee and independent shareholders of the Company setting out their opinion regarding the major and connected transaction for the purpose of incorporation into the circular of the Company dated 21 January 2011:

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

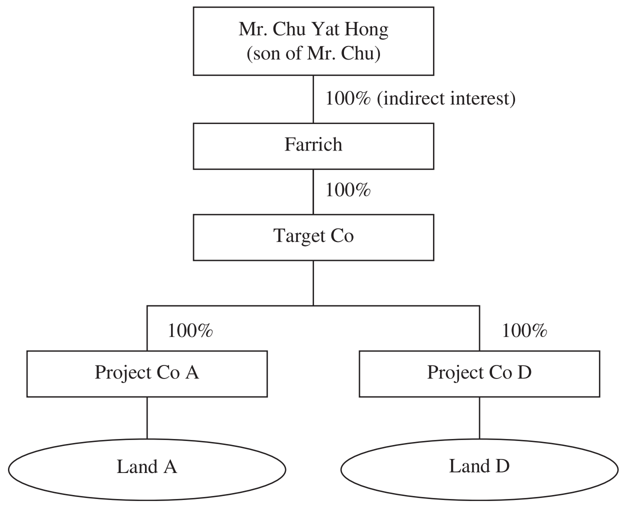
(i) *Subject matters*

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.

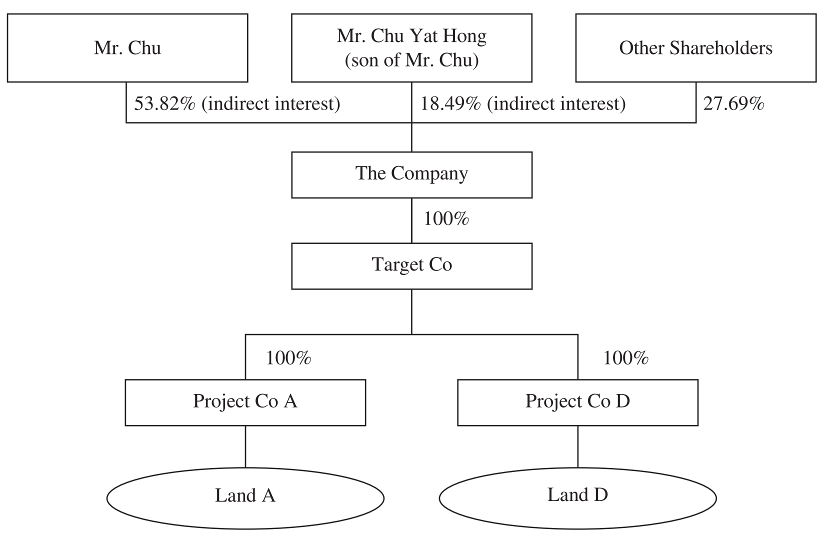
It has been agreed under the Share Purchase Agreement that upon Completion, the Target Co will have no assets except the equity interests in the Project Cos, which will have no assets except the Lands and interests in the Subsisting Construction Contracts, and will have no liabilities.

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	**As at 31 December**	
	2010	**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.

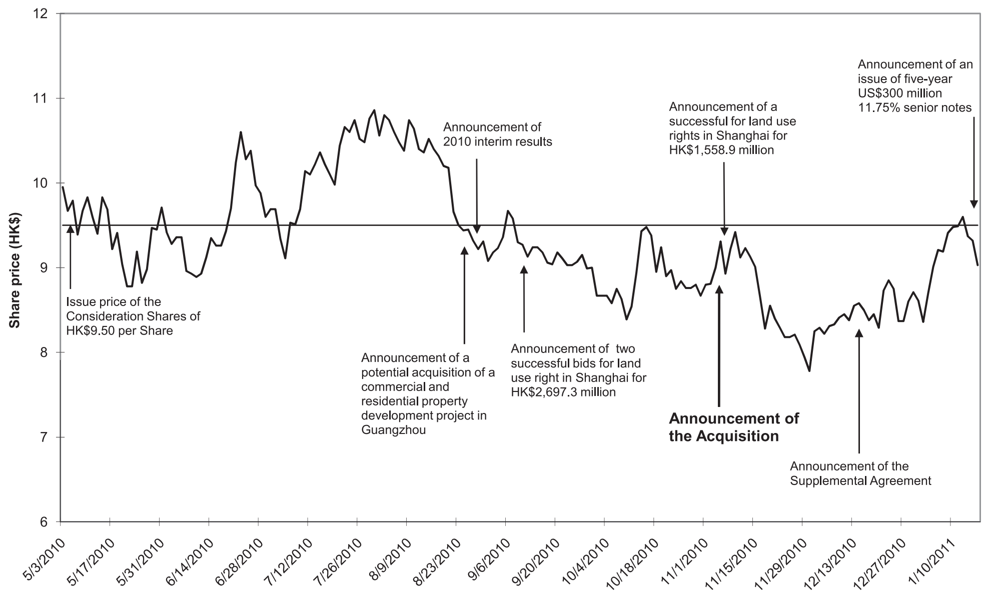
Non-current liabilities of the Group as at 30 June 2010 included borrowings of approximately HK$17,227.9 million and deferred tax liabilities of approximately HK$4,411.0 million. Current liabilities of the Group as at 30 June 2010 included pre-sale deposits of approximately HK$9,589.5 million received 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

1. RESPONSIBILITY STATEMENT

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

2. 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$*
3,000,000,000 Shares of HK $0.10 each as at the Latest Practicable Date:	300,000,000.00
Issue as fully paid:	
1,736,003,809 Shares as at the Latest Practicable Date	173,600,380.90
To be issued pursuant to the Share Issue	
523,246,625 Consideration Shares	52,324,662.50
	225,925,043.40

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.

DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO);

or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares

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

Notes:

(1) Mr. Chu held 1,032,363,809 Shares through Sounda, a company wholly-owned by him, and 68,640,000 Shares through Hopson Education Funds, a company wholly-owned by him. Mr. Chu is a director of Sounda.

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

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

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

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

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

(a) 天津合生珠江房地產開發有限公司 (Tianjin Hopson Zhujiang Real Estate Development Limited), a cooperative joint venture established in the PRC in which the Company has 92.3% equity interest, and Mr. Chu entered into a land use right transfer agreement pursuant to which the Group disposed of a parcel of vacant land located at 中國天津市寶坻區周良莊鎮寶白公路西側610及611地塊 (Numbers 610 and 611, West Side, Baobai Highway, Zhou Liang Town, Baodi District, Tianjin, PRC) with a total site area of approximately 6,558.77 square meters to Mr. Chu at the consideration of RMB2,500,000 (the "Tianjin Agreement"); and

(b) 廣東華南新城房地產有限公司 (Guangdong Huanan New City Real Estate Limited), a cooperative joint venture established in the PRC in which the Company has 100% equity interest and Mr. Chu entered into a land use right transfer agreement pursuant to which the Group disposed of a parcel of vacant land located at 中國廣東省廣州市番禺區南村鎮員崗村、官堂村 (南村鎮華南新城B2地塊) (Guan Tang Village, Yuan Gang Village, Southern Town, Panyu District, Guangzhou, Guangdong, PRC (Lot Number B2, Huanan New City, Southern Town)) with a total site area of 9,347.98 square meters to Mr. Chu at the consideration of RMB29,258,305 (the "Guangdong Agreement").

Save as disclosed above, none of the Directors had any interest, direct or indirect, in any asset which, since 31 December 2011, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group as at the Latest Practicable Date.

SERVICE AGREEMENTS

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

EXPERTS

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, the Valuer 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, the Valuer 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, the Valuer and PricewaterhouseCoopers did not have any interest, direct or indirect, in any assets which since 31 December 2011, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

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 Enlarged 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 Share Purchase Agreement (including the First Supplemental Agreement);

(b) the subscription agreement dated as of 20 December 2010 entered into between Beijing Rural Commercial Bank Co., Ltd. (北京農村商業銀行股份有限公司) (the "Bank") and 中先國際控股有限公司 (Zhongxian International Company Limited) ("Zhongxian International"), an indirect wholly-owned subsidiary of the Company, pursuant to which Zhongxian International agreed to subscribe for 238.35 million ordinary shares of the Bank at the subscription price of RMB238.35 million (subject to adjustment);

(c) the subscription agreement dated as of 20 December 2010 entered into between the Bank and 上海大展投資管理有限公司 (Shanghai Dazhan Investment Management Company Limited), ("Shanghai Dazhan"), an indirect wholly-owned subsidiary of the Company, pursuant to which Shanghai Dazhan agreed to subscribe for 238.35 million ordinary shares of the Bank at the subscription price of RMB238.35 million (subject to adjustment);

(d) the asset purchase agreement dated as of 20 December 2010 entered into among the Bank, Zhongxian International, Shanghai Dazhan and other eight investors in the Bank who are independent of and not connected with the Company and its connected persons pursuant to which Zhongxian International, Shanghai Dazhan and eight other investors (the "Investors") to purchase an undivided share of certain non-performing assets of the Bank at a purchase price, subject to adjustment, equivalent to 200% of the subscription price payable by it for its corresponding share subscription with the Bank;

(e) the trust agreement dated as of 17 December 2010 entered into among China Cinda Asset Management Co., Ltd (中國信達資產管理股份有限公司) (the "Trustee") and the Investors (including Zhongxian International and Shanghai Dazhan) pursuant to which the Investors agreed to appoint the Trustee as their trustee to, among other things, acquire from the Bank the non-performing assets of the Bank, manage and dispose of such assets, and pay the sale proceeds thereof to the Bank by way of gift;

(f) the subscription agreement dated 14 January 2011 entered into among the Company, all wholly owned subsidiaries of the Company incorporated or organised outside the PRC and UBS AG, Hong Kong Branch relating to the issue of US$300 million 11.75% senior notes by the Company listed on the Singapore Exchange Securities Trading Limited;

(g) the framework agreement dated 11 May 2012 entered into between the Company and 廣東韓江建築安裝工程有限公司 (Guangdong Hanjiang Construction Installation Project Limited) relating to the continuing connected transactions of the Company for a term expiring on 31 December 2014;

(h) Tianjin Agreement;

(i) Guangdong Agreement; and

(j) the Second Supplemental Agreement.

COMPETING BUSINESS

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

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

LITIGATION

Save as disclosed in the section headed "B Indebtedness Statement" in Appendix I to this circular, no member of the Enlarged 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 Enlarged Group as at the Latest Practicable Date.

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, 33rd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong from 9:30 a.m. to 5:00 p.m. during the period commencing from 16 November 2012 up to 3 December 2012 (both dates inclusive):

(a) the memorandum and Bye-laws of the Company;

(b) the annual reports of the Company for the two financial years ended 31 December 2011 and the interim report of the Company for the six months ended 30 June 2012;

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

(d) the letter from the Independent Board Committee, the text of which is set out on pages 15 to 16 of this circular;

(e) the letter from Somerley, the text of which is set out on pages 17 to 39 of this circular;

(f) the letter of Somerley dated 21 January 2011, the text of which is set out in Appendix VI;

(g) the accountant's reports from PricewaterhouseCoopers on the Target Co, the Project Co A and the Project Co D as set out in Appendix IIA, Appendix IIB and Appendix IIC respectively to this circular;

(h) the reports from PricewaterhouseCoopers in respect of the unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV to this circular;

(i) the valuation report of the Valuer in respect of the Project, the text of which is set out in Appendix V;

(j) written consents referred to in the section headed "Experts" in this Appendix;

(k) 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 2011); and

(l) this circular.

MISCELLANEOUS

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

(b) 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.

(c) 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, Wan Chai, Hong Kong.

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

合生創展集團有限公司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 754)

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

NOTICE IS HEREBY GIVEN that a Special General Meeting of Hopson Development Holdings Limited ("Company" together with its subsidiaries, the "Group") will be held at Alexandra Room, 2nd Floor, Mandarin Oriental, 5 Connaught Road Central, Hong Kong on Monday, 3 December 2012 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) the amendments (the "Amendments") to the share purchase agreement dated 3 November 2010 (as amended and supplemented by the supplemental agreement dated 13 December 2010) ("Share Purchase Agreement") relating to the Company's acquisition of the entire issued share capital of Sun Excel Investments Limited at a total consideration of RMB6,605,066,000 ("Acquisition") and entered between the Company and Farrich Investment Limited ("Farrich") as set out in the second supplemental agreement (the "Second Supplemental Agreement") dated 26 October 2012 and entered into between the Company and Farrich in respect of the Share Purchase Agreement (a copy of which initialled by the chairman of the meeting for the purpose of identification has been produced to this meeting) be and are hereby approved, ratified and confirmed; and

(b) 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 Amendments, the Acquisition, all the transactions contemplated under the Share Purchase Agreement as amended by the Second Supplemental Agreement and all other matters incidental thereto."

By Order of the Board
Hopson Development Holdings Limited
Chu Mang Yee
Chairman

Hong Kong, 16 November 2012

* *for identification purposes only*

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

Notes:

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

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

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