

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Stock Code: 754)

(Incorporated in Bermuda with limited liability)

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

CONTINUING CONNECTED TRANSACTIONS

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



South China Capital Limited

A letter from the Chairman of Hopson Development Holdings Limited is set out on pages 3 to 20 of this circular. A letter from the independent board committee of Hopson Development Holdings Limited is set out on pages 21 to 22 of this circular. A letter from South China Capital Limited containing its advice to the independent board committee and independent shareholders of Hopson Development Holdings Limited is set out on pages 23 to 51 of this circular.

A notice convening a special general meeting of Hopson Development Holdings Limited to be held at Alexandra Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on Tuesday, 16 June 2009 at 11:00 a.m. (or so soon thereafter as the annual general meeting of Hopson Development Holdings Limited convened on the same day and at the same place at 10:00 a.m. shall have been concluded or adjourned) is set out on pages 56 to 57 of this circular.

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

* for identification purposes only

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE CHAIRMAN	
1. INTRODUCTION	3
2. PRINCIPAL TERMS OF THE NEW FRAMEWORK AGREEMENT	5
3. PROPOSED ANNUAL CAPS FOR 2009, 2010 AND 2011	6
4. CONTINUING CONNECTED TRANSACTIONS	7
5. HISTORICAL FIGURES OF THE CONTINUING CONNECTED TRANSACTIONS 1 TO 5, 6 (ONLY IN RESPECT OF THE INTELLIGENT BUILDING INSTALLATION WORKS) AND 8 TO 9	15
6. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS	16
7. CONNECTION BETWEEN THE PARTIES AND THE CONTINUING CONNECTED TRANSACTIONS	19
8. SGM	19
9. FURTHER INFORMATION	19
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	21
LETTER FROM SOUTH CHINA CAPITAL LIMITED	23
APPENDIX I — GENERAL INFORMATION	52
APPENDIX II — NOTICE OF SGM	56

DEFINITIONS

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

“Annual Caps”	the maximum aggregate annual value of each of the Continuing Connected Transactions for the relevant financial year
“associate”	the meaning given to that term in the Listing Rules
“Board”	board of Directors
“Company”	Hopson Development Holdings Limited
“Continuing Connected Transactions”	Continuing Connected Transactions 1 to 10
“Directors”	directors of the Company
“Framework Agreement”	the agreement dated 13 April 2006 entered into between the Company and Hanjiang
“Group”	the Company and its subsidiaries
“Hanjiang”	廣東韓江建築安裝工程有限公司 (Guangdong Hanjiang Construction Installation Project Limited), a company established in the PRC
“Hanjiang Group”	Hanjiang, its subsidiaries and its associates
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising Messrs. Yuen Pak Yiu, Philip, Lee Tsung Hei, David and Wong Shing Kay, Oliver, established to review and consider the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2011
“Independent Shareholders”	the Shareholders other than Sounda and its associates
“Latest Practicable Date”	18 May 2009, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chu”	Mr. Chu Mang Yee, the chairman of the Board

DEFINITIONS

“New Framework Agreement”	the conditional framework agreement dated 30 April 2009 entered into between the Company and Hanjiang in respect of the Continuing Connected Transactions
“PRC”	the People’s Republic of China
“RMB”	Renminbi
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened to approve, among other things, the New Framework Agreement, the Continuing Connected Transactions contemplated thereunder and the Annual Caps for the three financial years ending 31 December 2011
“Shares”	the ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Sounda”	Sounda Properties Limited, a company incorporated in the British Virgin Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent.

LETTER FROM THE CHAIRMAN



合生創展集團有限公司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Stock Code: 754)

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

Executive Directors:

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

Independent Non-executive Directors:

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

Principal Office:

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

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

21 May 2009

To the Shareholders

Dear Sir and Madam,

1. INTRODUCTION

Reference is made to the announcement of the Company dated 13 April 2006 and the circular of the Company dated 13 May 2006 in respect of the Framework Agreement and the continuing connected transactions of the Group contemplated under the Framework Agreement.

At a special general meeting of the Company held on 29 May 2006, the Independent Shareholders approved, confirmed and ratified the Framework Agreement and approved the annual caps of each of the continuing connected transactions contemplated under the Framework Agreement for the three years ended 31 December 2008.

* for identification purpose only

LETTER FROM THE CHAIRMAN

The Group intends to continue the Continuing Connected Transactions 1 to 5, 8 to 9 and the intelligent building installation works component of the Continuing Connected Transaction 6 (which were covered by the approval granted by the Independent Shareholders at the special general meeting of the Company held on 29 May 2006). The Group also intends to enter into the Continuing Connected Transactions 6, 7 and 10. The Group announced on 30 April 2009 that the Company entered into a conditional New Framework Agreement with Hanjiang for the purpose of governing the Continuing Connected Transactions. Particulars of the Continuing Connected Transactions are set out below:

SERVICES/LEASED PREMISES TO BE PROVIDED BY HANJIANG GROUP TO THE GROUP:

(a) Continuing Connected Transaction 1 — Construction:

The appointment of Hanjiang Group by the Group to carry out construction works for certain property development projects of the Group (“Continuing Connected Transaction 1”).

(b) Continuing Connected Transaction 2 — Property Management:

The appointment of Hanjiang Group by the Group to manage certain properties developed by the Group in Shanghai (“Continuing Connected Transaction 2”).

(c) Continuing Connected Transaction 3 — Design:

The appointment of Hanjiang Group by the Group to carry out design works for certain property projects of the Group (“Continuing Connected Transaction 3”).

(d) Continuing Connected Transaction 4 — Installation and Decoration:

The appointment of Hanjiang Group by the Group to carry out installation and decoration works for certain property projects of the Group (“Continuing Connected Transaction 4”).

(e) Continuing Connected Transaction 5 — Office Lease:

The provision of leased premises in Guangzhou by Hanjiang Group to the Group for use as offices (“Continuing Connected Transaction 5”).

(f) Continuing Connected Transaction 6 — Electrical Power Installation, Intelligent Building Installation Works, Budgeting and Cost Control Consultation:

The appointment of Hanjiang Group by the Group to carry out electrical power installation and intelligent building installation works for certain property projects of the Group and to provide budgeting and construction cost control consultation services to the Group (“Continuing Connected Transaction 6”).

(g) Continuing Connected Transaction 7 — Construction Supervision:

The appointment of Hanjiang Group by the Group to supervise the construction of certain property development projects of the Group (“Continuing Connected Transaction 7”).

LETTER FROM THE CHAIRMAN

SERVICES/LEASED PREMISES TO BE PROVIDED BY THE GROUP TO HANJIANG GROUP

(h) Continuing Connected Transaction 8 — Shop Lease to Hanjiang Group:

The provision of leased premises in Guangzhou, Beijing and Tianjin by the Group to Hanjiang Group for use as shops (“Continuing Connected Transaction 8”).

(i) Continuing Connected Transaction 9 — Vacant Property Management:

The appointment of the Group by Hanjiang Group to manage certain vacant properties developed by Hanjiang Group in Guangzhou, Beijing and Xi’an (“Continuing Connected Transaction 9”).

(j) Continuing Connected Transaction 10 — Design:

The appointment of the Group by Hanjiang Group to carry out building design works for certain property projects of Hanjiang Group (“Continuing Connected Transaction 10”).

2. PRINCIPAL TERMS OF THE NEW FRAMEWORK AGREEMENT

On 30 April 2009, the Company and Hanjiang entered into the New Framework Agreement, setting out the principal terms of, among other things, the Continuing Connected Transactions as follows:

Date:	30 April 2009
Parties:	the Company; and Hanjiang
Scope:	(1) Services/leased premises to be provided by Hanjiang Group to the Group:

Hanjiang shall procure the relevant member(s) of Hanjiang Group to carry out construction works, construction supervision, property management, property design, installation and decoration works, intelligent building installation works and electrical power installation works for certain property projects of the Group and to provide consultation services in relation to budgeting and construction cost control for the property projects. Hanjiang shall also procure the relevant member(s) of Hanjiang Group to lease to the Group certain premises for use as the Group’s office.

LETTER FROM THE CHAIRMAN

- (2) Services/leased premises to be provided by the Group to Hanjiang Group:

The Company shall procure the relevant member(s) of the Group to manage certain vacant properties developed by Hanjiang Group, to lease to Hanjiang Group certain premises for use as Hanjiang Group's shops and to carry out design works for certain property projects of Hanjiang Group.

Term: The New Framework Agreement shall be for a term commencing on the date when it becomes effective and ending on 31 December 2011.

Condition precedent: The New Framework Agreement is conditional, and will become effective, upon the approval of the Independent Shareholders voting at the SGM.

3. PROPOSED ANNUAL CAPS FOR 2009, 2010 AND 2011

Set out below are the Annual Caps proposed by the Directors for the three financial years ending 31 December 2011 in respect of each of the Continuing Connected Transactions:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	<u>Annual Cap</u>	<u>Annual Cap</u>	<u>Annual Cap</u>
TRANSACTION	Approx.	Approx.	Approx.
	Amount	Amount	Amount
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<i>Services/leased premises to be provided by Hanjiang Group to the Group:</i>			
1. Continuing Connected Transaction 1 — Construction	2,331,600	2,198,000	2,020,600
2. Continuing Connected Transaction 2 — Property Management	2,000	1,700	800
3. Continuing Connected Transaction 3 — Design	25,000	20,000	20,000
4. Continuing Connected Transaction 4 — Installation and Decoration (Note 1)	174,900	138,800	113,100
5. Continuing Connected Transaction 5 — Office Lease	2,300	2,300	2,300

LETTER FROM THE CHAIRMAN

TRANSACTION	2009 <u>Annual Cap</u> Approx. Amount <i>(RMB'000)</i>	2010 <u>Annual Cap</u> Approx. Amount <i>(RMB'000)</i>	2011 <u>Annual Cap</u> Approx. Amount <i>(RMB'000)</i>
6. Continuing Connected Transaction 6 — Electrical Power Installation, Intelligent Building Installation Works, Budgeting and Cost Control Consultation <i>(Note 2)</i>	624,700	594,700	584,900
7. Continuing Connected Transaction 7 — Construction Supervision	25,000	25,900	25,500
<i>Services/leased premises to be provided by the Group to Hanjiang Group</i>			
8. Continuing Connected Transaction 8 — Shop Lease to Hanjiang Group	6,100	4,400	4,300
9. Continuing Connected Transaction 9 — Vacant Property Management <i>(Note 3)</i>	17,200	16,800	16,400
10. Continuing Connected Transaction 10 — Design	<u>120,500</u>	<u>26,000</u>	<u>11,000</u>
	<u>3,329,300</u>	<u>3,028,600</u>	<u>2,798,900</u>

4. CONTINUING CONNECTED TRANSACTIONS

Set out below are the particulars of the Continuing Connected Transactions and the relevant pricing bases contemplated under the New Framework Agreement and the bases for determining the Annual Caps:

(i) **Continuing Connected Transaction 1 — Construction**

Scope:

Pursuant to the New Framework Agreement, the Group agrees to appoint Hanjiang Group to carry out construction works for certain property development projects of the Group.

LETTER FROM THE CHAIRMAN

Pricing Basis: The construction fees payable by the Group to Hanjiang Group for carrying out construction works for various property projects of the Group in the PRC shall be determined by the parties by reference to the prevailing market rates charged by independent third parties for similar construction projects and the stipulated standards prescribed by 建設委員會 (Construction Committee) of where the particular property project is located, such as 北京市建築工程預算定額 (Base Price for Budgeting of Construction and Installation Works, Beijing Municipal) published by 北京市建設委員會 (Construction Committee of Beijing Municipal) in 2001 for properties in Beijing, 廣東省各專業工程計價辦法 (2006年) (Basis for Calculating Professional Construction Works, Guangdong Province (2006)) and 廣東省各專業綜合定額 (Comprehensive Calculation of Construction Works, Guangdong Province (2006)) published by 廣東省建設廳 (Construction Department of Guangdong Province) in 2006 for properties in Guangzhou.

Basis of determining the Annual Caps: The proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above), (ii) the historical figures of the Continuing Connected Transaction 1 for the three years ended 31 December 2008 as set out paragraph 5 below, and (iii) the Directors' estimation of the aggregate gross floor area of properties in Guangzhou, Beijing, Shanghai, Tianjin and Huizhou, the construction of which are expected to be carried out by Hanjiang Group for the relevant years. Such estimation of the aggregate gross floor area to be constructed is derived from the number of property projects to be developed by the Group for the relevant years based on the growing potential in the PRC's economic and the market trends in the property market in the major cities in the PRC.

(ii) Continuing Connected Transaction 2 — Property Management

Scope: Pursuant to the New Framework Agreement, the Group agrees to appoint Hanjiang Group to manage certain properties developed by the Group in Shanghai.

LETTER FROM THE CHAIRMAN

Pricing Basis: The amount of management fees payable by the Group to Hanjiang Group for providing management services to certain properties developed by the Group in Shanghai shall be determined by the parties by reference to the prevailing market rates charged by independent third parties for providing similar property management services in similar locations, which shall conform with the stipulated standards prescribed by 房屋土地管理局 (Housing and Land Administration Bureau) of where the particular property is located, such as 上海市住宅物業服務分等收費管理暫行辦法 (Shanghai Provisional Administrative Measures on Classification of Fees for Residential Property Services) published by 上海市物價局 (Shanghai Municipal Price Bureau) and 上海市房屋土地資源管理局 (Shanghai Municipal Housing, Land and Resources Administration Bureau) in 2005 for properties in Shanghai.

Basis of determining the Annual Caps: The proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above), (ii) the historical figures of the Continuing Connected Transaction 2 for the three years ended 31 December 2008 as set out in paragraph 5 below, (iii) the aggregate areas of the Group's property projects in Shanghai that are expected to be managed by Hanjiang Group, and (iv) the scope of management services required for each of such properties.

(iii) Continuing Connected Transaction 3 — Design

Scope: Pursuant to the New Framework Agreement, the Group agrees to appoint Hanjiang Group to carry out design works for certain property development projects of the Group.

Pricing Basis: The amount of design fees payable by the Group to Hanjiang Group for carrying out the design works for various property projects of the Group shall be determined by the parties by reference to, and shall not be higher than, the prevailing market rates charged by independent third parties for similar design projects and the standards or guidelines prescribed by the relevant governmental authority on the fees chargeable for the provision of similar services (if any).

LETTER FROM THE CHAIRMAN

Basis of determining the Annual Caps:

The proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above), (ii) the historical figures of the Continuing Connected Transaction 3 for the three years ended 31 December 2008 as set out in paragraph 5 below and (iii) the Directors' estimated aggregate gross floor area of the property projects to be completed by the Group in Guangzhou, Beijing, Shanghai, Tianjin and Huizhou that require design works to be carried out by Hanjiang Group for the relevant year. Such estimation of the aggregate gross floor area is derived from the number of property projects to be developed by the Group based on the growing potential in the PRC's economic and the market trends in the property market in the major cities in the PRC.

(iv) Continuing Connected Transaction 4 — Installation and Decoration

Scope:

Pursuant to the New Framework Agreement, the Group agrees to appoint Hanjiang Group to carry out installation and decoration works for certain property development projects of the Group.

Pricing Basis:

The installation and decoration fees payable by the Group to Hanjiang Group for carrying out installation and decoration works for various property projects of the Group in the PRC will be determined by the parties by reference to, and shall not be higher than, the prevailing market rates charged by independent third parties for similar installation and decoration works and the standards prescribed by the relevant governmental authorities of where the particular property is located, such as 北京市建築工程預算定額 (Base Price for Budgeting of Construction and Installation Works, Beijing Municipal) for properties located in Beijing, 廣東省各專業工程計價辦法 (2006年) (Basis for Calculating Professional Construction Works, Guangdong Province (2006)) and 廣東省各專業綜合定額 (2006年) (Comprehensive Calculation of Construction Works, Guangdong Province (2006)) for properties located in Guangzhou.

LETTER FROM THE CHAIRMAN

Basis of determining the Annual Caps: The proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above), (ii) the historical figures of the Continuing Connected Transaction 4 for the three years ended 31 December 2008 as set out in paragraph 5 below, and (iii) the Directors' estimated aggregate gross floor area of the property projects to be completed by the Group in Guangzhou, Beijing, Shanghai, Tianjin and Huizhou that require installation and decoration works to be carried out by Hanjiang Group for the relevant years. Such estimation of the aggregate gross floor area is derived from the number of property projects to be developed by the Group based on the growing potential in the PRC's economic and the market trends in the property market in the major cities in the PRC.

(v) Continuing Connected Transaction 5 — Office Lease

Scope: Pursuant to the New Framework Agreement, Hanjiang Group agrees to lease certain premises located in Guangzhou to the Group for use as offices.

Pricing Basis: The rent payable by the Group to Hanjiang Group will be determined by reference to the prevailing market rents charged by independent third parties for the leasing of similar properties in the vicinity.

Basis of determining the Annual Caps: The proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above) and (ii) the location and size of a leased premises of approximately 1,755 square metres in Guangzhou.

(vi) Continuing Connected Transaction 6 — Electrical Power Installation, Intelligent Building Installation Works, Budgeting and Cost Control Consultation

Scope: Pursuant to the New Framework Agreement, the Group agrees to appoint Hanjiang Group to carry out electrical power installation and intelligent building installation works for certain property development projects of the Group and to provide consultation services to the Group in relation to budgeting and construction cost control including, to evaluate and formulate the base price for a particular project that the Group intends to put up for public tender, to compile invitations to tender and to assist in the evaluation of the bidders, to formulate the budget for a particular project and to formulate cost control plans for a particular construction project.

LETTER FROM THE CHAIRMAN

Pricing Basis:

The amount of fees payable by the Group to Hanjiang Group for carrying out electrical power installation works for the property projects of the Group will be determined by reference to, and shall not be higher than, the prevailing market rates charged by independent third parties for similar works and the standards prescribed by the relevant governmental authorities of where the property is located.

The amount of fees payable by the Group to Hanjiang Group for carrying out intelligent building installation works for certain property projects of the Group in the PRC will be determined by reference to, and shall not be higher than, the prevailing market rates charged by independent third parties for similar works and the standards prescribed by the relevant governmental authorities of where the property is located.

The amount of fees payable by the Group to Hanjiang Group for the provision of budgeting and construction cost control consultation services to the Group will be determined by reference to, and shall not be higher than, 招標代理服務收費標準 (Standard Fees for Tender Agencies) issued by the 北京市發展和改革委員會 (Beijing Municipal Commission of Development and Reform) in respect of the provision of services to assist in the tender process and 工程造價諮詢服務收費管理暫行辦法 (Provisional Administrative Measures on Consultation Fees for Construction Budgeting) issued by the relevant department of 建設部 (Ministry of Construction) now known as 住房和城鄉建設部 (Ministry of Housing and Urban-Rural Development) in respect of the provision of budgeting services.

LETTER FROM THE CHAIRMAN

Basis of determining the Annual Caps:

The proposed Annual Caps, which represent the aggregate of the fees payable for the electrical power installation works, intelligent building installation works and budgeting and construction cost control consultation services, have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above) and (ii) the Directors' estimated aggregate gross floor area of the property projects to be completed by the Group in Guangzhou, Beijing, Shanghai, Tianjin, and Huizhou which require Hanjiang Group to carry out electrical power installation works or intelligent building installation works or provide consultation services in relation to budgeting and construction cost control for the relevant year. Such estimation of the aggregate gross floor area is derived from the number of property projects to be developed by the Group based on the growing potential in the PRC's economic and the market trends in the property market in the major cities in the PRC.

(vii) Continuing Connected Transaction 7 — Construction Supervision

Scope:

Pursuant to the New Framework Agreement, the Group agrees to appoint Hanjiang Group to supervise the construction of certain property development projects of the Group.

Pricing basis:

The amount of construction supervising fees payable by the Group to Hanjiang Group for supervising the construction of certain property projects of the Group shall be determined by the parties by reference to the prevailing market rate charged by independent third parties for the provision of similar construction supervision works and the standards prescribed under 建設工程監理與相關服務收費標準 (Construction Project Monitoring and Related Services Fees Standard).

Basis of determining the Annual Caps:

The proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above), and (ii) the Directors' estimation of the aggregate gross floor area of properties in Guangzhou, Beijing, Shanghai, Tianjin and Huizhou, the construction of which are expected to be supervised by Hanjiang Group. Such estimation of the aggregate gross floor area to be constructed is derived from the number of property projects to be developed by the Group for the relevant years based on the growing potential in the PRC's economic and the market trends in the property market in the major cities in the PRC.

LETTER FROM THE CHAIRMAN

(viii) Continuing Connected Transaction 8 — Shop Lease to Hanjiang Group

Scope:	Pursuant to the New Framework Agreement, the Group agrees to lease certain premises located in Guangzhou, Beijing and Tianjin to Hanjiang Group for use as shops.
Pricing Basis:	The rent receivable by the Group from Hanjiang Group will be determined by reference to the market rents for the leasing of the same or similar properties to independent third parties in the vicinity.
Basis of determining the Annual Caps:	The proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above) and (ii) the locations and sizes of certain identified shop premises in Guangzhou, Beijing and Tianjin and the respective terms of such leases.

(ix) Continuing Connected Transaction 9 — Vacant Property Management

Scope:	Pursuant to the New Framework Agreement, Hanjiang Group agrees to appoint the Group to manage certain vacant properties of Hanjiang Group located in Guangzhou, Beijing and Xi'an.
Pricing Basis:	The amount of management fees receivable by the Group from Hanjiang Group will be determined by the parties by reference to the standards on property management fees and related costs prescribed by the Guangdong Provincial, Beijing Municipal and Xi'an local authorities and the property pricing guidelines given by the local government.
Basis of determining the Annual Caps:	The proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above) and (ii) the aggregate sizes, types and locations of certain properties of Hanjiang Group to be managed by the Group in Guangzhou, Beijing and Xi'an.

(x) Continuing Connected Transaction 10 — Design

Scope:	Pursuant to the New Framework Agreement, Hanjiang Group agrees to appoint the Group to carry out design works for certain property projects of Hanjiang Group.
--------	--

LETTER FROM THE CHAIRMAN

Pricing Basis: The amount of design fees receivable by the Group from Hanjiang Group will be determined by the parties by reference to the prevailing market rates charged by independent third parties for undertaking similar design projects and the standards and guidelines prescribed by the relevant local authority on fees chargeable for the provision of similar services (if any).

Basis of determining the Annual Caps: The proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above) and (ii) the aggregate sizes and types of the building projects of Hanjiang Group.

5. HISTORICAL FIGURES OF THE CONTINUING CONNECTED TRANSACTIONS 1 TO 5, 6 (ONLY IN RESPECT OF THE INTELLIGENT BUILDING INSTALLATION WORKS) AND 8 TO 9

The Group had carried out continuing connected transactions on similar basis as the Continuing Connected Transactions 1 to 5, 8 to 9 and the intelligent building installation works component of the Continuing Connected Transaction 6 in the last three financial years. The annual caps approved by the Independent Shareholders under the Framework Agreement and the historical figures in respect of each of the said continuing connected transactions for the three financial years ended 31 December 2008 are set out below:

Transaction	Year ended 31 December 2006		Year ended 31 December 2007		Year ended 31 December 2008	
	2006 Annual Caps	Historical Figures	2007 Annual Caps	Historical Figures	2008 Annual Caps	Historical Figures
	Approx. Amount (RMB'000)		Approx. Amount (RMB'000)		Approx. Amount (RMB'000)	
Continuing Connected Transaction 1						
— Construction	2,550,000	1,505,385	3,092,000	2,790,535	3,246,000	1,996,835
Continuing Connected Transaction 2						
— Property Management	1,040	50	2,830	2,622	2,690	1,783
Continuing Connected Transaction 3						
— Design	35,000	30,411	37,000	23,691	35,000	24,743
Continuing Connected Transaction 4						
— Installation and Decoration (Note 1)	29,000	25,160	65,000	27,754	84,000	60,450
Continuing Connected Transaction 5						
— Office Lease	6,500	5,073	6,700	5,218	7,300	3,228
Continuing Connected Transaction 6						
— Intelligent Building Installation Works (Note 2)	63,000	11,384	65,000	18,252	49,000	15,214
Continuing Connected Transaction 8						
— Shop Lease to Hanjiang Group	2,800	706	3,300	—	3,300	—
Continuing Connected Transaction 9						
— Vacant Property Management (Note 3)	5,000	4,746	5,000	1,890	5,000	2,121

LETTER FROM THE CHAIRMAN

Notes:

1. With respect to the Continuing Connected Transaction 4, the 2008 historical figure represents the amount of fees paid to Hanjiang Group for the installation and decoration works carried out for the Group's property projects located in Guangzhou, Beijing, Shanghai and Tianjin. The 2009 Annual Caps (i.e. approximately RMB174,900,000) increase by approximately 2.9 times of the 2008 historical figure. Such increase represents (i) the estimated increase in the aggregate gross floor area of the property projects in Guangzhou, Beijing, Shanghai, Tianjin and Huizhou that require installation and decoration works to be carried out, (ii) the Group's increase in the decoration standard for its properties, hence the costs and (iii) the estimated increase in the amount of works required from Hanjiang Group.
2. With respect to the Continuing Connected Transaction 6, the 2009 Annual Caps (i.e. approximately RMB624,700,000) represents the aggregate of (i) the estimated Annual Caps in the amount of approximately RMB533,100,000 for the electrical power installation works and the budgeting and cost control consultation and (ii) the estimated Annual Caps in the amount of approximately RMB91,600,000 for the intelligent building installation works.

The 2009 Annual Caps in respect of the intelligent building installation works increase by approximately 6 times of the 2008 historical figure. Such increase represents (i) the estimated increase in the aggregate gross floor area of the property projects in Guangzhou, Beijing, Shanghai, Tianjin and Huizhou that require intelligent building installation works to be carried out, (ii) the Group's increase in the standard for its properties, hence the costs and (iii) the estimated increase in the amount of works required from Hanjiang Group.

3. With respect to the Continuing Connected Transaction 9, the 2008 historical figure represents the management fees received by the Group from Hanjiang Group for managing certain various types of vacant properties of Hanjiang Group located in Guangzhou and Beijing. The 2009 Annual Caps (i.e. approximately RMB17,200,000) increase by approximately 8 times of the 2008 historical figure. Such increase represents (i) the estimated increase in the aggregate size of the vacant properties of Hanjiang Group to be managed by the Group in Guangzhou, Beijing and Xi'an, (ii) the increase in proportion and number of higher end properties of Hanjiang Group to be managed by the Group and (iii) the expected increase in the standards on property management fees and related costs prescribed by the Guangdong Provincial, Beijing Municipal and Xi'an local authorities.

6. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in properties development in various cities in the PRC including Guangzhou, Beijing, Shanghai and Tianjin. The Group is also involved in some ancillary property related businesses, including property investment, property management and hotel operations in the PRC. The Continuing Connected Transactions are part and parcel of the Group's normal and ordinary business.

Hanjiang, which is engaged principally in the business of property construction in the PRC, is classified as 房屋建築工程總承包壹級 (Property Construction First Class Contractors) by the relevant government authority in the PRC. First class contractors can undertake larger scale projects than non-first class contractors. Hanjiang offers a comprehensive range of services, employing over 350 industry experts, of which 100 are mid to senior level. Hanjiang has obtained the ISO 9000 certification for its quality management systems, using top grade quality in its safety, construction, cost management and controls. Hanjiang has a strong reputation in the industry and was involved in the construction of numerous highly rated large scale commercial buildings in the PRC. The Group has conducted market research and is of the view that the pricing offered by Hanjiang Group is highly competitive with the prevailing market rates. Hanjiang has a proven track record and possesses relevant technical capabilities and expertise in handling large scale construction projects. The Continuing Connected Transaction 1 has taken place since 2003 and Hanjiang Group has completed various property development projects for the Group since then. The Group and Hanjiang Group have built up a close and good working relationship since then. The Group is of the view that the appointment of top-quality construction companies such as

LETTER FROM THE CHAIRMAN

Hanjiang is essential in ensuring the quality of its property projects and the continuance of the Continuing Connected Transaction 1 is in the best interests of the Company and its Shareholders as a whole.

Hanjiang Group is also engaged in the business of property management in the PRC, has a proven track record and possesses relevant experience and technical expertise in managing property projects in Shanghai. The Continuing Connected Transaction 2 has taken place since 2004. The Group is of the view that the continuance of the Continuing Connected Transaction 2 is in the best interests of the Company and its Shareholders as a whole as it would enable the Group to have a better control of the cost and quality of management services so as to maintain a high level of after sales services to the buyers of the properties developed by the Group in Shanghai.

Certain members of Hanjiang Group are engaged in the businesses of building design and installation and decoration works (as the case may be) for property development in the PRC. Each of such members of Hanjiang Group has a proven track record in its area of expertise and possesses technical capabilities and expertise in carrying out large scale property design projects and installation and decoration projects (as the case may be) in the PRC. The Continuing Connected Transactions 3 to 4 have taken place since 2006. The Group is of the view that the appointment of companies with proven track records is of paramount importance in terms of the quality control of its projects and that the continuing appointment of Hanjiang Group to carry out the Continuing Connected Transactions 3 to 4 is in the best interests of the Company and its Shareholders as a whole.

The Continuing Connected Transactions 5 and 8 have taken place since 2006. In view of the good and reliable long-term working relationship between the Group and Hanjiang Group, the Group is of the view that the Continuing Connected Transactions 5 and 8, which are entered into in the ordinary and usual business course of the respective businesses of the Group and Hanjiang Group on normal commercial terms, are in the best interests of the Company and its Shareholders as a whole.

The intelligent building installation works component of the Continuing Connected Transaction 6 was carried out between the Group and Hanjiang Group in the last three financial years. Hanjiang Group has a proven track record and possesses the necessary capabilities, resources and experience in handling intelligent building installation works for property development projects in the PRC. Hanjiang Group has completed the intelligent building installation works for various property development projects of the Group since 2006. The Group is of the view that the continuing appointment of Hanjiang Group to carry out the intelligent building installation works component of the Continuing Connected Transaction 6 is in the best interests of the Company and its Shareholders as a whole in view of the good and long-term working relationship between the Group and Hanjiang Group.

A certain member of Hanjiang Group, which is engaged in the business of electrical power installation for property development in the PRC, holds the qualification of 工程專業承包三級資格 (Professional Construction Contractor Third Class Qualification). Such member of Hanjiang Group has a proven track record and possesses relevant technical capabilities and expertise in carrying out electrical power installation for large scale property projects. It has completed the electrical power installation works for various large scale property projects in the PRC. Such member of Hanjiang Group has a strong reputation in the industry. The Group has conducted market research and is of the view that the pricing offered by Hanjiang Group is highly competitive with the prevailing market rates. The Group is of the view it is in the best interests of the Company and its Shareholders as a whole to appoint

LETTER FROM THE CHAIRMAN

Hanjiang Group to carry out the electrical power installation works component of the Continuing Connected Transaction 6 is in view of its close long-term and reliable working relationship with Hanjiang Group, the proven track record of Hanjiang Group, its expertise and experience in the industry.

A certain member of Hanjiang Group is engaged in the business of provision of consultation services in relation to budgeting and construction cost control. Such member of Hanjiang Group possesses the resources as required by the Group and the expertise in evaluating, formulating and preparing budgets and cost control plans for property development projects in the PRC. Such member also has the expertise in assisting property developers in the tender process, including the formulation of a base price for projects that are intended to be put up for public tender and the evaluation of bidders. Such member has a strong reputation in the industry. The Group has conducted market research and is of the view that the pricing offered by Hanjiang Group for the provision of the said service is highly competitive with the prevailing market rates. The Group considers that the Continuing Connected Transaction 6 will assist the Group to achieve a higher standard of quality and cost control and overall management of the Group's tender process and to have a better control of its overall construction costs. Accordingly, the Group is of the view that it is in the best interests of the Company and its Shareholders as a whole to appoint Hanjiang Group to provide the consultation services component of the Continuing Connected Transaction 6.

A certain member of Hanjiang Group is engaged in the business of construction supervision in the PRC. Such member of Hanjiang Group has a proven track record and possesses the necessary expertise in carrying out construction supervision on large scale property projects in the PRC. It has supervised construction works for various large scale property projects in PRC. Such member of Hanjiang Group has a strong reputation in the industry. The Group has conducted market research and is of the view that the pricing offered by Hanjiang Group is highly competitive with the prevailing market rates. The Group is of the view that it is in the best interests of the Company and its Shareholders as a whole to appoint Hanjiang Group to carry out the Continuing Connected Transaction 7 in view of its close long-term and reliable working relationship with Hanjiang Group and the proven track record of Hanjiang Group, its expertise and experience in the industry.

Property management is part of the normal and usual business of the Group. The Continuing Connected Transaction 9 has taken place since 2006. In view of the long-term and reliable working relationship between the Group and Hanjiang Group, the Group is of the view that the continuance of the Continuing Connected Transaction 9, which is entered into by the Group and Hanjiang Group on normal commercial terms, is in the best interests of the Company and its Shareholders as a whole.

Certain members of the Group are engaged in building design and possess proven track records regarding their technical expertise and experience within the industry. Such members of the Group are rated as top class design firms and have the necessary quality, resources, technical capabilities and size to undertake building design projects of such scale as required by Hanjiang Group. In light of the long-term and reliable working relationship between the Group and Hanjiang Group, the Group is of the view that the Continuing Connected Transaction 10, which is entered into the ordinary and usual business course of the respective businesses of the Group and Hanjiang Group on normal commercial terms is in the best interests of the Company and its Shareholders as a whole.

LETTER FROM THE CHAIRMAN

The Directors are of the view that the New Framework Agreement and the Continuing Connected Transactions are fair and reasonable in so far as the interests of the Company and its Shareholders as a whole are concerned and in the ordinary and usual course of business of the Company. The Directors consider that the terms of the New Framework Agreement are on normal commercial terms.

7. CONNECTION BETWEEN THE PARTIES AND THE CONTINUING CONNECTED TRANSACTIONS

Hanjiang, a company owned by the brother of Mr. Chu as to 90 percent. and the brother-in-law of Mr. Chu as to 10 percent., is a connected person of the Company under the Listing Rules. Accordingly, the Continuing Connected Transactions contemplated under the New Framework Agreement constitute continuing connected transactions under the Listing Rules.

8. SGM

As the applicable percentage ratios (other than the profits ratio) in respect of the Continuing Connected Transactions on an annual basis, when aggregated pursuant to Rule 14A.25 of the Listing Rules, exceed 2.5%, the Continuing Connected Transactions in aggregate constitute non-exempt continuing connected transactions and are subject to reporting, announcement and approval of the Independent Shareholders, pursuant to Rule 14A.17 of the Listing Rules. The Company will convene the SGM at which ordinary resolutions will be proposed to approve the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2011. In view of its relationship with Hanjiang, Sounda, a company wholly-owned by Mr. Chu and the controlling shareholder of the Company and interested in approximately 62.18 percent. of the entire issued share capital of the Company, and its associates (as defined in the Listing Rules) will abstain from voting in respect of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2011 at the SGM.

Notice of the SGM is set out in Appendix II to this circular. 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.

9. FURTHER INFORMATION

The Independent Board Committee has been formed to advise the Shareholders in respect of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2011.

South China Capital Limited has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2011.

LETTER FROM THE CHAIRMAN

Your attention is drawn to the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders set out on pages 21 to 22 of this circular and the advice from South China Capital Limited to the Independent Board Committee and the Independent Shareholders set out on pages 23 to 51 of this circular.

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

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

By Order of the Board
Chu Mang Yee
Chairman



合生創展集團有限公司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Stock Code: 754)

(Incorporated in Bermuda with limited liability)

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

To the Independent Shareholders

21 May 2009

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to the circular dated 21 May 2009 issued by the Company, of which this letter forms part (“Circular”). Terms used in this letter shall have the same meanings defined elsewhere in the Circular unless the context requires otherwise.

The Independent Board Committee comprising Messrs. Yuen Pak Yiu, Philip, Lee Tsung Hei, David and Wong Shing Kay, Oliver has been appointed to advise you in respect of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2011, details of which are set out in the Circular. South China Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2011.

RECOMMENDATION

We wish to draw your attention to the Letter from the Chairman as set out on pages 3 to 20 of this Circular, and the letter from South China Capital Limited which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2011 as set out on pages 23 to 51 of this Circular.

* for identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of South China Capital Limited and the principal factors and reasons considered by South China Capital Limited, we consider that the terms of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2011 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 New Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2011 at the SGM.

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

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

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

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

LETTER FROM SOUTH CHINA CAPITAL LIMITED

The following is the full text of a letter of advice from South China Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transactions, for the purpose of incorporation into this circular.



South China Capital Limited
28/F., Bank of China Tower
1 Garden Road
Central
Hong Kong

21 May 2009

*To the independent board committee and the independent shareholders of
Hopson Development Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions, details of which are set out in the letter from the Chairman (the “Letter from the Chairman”) contained in the circular to the Shareholders dated 21 May 2009 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

BASIS OF OUR OPINION

In formulating our opinions and recommendations, we have relied on the accuracy of the information, opinions and representations provided to us by the Directors and management of the Group, and have assumed that all information, opinions and representations contained or referred to in the Circular were true and accurate at the time when they were made and will continue to be true, accurate and complete as at the date of dispatch of the Circular.

We have also assumed that all statements of belief, opinion and intention made by the Directors in this circular were reasonably made after due enquiry. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this circular to provide a reasonable basis for our opinions and recommendations. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in this circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Group, nor have we conducted an independent investigation into the business and affairs of the Company.

LETTER FROM SOUTH CHINA CAPITAL LIMITED

In formulating our opinions, we have relied on the financial information provided by the Company, particularly, on the accuracy and reliability of financial statements and other financial data of the Company. We have not audited, compiled nor reviewed the said financial statements and financial data. We shall not express any opinion or any form of assurance on them. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. The Directors have also advised us that no material facts have been omitted from the information to reach an informed view, and we have no reason to suspect that any material information has been withheld. We have not carried out any feasibility study on any past, and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Company. Our opinion has been formed on the assumption that any analysis, estimation, forecast, anticipation, condition and assumption provided by the Company are valid and sustainable. Our opinions shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Company.

1. Continuing Connected Transactions

Introduction

With reference to the Framework Agreement and the continuing connected transactions of the Group contemplated under the Framework Agreement as disclosed in the announcement of the Company dated 13 April 2006 and the circular of the Company dated 13 May 2006. The Independent Shareholders' approval of the Framework Agreement and Annual Caps for the three financial years ended 31 December 2008 of each of the continuing connected transactions contemplated thereunder expired on 31 December 2008.

It was announced on 30 April 2009 that the Directors wish to continue some of the continuing connected transactions contemplated under the Framework Agreement and the Company has entered into the New Framework Agreement with Hanjiang for the purpose of governing the Continuing Connected Transactions.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations to the Independent Board Committee in respect of the Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

1. Principal terms of the Continuing Connected Transactions contemplated under the New Framework Agreement

Reference is made to the details which are set forth in the Letter from the Chairman in the Circular. The Continuing Connected Transactions 1 to 5, 8 to 9 and the intelligent building installation works component of the Continuing Connected Transaction 6 (which were covered by the approval granted by the Independent Shareholders at the special general meeting of the Company held on 29 May 2006), which were carried out under the Framework Agreement in the last three financial years, will be remained in place for the three financial years ending 31 December 2011. The Group also intends to enter into the Continuing Connected Transactions 6 (electrical power installation and budgeting and cost consultant), 7 and 10 for the three financial years ending 31 December 2011. The Group announced on 30 April 2009 that the Company

LETTER FROM SOUTH CHINA CAPITAL LIMITED

entered into a conditional New Framework Agreement with Hanjiang for the purpose of governing the Continuing Connected Transactions. Set out below are the principal terms of the Continuing Connected Transactions and our opinions in respect thereof.

Continuing Connected Transactions 1 — Construction

Pursuant to the New Framework Agreement, the Group may, from time to time, appoint Hanjiang as its main contractor in respect of construction works to be carried out on the property development projects of the Group in the PRC. Hanjiang will be carrying out the construction works for the Group in regions such as Beijing, Tianjin, Guangdong, Shanghai and Huizhou (collectively the “5 Major Areas”).

As confirmed by the Directors, the terms of the Continuing Connected Transaction 1 are arrived at after arm’s length negotiations between the Group and Hanjiang and reference has been made to (i) the prevailing market rate for similar construction projects; and (ii) the relevant standards stipulated by the corresponding government authorities in the areas set out in such as:

- (1) 北京市建築工程預算定額 (Base Price for Budgeting of Construction and Installation Works, Beijing Municipal) published by 北京市建設委員會 (Construction Committee of Beijing Municipal) in 2001 for properties in Beijing; and
- (2) 廣東省各專業工程計價辦法 (2006年) (Basis for Calculating Professional Construction Works, Guangdong Province (2006)) and 廣東省各專業綜合定額 (Comprehensive Calculation of Construction Works, Guangdong Province (2006)) published by 廣東省建設廳 (Construction Department of Guangdong Province) in 2006 for properties in Guangzhou.

Set out below are the materials that we have been provided by the management of the Group. Comments are formulated and based on but not limited to:

- (i) the New Framework Agreement;
- (ii) Budgeted market rates calculated with reference to the relevant standards stipulated (price of construction materials) by the corresponding government authorities in the 5 Major Areas such as; 北京市建築工程預算定額 (Base Price for Budgeting of Construction and Installation Works, Beijing Municipal) for properties in Beijing; 廣東省各專業工程計價辦法 (Basis for Calculating Professional Construction Works, Guangdong Province) and 廣東省各專業綜合定額 (Comprehensive Calculation of Construction Works, Guangdong Province) for properties in Guangzhou and Huizhou;
- (iii) Schedule of the estimated unit construction fees payable by the Group to Hanjiang for the property development projects in the 5 Major Areas;

LETTER FROM SOUTH CHINA CAPITAL LIMITED

- (iv) Breakdown of unit construction fees in terms of construction design and type of construction materials used in respect of the property development projects in the 5 Major Areas; and
- (v) Independent assessment issued by an independent construction cost consultation firm.

We have reviewed the above information provided by the management of the Group. The abovementioned independent assessment issued by the independent construction cost consultation firm provided a valid guidance on the unit construction fees payable by the Group, which are determined with reference to current market rate. The said independent construction cost consultation firm, which is approved by 中華人民共和國建設部 (the Ministry of Construction of the PRC Government) to carry out construction cost assessment business, is independent from the Company and its connected persons, and is hired to carry out independent assessment in regards to the unit construction fees payable in their respective regions. The said construction cost consultation firm had reviewed the unit construction fees of certain property development projects of the Group in the 5 Major Areas respectively and commented that the unit constructions fees payable to Hanjiang by the Group are in line with the market range.

Due to the complexity involved in determining the unit construction fees in respect of the property development projects in the 5 Major Areas, we notice that the construction fees for each of the property development projects were determined by the Company based on i) the types of construction materials to be used, ii) the types of property design to be adopted, and iii) the geographic location of the property site in the 5 Major Areas. The Directors represent that the unit construction fees is computed in compliance with the stipulated standards aforementioned, which are the latest available relevant standards published by the corresponding government authorities to set out indicative market price ranges and technical specification requirement, computed after taking into consideration various market factors, for the information of the construction contractors in the property market.

Having reviewed the estimated unit construction fees payable by the Group to Hanjiang for the three financial years ending 31 December 2011 and compared such fees against the figures/information derived from the aforementioned materials obtained from the management of the Group, we believe the estimated unit construction fees for the Continuing Connected Transaction 1 are consistent and in line with the prevailing market range for transactions of a similar nature.

Having considered the above factors and reasons and Directors' representations, we are of the opinion that the estimated unit construction fees of the Continuing Connected Transaction 1 payable by the Group to Hanjiang Group in respect of the property development projects in the 5 Major Areas are determined with reference to the prevailing market range for transactions of a similar nature. We consider that the underlying basis for the terms of the Continuing Connected Transaction 1 are on normal commercial terms and fair and reasonable so far as the interests of the Independent Shareholders and the Group as a whole are concerned.

LETTER FROM SOUTH CHINA CAPITAL LIMITED

Continuing Connected Transaction 2 — Property Management

Pursuant to the New Framework Agreement, the Group may, from time to time, appoint Hanjiang Group, to manage certain properties developed by the Group in Shanghai.

We have reviewed materials provided by the management of the Group including but not limited to:

- (i) the New Framework Agreement;
- (ii) information on the estimated unit management fees payable by the Group to Hanjiang Group for the three financial years ending 31 December 2011;
- (iii) the prevailing market rates charged by independent third parties for providing similar property management services in similar locations; and
- (iv) the breakdown of the aggregate gross floor area of certain properties developed by the Group in Shanghai but would be unsold based on the Directors' estimation for the three financial years ending 31 December 2011.

We are advised by the management of the Group that the unit management fee for a particular property is not comparable with another project developed by the Group due to, among others, the distinctiveness of the type, location, scope of management services and class recognition of each particular property. It is confirmed by the Directors that the unit management fees payable to Hanjiang Group are determined by the parties by reference to the prevailing market rates charged by independent third parties for providing similar property management services to similar properties in similar locations in Shanghai and conform to the standards prescribed by, and not be higher than, such as 上海市住宅物業服務分等收費管理暫行辦法 (2005年) (Shanghai Provisional Administrative Measures on Classification of Fees for Residential Property Services (2005)). Having reviewed the unit management fees payable by the Group to Hanjiang Group for the three financial years ending 31 December 2011 and compared such fees against the figures/information of the current market range as provided by the Company, we found that the estimated management fees for Continuing Connected Transaction 2 are consistent and in line with the prevailing market range charged by the independent third parties for transactions of a similar nature.

In view of the above, we concur with the Directors' view that the estimated unit management fees of the Continuing Connected Transaction 2 payable by the Group to Hanjiang Group for the three financial years ending 31 December 2011 are determined with reference to the prevailing market range for transactions of a similar nature. We consider that the underlying basis for the terms of the Continuing Connected Transaction 2 are on normal commercial terms and fair and reasonable so far as the interest of the Independent Shareholders and the Group as a whole are concerned.

LETTER FROM SOUTH CHINA CAPITAL LIMITED

Continuing Connected Transaction 3 — Design

Pursuant to the New Framework Agreement, the Group may, from time to time, appoint Hanjiang Group to carry out design works for certain property development projects of the Group.

We have reviewed materials provided by the management of the Group including but not limited to:

- (i) the New Framework Agreement;
- (ii) information on the estimated unit design fees payable by the Group to Hanjiang Group for the three financial years ending 31 December 2011; and
- (iii) the prevailing market rates charged by independent third parties for providing similar design projects.

We are advised by the management of the Group that as the unit design fee can vary among different property developments of the Group due to, among other, different type of design, class of the property to be developed and the reputation of the design firm, a direct comparison on the unit design fee would not be feasible. It is confirmed by the Directors that the unit design fees among different projects payable to Hanjiang Group for the three financial years ending 31 December 2011 are determined with reference to, and shall not be higher than, the prevailing market rates charged by independent third parties for similar design projects in the 5 Major Areas and conform to the standards prescribed by 工程勘察設計收費標準 (Construction Inspection and Design Fees Standards). As advised by the management of the Group, these relevant standards published by the government authorities are generally applied in the PRC and have set out an indicative market range, computed after taking into consideration various market factors, for the information of practitioners in the property market. Having reviewed the estimated unit design fees payable by the Group to Hanjiang Group for the three financial years ending 31 December 2011 and compared such fees against the figures/information of the current market range charged by independent third parties for similar design projects as provided by the Company, we found that the unit design fees for the Continuing Connected Transaction 3 are consistent and in line with the prevailing market range charged by the independent third parties for transactions of a similar nature.

In view of the above, we concur with the Directors' view that the estimated unit design fees of the Continuing Connected Transaction 3 payable by the Group to Hanjiang Group for the three financial years ending 31 December 2011 are determined with reference to the prevailing market range for transactions of a similar nature. We consider that the underlying basis for the terms of the Continuing Connected Transaction 3 are on normal commercial terms and fair and reasonable so far as the interest of the Independent Shareholders and the Group as a whole are concerned.

LETTER FROM SOUTH CHINA CAPITAL LIMITED

Continuing Connected Transaction 4 — Installation and Decoration

Pursuant to the New Framework Agreement, the Group may, from time to time, appoint Hanjiang Group to carry out installation and decoration works for certain property development projects of the Group which is engaging in the business of installation and decoration, to carry out such installation and decoration works for the Group in the 5 Major Areas.

Set out below are the materials that we have been provided by the management of the Group. Comments are formulated and based on but not limited to:

- (i) the New Framework Agreement;
- (ii) the estimated unit installation and decoration fees payable by Group to Hanjiang Group for the three financial years ending 31 December 2011; and
- (iii) the estimated market rates calculated with reference to the indicative market price of construction materials set out in such as:
 - (1) 北京市建築工程預算定額 (Base Price for Budgeting of Construction and Installation Works, Beijing Municipal) for properties located in Beijing,
 - (2) 廣東省各專業工程計價辦法 (2006年) (Basis for Calculating Professional Construction Works, Guangdong Province (2006)) and 廣東省各專業綜合定額 (2006年) (Comprehensive Calculation of Construction Works, Guangdong Province (2006)) for properties located in Guangzhou.

Due to the complexity involved in determining the unit installation and decoration fees in respect of the property development projects in the 5 Major Areas, we notice that the unit installation and decoration fees for each of the property development projects were determined by the Company based on i) the types of construction materials to be used, ii) the types of property design to be adopted, and iii) the geographic location of the property sites in the 5 Major Areas.

The Directors confirmed that the unit installation and decoration fees is computed in compliance with the stipulated standards aforementioned, which are the latest available relevant standards published by the corresponding government authorities to set out indicative market price ranges and technical specification requirement, computed after taking into consideration various market factors, for the information of the construction contractors in the property market.

Comparison is made between the unit installation and decoration fees for the period 2009 to 2011 and the figures/information of the current market range for transactions of a similar nature and the stipulated standard prescribed by the corresponding government authorities. We concur with the Director's view that the unit installation and decoration fees are determined with reference to the prevailing market rates for similar projects in the 5

LETTER FROM SOUTH CHINA CAPITAL LIMITED

Major Areas. We consider that the underlying basis for the terms of the Continuing Connected Transaction 4 are on normal commercial terms and fair and reasonable so far as the interests of the Independent Shareholders and the Group as a whole are concerned.

Continuing Connected Transaction 5 — Office Lease

Pursuant to the New Framework Agreement, Hanjiang Group agrees to lease certain premises in Guangzhou in an aggregate size of approximately 1,755 sq.m. to the Group for use as office.

Set out below are the materials that we have been provided by the management of the Group. Comments are formulated and based on but not limited to:

- (i) the New Framework Agreement;
- (ii) Schedule of the rent payable by the Group to Hanjiang Group for the relevant premises for the three financial years ending 31 December 2011;
- (iii) the rental agreement to be entered into between the Group and Hanjiang Group; and
- (iv) a rental schedule charged by independent third parties for similar premises in the vicinity in Guangzhou.

Having reviewed the rental agreement to be entered into between the Group and Hanjiang Group for the relevant years, we found that the rents payable by the Group for the Continuing Connected Transaction 5 are consistent and in line with the market range charged by independent third parties for transactions of a similar nature. Comparison is made between the rents payable by the Group to Hanjiang Group for the period 2009 to 2011 and the figures/information of the current market range for transactions of a similar nature. We concur with the Director's view that the underlying basis for the terms of the Continuing Connected Transaction 5 are on normal commercial terms and fair and reasonable so far as the interests of the Independent Shareholders and the Group as a whole are concerned.

Continuing Connected Transaction 6 — Electrical Power Installation, Intelligent Building Installation Works, Budgeting and Cost Control Consultation

Pursuant to the New Framework Agreement, the Group may, from time to time, appoint Hanjiang Group to carry out electrical power installation and intelligent building installation works for certain property development projects of the Group and to provide consultation services to the Group in relation to budgeting and construction cost control. Generally, the cost control consultation works include evaluating and formulating the base price for a particular project that the Group intends to put up for public tender, compiling invitations to tender and assisting in the evaluation of the bidders, formulating the budget for a particular project and formulating cost control plans for a particular construction project.

LETTER FROM SOUTH CHINA CAPITAL LIMITED

We have reviewed materials provided by the management of the Group including but not limited to:

- (i) the New Framework Agreement;
- (ii) information on
 - (a) the estimated unit electrical power installation fees payable by the Group to Hanjiang Group for the three financial years ending 31 December 2011;
 - (b) the estimated intelligent building installation fees payable by the Group to Hanjiang Group for the three financial years ending 31 December 2011; and
 - (c) the estimated budgeting and cost control consultation fees payable by the Group to Hanjiang Group for the three financial years ending 31 December 2011; and
- (iii) the prevailing market rates charged by independent third parties for providing similar electrical power installation, intelligent building installation works, budgeting and cost control consultation works for the three financial years ending 31 December 2011.

(a) *electrical power installation fees*

We are advised by the management of the Group that the unit electrical power installation fee can vary among different project developments of the Group due to, among others, the different type of construction materials used, class of the property and the reputation of the electrical power installation firm, therefore a direct comparison on the unit electrical power installation fees among different installation projects would not be feasible. It is confirmed by the Directors that the unit electrical power installation fees payable to Hanjiang Group are determined with reference to the prevailing market rates charged by independent third parties for providing similar electrical power installation services for similar projects and conform to the standards prescribed by, and not be higher than, 廣東省各專業工程計價辦法 (2006年) (Basis for Calculating Professional Construction Works, Guangdong Province (2006)) and 廣東省各專業綜合定額 (2006年) (Comprehensive Calculation of Construction Works, Guangdong Province (2006)). Having reviewed the unit electrical power installation fees payable by the Group to Hanjiang Group for the three financial years ending 31 December 2011 and compared such fees against the figures/information of the current market range for similar projects, we found that the estimated unit electrical power installation fees for Continuing Connected Transaction 6 are consistent and in line with the prevailing market range charged by the independent third parties for transactions of a similar nature.

LETTER FROM SOUTH CHINA CAPITAL LIMITED

(b) *intelligent building installation fees*

We are advised by the management of the Group that the unit intelligent building installation fee can vary among different project developments of the Group due to, among others, the different type of construction materials used, class of the property and the reputation of the intelligent building installation firm, therefore a direct comparison on the unit intelligent building installation fees among different installation projects would not be feasible. It is confirmed by the Directors that the unit intelligent building installation fees payable to Hanjiang Group are determined with reference to the prevailing market rates charged by independent third parties for providing similar intelligent building installation services for similar projects and conform to the standards prescribed by, and not be higher than, 北京市安装工程預算定額 (2001年) (Base Price for Budgeting of Construction and Installation Works, Beijing Municipal (2001)), 廣東省各專業工程計價辦法 (2006年) (Basis for Calculating Professional Construction Works, Guangdong Province (2006)) and 廣東省各專業綜合定額 (2006年) (Comprehensive Calculation of Construction Works, Guangdong Province (2006)). Having reviewed the unit intelligent building installation fees payable by the Group to Hanjiang Group for the three financial years ending 31 December 2011 and compared such fees against the figures/information of the current market range for similar projects, we found that the estimated unit intelligent building installation fees for Continuing Connected Transaction 6 are consistent and in line with the prevailing market range charged by the independent third parties for transactions of a similar nature.

(c) *budgeting and cost control consultation fees*

We are advised by the management of the Group that the unit budgeting and cost control consultation fee can vary among different project developments of the Group due to, among others, different type of consultation, class of the consultation services to be delivered and the reputation of the consultation firm, therefore a direct comparison on the unit budgeting and cost control consultation fees would not be feasible. It is confirmed by the Directors that the unit budgeting and cost control consultation fees payable to Hanjiang Group are determined with reference to the prevailing market rates charged by independent third parties for providing similar budgeting and cost control consultation services for similar projects and conform to the standards prescribed by, and not be higher than, 招標代理服務收費標準 (Standard Fees for Tender Agencies) and 工程造價諮詢服務收費管理暫行辦法 (Provisional Administrative Measures on Consultation Fees for Construction Budgeting). Having reviewed the estimated unit budgeting and cost control consultation fees payable by the Group to Hanjiang Group for the three financial years ending 31 December 2011 and compared such fees against the figures/information of the current market range for similar projects, we found that the estimated unit budgeting and cost control consultation fees for Continuing Connected Transaction 6 are consistent and in line with the prevailing market range charged by the independent third parties for transactions of a similar nature.

In view of the above, we concur with the Directors' view that (a) the estimated unit electrical power installation fees payable by the Group to Hanjiang Group for the three financial years ending 31 December 2011; (b) the estimated intelligent building installation fees payable by the Group to Hanjiang Group for the three financial years ending 31 December 2011; and (c) the estimated budgeting and cost control consultation fees payable

LETTER FROM SOUTH CHINA CAPITAL LIMITED

by the Group to Hanjiang Group for the three financial years ending 31 December 2011 are determined with reference to the prevailing market rate for transactions of a similar nature. We consider that the underlying basis for the terms of the Continuing Connected Transaction 6 are on normal commercial terms and fair and reasonable so far as the interest of the Independent Shareholders and the Group as a whole are concerned.

Continuing Connected Transaction 7 — Construction Supervision

Pursuant to the New Framework Agreement, the Group agrees to appoint Hanjiang Group to supervise the construction of certain property development projects of the Group.

Set out below are the materials that we have been provided by the management of the Group. Comments are formulated and based on but not limited to:

- (i) the New Framework Agreement;
- (ii) Schedule of the construction supervising fees payable by the Group to Hanjiang Group for the period from 2009 to 2011;
- (iii) A construction supervising fees schedule charged by independent third parties for similar premises in the vicinity in the 5 Major Areas; and
- (iv) Budgeted market rates calculated with reference to the relevant standards stipulated (construction supervising fees) by the corresponding government authorities — 建設工程監理與相關服務收費標準 (Construction Project Monitoring and Related Services Fees Standard).

The Directors confirmed that the construction supervising fees is computed in compliance with the stipulated standards aforementioned, which are the latest available relevant standards published by the corresponding government authorities to set out indicative market price ranges, computed after taking into consideration various market factors, for the information of the construction contractors in the property market.

Having reviewed the construction supervising fees payable by the Group to Hanjiang Group for the three financial years ending 31 December 2011 and compared such fee payable against the figures/information of the current market range for transactions of a similar nature, we found that the construction supervising fees payable by the Group for the Continuing Connected Transaction 7 are consistent and in line with the market range charged by independent third parties for transactions of a similar nature.

LETTER FROM SOUTH CHINA CAPITAL LIMITED

Continuing Connected Transaction 8 — Shop Lease to Hanjiang Group

Pursuant to the New Framework Agreement, the Group may, from time to time, lease certain premises located in Guangzhou, Beijing and Tianjin to Hanjing Group for use as shops.

We have reviewed materials provided by the management of the Company including but not limited to;

- (i) the New Framework Agreement;
- (ii) information on the estimated rents receivable by the Group for the relevant premises for the three financial years ending 31 December 2011;
- (iii) a rental schedule charged by the Group to independent third parties for similar premises in the same development projects; and
- (iv) the rental agreements to be entered into between the Group and Hanjiang Group.

After reviewing the rental agreements, we note that there is no option in the rental agreements to renew the shop leases in Continuing Connected Transaction 8 upon expiration of the relevant terms. It is confirmed by the Directors that the unit rent fee receivable by the Group from Hanjiang Group for the three financial years ending 31 December 2011 are determined with reference to, and not be higher than, the market rents for the leasing of the same or similar properties to independent third parties in the vicinity. As advised by the Directors of the Group, such arrangements would give the Group the flexibility to lease its premises to other appropriate tenants as the Group may think fit after reviewing the then current market condition. Having reviewed the rents receivable by the Group from Hanjiang Group for the three financial years ending 31 December 2011 and compared such rents against the figures/information for transactions involving similar premises in the same development project, we found that the rents receivable by the Group for the Continuing Connected Transaction 8 are consistent and in line with the market range for transactions of a similar nature.

In view of the above, we concur with the Directors' view that the estimated rents receivable by the Group from Hanjiang Group under the Continuing Connected Transaction 8 are determined with reference to the prevailing market range charged by the Group to independent third parties for premises in the same development project. We consider that the underlying basis for the terms of the Continuing Connected Transaction 8 are on normal commercial terms and fair and reasonable so far as the interest of the Independent Shareholders and the Group as a whole are concerned.

LETTER FROM SOUTH CHINA CAPITAL LIMITED

Continuing Connected Transaction 9 — Vacant Property Management

Pursuant to the New Framework Agreement, the Group may, from time to time, appoint the Group to manage certain vacant properties of Hanjiang Group located in Guangzhou, Beijing and Xi'an.

We have reviewed materials provided by the management of the Group including but not limited to:

- (i) the New Framework Agreement;
- (ii) information on the estimated unit management fees receivable by the Group from Hanjiang Group for the three financial years ending 31 December 2011; and
- (iii) the prevailing market rates charged by independent third parties for providing similar property management services in similar locations (if any).

We are advised by the management of the Group that the unit management fee for a particular property is not comparable with another project developed by Hanjiang Group due to, among others, the distinctiveness of the type, location, scope of management services and class recognition of each particular property. It is confirmed by the Directors that the unit management fees receivable from Hanjiang Group are determined with reference to the prevailing market rates charged by independent third parties for providing similar property management services to similar properties in similar locations and conform to the standards on property management fees and related costs prescribed by 《物業服務收費管理辦法》(發改價格[2003])1864號 (Management Regulations on the Charge of the Property Servicing Fees (2003) No. 1864) and 《廣東省物價局關於加強物業服務收費管理有關問題的通知》(粵價[2006])284號 (Notice of the Price Bureau of Guangdong Province on the Charge of the Property Serving Fees and related issues (2006) No. 284). Having reviewed the unit management fees receivable by the Group from Hanjiang Group for the three financial years ending 31 December 2011 and compared such fees against the figures/information of the current market range as provided by the Company, we found that the estimated management fees for Continuing Connected Transaction 9 are consistent and in line with the prevailing market range charged by the independent third parties for transactions of a similar nature.

In view of the above, we concur with the Directors' view that the estimated unit management fees of the Continuing Connected Transaction 9 receivable by the Group from Hanjiang Group for the three financial years ending 31 December 2011 are determined with reference to the prevailing market range for transactions of a similar nature. We consider that the underlying basis for the terms of the Continuing Connected Transaction 9 are on normal commercial terms and fair and reasonable so far as the interest of the Independent Shareholders and the Group as a whole are concerned.

LETTER FROM SOUTH CHINA CAPITAL LIMITED

Continuing Connected Transaction 10 — Design

Pursuant to the New Framework Agreement, Hanjiang Group may, from time to time, appoint the Group to carry out design works for certain property projects of Hanjiang Group.

We have reviewed materials provided by the management of the Group including but not limited to:

- (i) the New Framework Agreement;
- (ii) information on the estimated unit design fees receivable by the Group from Hanjiang Group for the three financial years ending 31 December 2011; and
- (iii) the prevailing market rates charged by independent third parties for providing similar design projects.

We are advised by the management of the Group that as the unit design fee can vary among different property developments of Hanjiang Group due to, among other, different type of design and class of the property to be developed, a direct comparison on the design fee would not be feasible. It is confirmed by the Directors that the unit design fees among different projects receivable from Hanjiang Group for the three financial years ending 31 December 2011 are determined with reference to, and not be lower than, the prevailing market rates charged by independent third parties for similar design projects in similar locations and conform to the standards and guidelines prescribed by the local authorities on fees chargeable for the provision of similar services. Having reviewed the estimated unit design fees receivable by the Group from Hanjiang Group for the three financial years ending 31 December 2011 and compared such fees against the figures/information of the current market range charged by independent third parties for similar design projects as provided by the Group, we found that the unit design fees for the Continuing Connected Transaction 10 are consistent and in line with the prevailing market range charged by the independent third parties for transactions of a similar nature.

In view of the above, we concur with the Directors' view that the estimated unit design fees of the Continuing Connected Transaction 10 receivable by the Group from Hanjiang Group for the three financial years ending 31 December 2011 are determined with reference to the prevailing market range for transactions of a similar nature. We consider that the underlying basis for the terms of the Continuing Connected Transaction 10 are on normal commercial terms and fair and reasonable so far as the interest of the Independent Shareholders and the Group as a whole are concerned.

2. Historical Figures of the Continuing Connected Transactions

The Continuing Connected Transactions 1 to 5, 8 to 9 and the intelligent building installation works component of the Continuing Connected Transaction 6 had been carried out by the Group during the last three financial years ended 31 December 2008. The Group intends to enter into the Continuing Connected Transactions 6 (electrical power installation and budgeting and cost control consultation), 7 and 10 which are new transactions between the Group and Hanjiang Group.

LETTER FROM SOUTH CHINA CAPITAL LIMITED

Details of the Annual Caps for the three financial years ended 31 December 2008 approved by the Independent Shareholders at the special general meeting of the Company held on 29 May 2006 in respect of Continuing Connected Transactions 1 to 5, 8 to 9 and the intelligent building installation works component of the Continuing Connected Transaction 6 and their respective historical figures during the said period is set out as below.

Transaction	Year ended 31 December 2006		Year ended 31 December 2007		Year ended 31 December 2008	
	2006 Annual Caps	Historical Figures	2007 Annual Caps	Historical Figures	2008 Annual Caps	Historical Figures
	Approx. Amount (RMB'000)		Approx. Amount (RMB'000)		Approx. Amount (RMB'000)	
Continuing Connected Transaction 1						
— Construction	2,550,000	1,505,385	3,092,000	2,790,535	3,246,000	1,996,835
Continuing Connected Transaction 2						
— Property Management	1,040	50	2,830	2,622	2,690	1,783
Continuing Connected Transaction 3						
— Design	35,000	30,411	37,000	23,691	35,000	24,743
Continuing Connected Transaction 4						
— Installation and Decoration	29,000	25,160	65,000	27,754	84,000	60,450
Continuing Connected Transaction 5						
— Office Lease	6,500	5,073	6,700	5,218	7,300	3,228
Continuing Connected Transaction 6						
— Intelligent Building Installation Works	63,000	11,384	65,000	18,252	49,000	15,214
Continuing Connected Transaction 8						
— Shop Lease to Hanjiang Group	2,800	706	3,300	—	3,300	—
Continuing Connected Transaction 9						
— Vacant Property Management	5,000	4,746	5,000	1,890	5,000	2,121

3. Proposed Annual Caps for the three years ending 31 December 2011

Pursuant to the Listing Rules, the Continuing Connected Transactions and the aggregate of their respective Annual Caps for the three financial years ending 31 December 2011 would require full disclosure and approval by the Independent Shareholders at the SGM.

Set out below is the details of the proposed annual Caps for each of the respective Continuing Connected Transactions for the three financial years ending 31 December 2011:

Continuing Connected Transaction 1 — Construction

Transaction	Proposed Annual Caps for the three years ending 31 December 2011		
	2009 Annual Cap	2010 Annual Cap	2011 Annual Cap
	Approx. Amount (RMB'000)	Approx. Amount (RMB'000)	Approx. Amount (RMB'000)
Continuing Connected Transaction 1			
— Construction	2,331,600	2,198,000	2,020,600

LETTER FROM SOUTH CHINA CAPITAL LIMITED

Basis of determination of the Annual Caps

In determining the Annual Caps of the Continuing Connected Transaction 1 under the New Framework Agreement, the directors of the Group have taken into account the following factors:

- (i) the aggregate gross floor areas of the property development projects to be developed by the Group in the 5 Major Areas;
- (ii) the proposed fixed unit construction fees for the property development projects developed by the Group for the three financial years ending 31 December 2011;
- (iii) the projection of the aggregate gross floor areas to be completed by the Group for the period from 2009 to 2011 based on the growing potential in the PRC's economy, the market trends in the property market and the market conditions in the 5 Major Areas; and
- (iv) the historical figures of the Continuing Connected Transaction 1 during each of the three financial years ended 31 December 2008.

As disclosed in the Group's financial report for the period ended 31 December 2008, the Group will adopt a prudent principle and acquire land with great potential and prospects in a moderate manner to meet the development needs for the next 3–5 years. To meet development needs and to sustain continuing growth, the number of property development projects to be developed by the Group for the period from 2009 to 2011 will be in line with the Director's anticipation of the stable demands for quality housing in the 5 Major Areas. We have been provided and reviewed a forecast schedule of the gross floor areas to be developed by the Group in the 5 Major Areas for the period 2009 to 2011. We consider that the forecast gross floor areas to be developed by the Group, based on which the Annual Caps of Continuing Connected Transaction 1 are determined, are consistent with the Group's growth trend for the period from 2009 to 2011.

We have examined the historical figures of Continuing Connected Transaction 1 during each of the three financial years ended 31 December 2008. Since 2003, Hanjiang Group has been providing construction services to the Group. The Group has benefited from this well established close and good working relationship with the Hanjiang Group. The Directors believe that the continuance of their appointment is in the best interest of the Company and its Shareholders as a whole. We also note that by continuing the strategic relationship with the Hanjiang Group, the risk derived from the prices fluctuation of construction materials can be transferred to its contractors as the terms of the Continuing Connected Transactions contemplated under the New Framework Agreement will be fixed for a term commencing on a date when it becomes effective and expiring on 31 December 2011. The risks of the price fluctuation on the construction materials would be effectively shifted to Hanjiang Group for the three financial years ending 31 December 2011.

After taken into consideration of the following; (i) the pricing basis of the unit construction fees the period from 2009 to 2011, based on which the Annual Caps are determined, is consistent and in line with the prevailing market price range for transactions of

LETTER FROM SOUTH CHINA CAPITAL LIMITED

a similar nature as described above; (ii) the expected degree of construction services required by the Group are in line with the Group's anticipated market trend for the period from 2009 to 2011; and (iii) the benefits gained from the continuance of the appointment to Hanjiang Group, we concur with the Director's view that the underlying bases for the Annual Caps for the period 2009 to 2011 are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

Continuing Connected Transaction 2 — Property Management

Transaction	Proposed Annual Caps for the three years ending 31 December 2011		
	2009	2010	2011
	Annual Cap	Annual Cap	Annual Cap
	Approx. Amount	Approx. Amount	Approx. Amount
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Continuing Connected Transaction 2			
— Property Management	2,000	1,700	800

Basis of determination of the Annual Caps

As advised by the Directors, the proposed Annual Caps for the three financial years ending 31 December 2011 are products of (i) the estimated unit management fees payable by the Group to Hanjiang Group for the three financial years ending 31 December 2011 and; (ii) the Directors' estimation of the aggregate gross floor area of certain properties developed by the Group in Shanghai but would be unsold based on the Directors' estimation for the three financial years ending 31 December 2011.

In arriving at the Annual Caps as set out above, the Directors have taken into account the following factors:

- (i) the possible average unsold areas outstanding for the three financial years ending 31 December 2011 based on the growing potential in the PRC's economy and the market trends in the property market in Shanghai in the PRC; and
- (ii) the historical figures of the Continuing Connected Transaction 2 during each of the three financial years ended 31 December 2008.

We have been provided and reviewed a forecast schedule of possible unsold gross floor areas of certain property development projects in Shanghai estimated by the Directors.

As advised by the management of the Group, such estimation is determined by the Directors after taking into account a combination of factors including the property market trend, market condition in Shanghai. We consider that the Directors' estimate of possible unsold areas are in line with their anticipation of the consolidating Shanghai property market as disclosed in the section headed "Business Review" of the Company's results announcement for the year ended 31 December 2008 published on 21 April 2009.

LETTER FROM SOUTH CHINA CAPITAL LIMITED

As advised by the Directors, the historical figures of Continuing Connected Transaction 2 for the last three financial years ended 31 December 2008 refer to the annual management fees payable by the Group to Hanjiang Group for the management services provided in respect of the property developments of the Group in Shanghai. The Directors expect that the management services required from Hanjiang Group for the three financial years ending 31 December 2011 will cover up to 2 properties in Shanghai. In view of the expected decrease in the number of properties that requires the management services from Hanjiang Group, we are of the view that the Annual Caps proposed for the three financial years ending 31 December 2011 represent a reasonable decrement from the historical figures as compared to the last three financial years ended 31 December 2008.

We also note that there would be a significant drop of the Annual Caps from RMB 1.7 million in 2010 to RMB0.8 million in 2011. As advised by the Directors, the drop from 2010 to 2011 would be mainly contributed by the decrease of the aggregate gross floor areas of 2 property development projects developed by the Group but would be unsold under the Directors' estimation for these projects for Shanghai during 2010.

Based on the above and in particular that (i) the pricing basis of the unit management fees for the three financial years ending 31 December 2011, based on which the Annual Caps are determined, is consistent and in line with the prevailing market price range charged by independent third parties for providing similar property management services to similar properties in the vicinity in Shanghai as described in the paragraph headed "Principal terms of the Continuing Connected Transactions contemplated under the Framework Agreement" above; and (ii) the expected decrease in the number of properties that requires the management services from Hanjiang Group are consistent with the Directors' anticipation for the consolidating Shanghai property market in the three financial years ending 31 December 2011, we concur with the Directors' view that the underlying bases for the Annual Caps for the three financial years ending 31 December 2011 are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

Continuing Connected Transaction 3 — Design

Transaction	Proposed Annual Caps for the three years ending 31 December 2011		
	2009	2010	2011
	Annual Cap	Annual Cap	Annual Cap
	Approx. Amount	Approx. Amount	Approx. Amount
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Continuing Connected Transaction 3			
— Design	25,000	20,000	20,000

LETTER FROM SOUTH CHINA CAPITAL LIMITED

Basis of determination of the Annual Caps

As advised by the Directors, the proposal Annual Caps for the three financial years ending 31 December 2011 are products of (i) the estimated unit design fees payable by the Company to Hanjiang Group for the three financial years ending 31 December 2011; (ii) the historical figures of the Continuing Connected Transaction 3 for the three years ended 31 December 2008 as set out in Part 2 above and, (iii) the Directors' estimation of the aggregate gross floor areas of design works in respect of the property projects to be completed by the Group in certain areas for the three financial years ending 31 December 2011.

We are advised by the management of the Group that as the Group has already built up a close and good working relationship with Hanjiang Group for over 10 years. The Directors believe that the appointment of Hanjiang Group to carry out the design works as required by the Group can further enhance the overall operating efficiency and effectiveness of the Group as a whole.

We have been provided and reviewed a forecast schedule of the design works to be completed by the Group for its property developments based on the Directors' view derived from the growing potential in the PRC's economy, the market trends in the property market in certain areas, the sales and marketing schedule and the construction schedule. We consider that the forecast design works required by the Group based on which the Annual Caps of Continuing Connected Transaction 3 are determined are consistent with the Group's growth trend for the three financial years ending 31 December 2011.

Based on the above and in particular that (i) the pricing basis of the unit design fees for the three financial years ending 31 December 2011, based on which the Annual Caps are determined, is consistent and in line with the prevailing market range charged by independent third parties for transactions of a similar nature as described in the paragraph headed "Principal terms of the Continuing Connected Transactions contemplated under the New Framework Agreement" above; (ii) the expected volume of design works are consistent with the Group's growth trend for the three financial years ending 31 December 2011; and (iii) the historical figure of the Continuing Connected Transaction 3 for the three years ended 31 December 2008 as set out in Part 2 above, we concur with the Directors' view that the underlying bases for the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Continuing Connected Transaction 4 — Installation and Decoration

Transaction	Proposed Annual Caps for the three years ending 31 December 2011		
	2009	2010	2011
	Annual Cap	Annual Cap	Annual Cap
	Approx. Amount	Approx. Amount	Approx. Amount
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Continuing Connected Transaction 4			
— Installation and Decoration	174,900	138,800	113,100

LETTER FROM SOUTH CHINA CAPITAL LIMITED

Basis of determination of the Annual Caps

In determining the Annual Caps of the Continuing Connected Transaction 4 under the New Framework Agreement, the Group has taken into account the following factors:

- (i) the estimated unit installation and decoration fees payable by the Company to Hanjiang Group for the period from 2009 to 2011;
- (ii) the Directors' estimated aggregate gross floor areas of installation and decoration works in respect of the property development projects to be completed by the Group in the 5 Major Areas for the period from 2009 to 2011; and
- (iii) The historical figure of the Continuing Connected Transaction 4 for the three years ended 31 December 2008 as set out in Part 2 above.

As mentioned above, the Company has benefited from the well established close and good working relationship with the Hanjiang Group since 1998. The Directors believe that the continuance appointment of Hanjiang Group in relation to provide the Group with installation and decoration service for certain property constructions can further boost the overall operating efficiency and effectiveness of the Group as a whole.

We have examined the historical figures of Continuing Connected Transaction 4 during each of the three financial years ended 31 December 2008, which we considered to be in line with the Group previous view on the market trend. We note that the Annual Caps for 2009 increases by approximately 2.9 times of the 2008 historical figure. According to the directors of the Group, such increase represent (i) the estimated increase in the aggregate gross floor area of the property projects in the 5 Major Areas that require installation and decoration works to be carried out, (ii) the Group's increase in the decoration standard for its properties, hence the costs and (iii) the estimated increase in the amount of works required from Hanjiang Group. We have also reviewed the forecast schedule of the aggregate gross floor area of installation and decoration works to be completed by the Group based on the Directors' view derived from the analysis of the market trends in the property market in the 5 Major Areas, together with the construction schedule. We believe that the forecast schedule of the aggregate gross floor area of installation and decoration works to be completed by the Group, based on which the Annual Caps of Continuing Connected Transaction 4 are determined are consistent with Group's view on the market trend for the period 2009 to 2011.

After taken into consideration of the following; (i) the pricing basis of the unit installation fees and decoration fees for the period 2009 to 2011, based on which the Annual Caps are determined, is consistent and in line with the prevailing market price range for transactions of a similar nature as described above; (ii) the expected volume of installation and decoration works are consistent with the Group growth trend for the period 2009 to 2011, we concur with the Director's view that the underlying bases for the Annual Caps for the three financial years ending 31 December 2011 are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

LETTER FROM SOUTH CHINA CAPITAL LIMITED
--

Continuing Connected Transaction 5 — Office Lease

Transaction	Proposed Annual Caps for the three years ending 31 December 2011		
	2009	2010	2011
	Annual Cap	Annual Cap	Annual Cap
	Approx. Amount	Approx. Amount	Approx. Amount
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Continuing Connected Transaction 5			
— Office Lease	2,300	2,300	2,300

Basis of determination of the Annual Caps

In determining the Annual Caps of the Continuing Connected Transaction 5 under the New Framework Agreement, the Group has taken into account the following factors:

- (i) the rental fees payable by the Group to Hanjiang Group for the relevant premises for the period 2009 to 2011; and
- (ii) the location and aggregate size of the relevant premises to be leased to the Group in Guangzhou with a size of approximately 1,755 sq.m. pursuant to the proposed lease arrangement as agreed between the Group and Hanjiang Group.

A schedule of the estimated monthly rents for the premises in Guangzhou which Hanjiang Group agrees to lease to the Group for use as office is compared against a rental schedule charged by independent third parties for similar premises in similar proximity in Guangzhou. We conclude that the rental fees payable by the Group to Hanjiang Group for the period from 2009 to 2011 and the aggregate size of the relevant premises to be leased to the Group in Guangzhou, based on which the Annual Caps of Continuing Connected Transaction 5 are determined are consistent with Group's view on the market trend for the period from 2009 to 2011.

We conclude that the rents charged by Hanjiang Group based on which the Annual Caps are determined are in line with the market range for similar premises in similar locations, we concur with the Directors' view that the underlying bases for the Annual Caps for the three financial years ending 31 December 2011 are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

LETTER FROM SOUTH CHINA CAPITAL LIMITED

Continuing Connected Transaction 6 — Electrical Power Installation, Intelligent Building Installation Works, Budgeting and Cost Control Consultation

Transaction	Proposed Annual Caps for the three years ending 31 December 2011		
	2009	2010	2011
	Annual Cap	Annual Cap	Annual Cap
	Approx. Amount <i>(RMB'000)</i>	Approx. Amount <i>(RMB'000)</i>	Approx. Amount <i>(RMB'000)</i>
Continuing Connected Transaction 6 — Electrical Power Installation, Intelligent Building Installation Works, Budgeting and Cost Control Consultation	624,700	594,700	584,900

Basis of determination of the Annual Caps

As advised by the Directors, the proposed Annual Caps for the three financial years ending 31 December 2011 are products of (i) the estimated unit electrical power installation fees, intelligent building installation fees, and budgeting and cost control consultation fees payable by the Group to Hanjiang Group for the three financial years ending 31 December 2011; and (ii) the Directors' estimated aggregate gross floor areas of electrical power installation, intelligent building installation, and budgeting and cost control consultation works required by the Group in the 5 Major Areas during the same period.

As advised by the Director that as the Group has already built up a close and good working relationship with Hanjiang Group for over 6 years, the Directors believe that the appointment of Hanjiang Group can enhance the overall operating efficiency and effectiveness of the Group as a whole. We note that the 2009 Annual Caps in respect of the intelligent building installation works increase by approximately 6 times of the 2008 historical figure. According to the Directors, such increase represents (i) the estimated increase in the aggregate gross floor area of the property projects in the 5 Major Areas that require intelligent building installation works to be carried out, (ii) the Group's increase in the standard for its properties, hence the costs and (iii) the estimated increase in the amount of works required from Hanjiang Group.

We have been provided and reviewed a forecast schedule of the aggregate gross floor area of electrical power installation, intelligent building installation, and budgeting and cost control consultation works required by the Group for its property development projects based on the Directors' view derived from the growing potential in the PRC's economy, the market trends in the property market in certain areas the construction schedule. We consider that the forecast electrical power installation, intelligent building installation, and budgeting and cost control consultation works required by the Group, based on which the Annual Caps of Continuing Connected Transaction 6 are determined, are consistent with the Group' growth trend for the three financial years ending 31 December 2011.

LETTER FROM SOUTH CHINA CAPITAL LIMITED

Based on the above and in particular that (i) the pricing basis of the unit electrical power installation, intelligent building installation, and budgeting and cost control consultation fees for the three financial years ending 31 December 2011, based on which the Annual Caps are determined, is consistent and in line with the prevailing market range charged by independent third parties for transactions of a similar nature as described in the paragraph headed “Principal terms of the Continuing Connected Transactions contemplated under the New Framework Agreement” above; and (ii) the expected volume of electrical power installation, intelligent building installation, and budgeting and cost control consultation works are consistent with the Group’s growth trend for the three financial years ending 31 December 2011, we concur with the Directors’ view that the underlying bases for the Annual Caps for the three financial years ending 31 December 2011 are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

Continuing Connected Transaction 7 — Construction Supervision

Transaction	Proposed Annual Caps for the three years ending 31 December 2011		
	2009	2010	2011
	Annual Cap	Annual Cap	Annual Cap
	Approx. Amount	Approx. Amount	Approx. Amount
	<i>(RMB’000)</i>	<i>(RMB’000)</i>	<i>(RMB’000)</i>
Continuing Connected Transaction 7			
— Construction Supervision	25,000	25,900	25,500

Basis of determination of the Annual Caps

In determining the Annual Caps of the Continuing Connected Transaction 7 under the New Framework Agreement, the Group has taken into account the following factors:

1. the estimated construction supervising fees payable, based on the relevant pricing basis under the New Framework Agreement, by the Company to Hanjiang Group for the period from 2009 to 2011; and
2. the Directors’ estimated aggregate construction supervising service in respect of the property development projects to be completed by the Group in the 5 Major Areas for the period from 2009 to 2011.

As mentioned above, the Company has benefited from the well established close and good working relationship with the Hanjiang Group since 1998. The Directors believe that the continuance appointment of Hanjiang Group to provide the Group with construction supervising service for certain property constructions can further boost the overall operating efficiency and effectiveness of the Group as a whole.

LETTER FROM SOUTH CHINA CAPITAL LIMITED

We have reviewed the forecast schedule of the aggregate construction supervising service to be required by the Group based on the Directors' view derived from the analysis of the market trends in the property market in the 5 Major Areas, together with the construction schedule. We believe that the forecast schedule of the aggregate construction supervising service to be required by the Group, based on which the Annual Caps of Continuing Connected Transaction 7 are determined are consistent with Group's view on the market trend for the period from 2009 to 2011.

After taken into consideration of the following; (i) the pricing basis of the construction supervising fees based on the relevant pricing basis under the New Framework Agreement for the period from 2009 to 2011, is consistent and in line with the prevailing market price range for transactions of a similar nature as described above; (ii) the expected volume of construction supervising services are consistent with the Group growth trend for the period 2009 to 2011, we concur with the Director's view that the underlying bases for the Annual Caps for the three financial years ending 31 December 2011 are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

Continuing Connected Transaction 8 — Shop Lease to Hanjiang Group

Transaction	Proposed Annual Caps for the three years ending 31 December 2011		
	2009	2010	2011
	Annual Cap	Annual Cap	Annual Cap
	Approx. Amount	Approx. Amount	Approx. Amount
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Continuing Connected Transaction 8			
— Shop Lease	6,100	4,400	4,300

Basis of determination of the Annual Caps

As advised by the Directors, the proposed Annual Caps are the products of (i) the estimated rents receivable by the Group for the relevant premises for the three financial years ending 31 December 2011; and (ii) the aggregate size of the relevant premises to lease to Hanjiang Group by the Group in Guangzhou, Beijing and Tianjin to Hanjing Group for use as shops pursuant to the proposed lease arrangements as agreed between the Group and Hanjiang Group.

We have been provided and reviewed a schedule of the estimated monthly rents receivable by the Group for the premises in Guangzhou, Beijing and Tianjin which the Group agrees to lease to Hanjiang Group for use as shops. We were also provided with a rental schedule charged by independent third parties for similar premises in the vicinity. Having reviewed the monthly rents receivable for the three financial years ending 31 December 2011 and compared such rents against the figures for the rents receivable charged by the Group to

LETTER FROM SOUTH CHINA CAPITAL LIMITED

independent third parties for similar premises, we found that the rents receivable by the Group from Hanjiang Group are not less favourable than the rents charged to independent third parties.

Given that the rents receivable by the Group for the three financial years ending 31 December 2011 based on which the Annual Caps are determined are in line with the market range for similar premises in similar locations, we concur with the Directors' view that the underlying bases for the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Continuing Connected Transaction 9 — Vacant Property Management

Transaction	Proposed Annual Caps for the three years ending 31 December 2011		
	2009	2010	2011
	Annual Cap	Annual Cap	Annual Cap
	Approx. Amount <i>(RMB'000)</i>	Approx. Amount <i>(RMB'000)</i>	Approx. Amount <i>(RMB'000)</i>
Continuing Connected Transaction 9 — Vacant Property Management	17,200	16,800	16,400

Basis of determination of the Annual Caps

As advised by the Directors, the proposed Annual Caps are the products of (i) the estimated unit management fees receivable by the Group for the three financial years ending 31 December 2011; (ii) the estimated aggregate size, types and locations of the vacant properties of Hanjiang Group based on the current vacancy rate of Hanjiang Group's properties.

We are advised by the Directors of the Group that the unit management fee for each particular property is distinctive and cannot be compared with other project development of the Group due to types of property, locations and class recognition. It is confirmed by the Directors that the unit management fees receivable by the Group for the three financial years ending 31 December 2011, based on which the Annual Caps are determined are with reference to the market rate charged by independent third parties for providing similar property management services in similar locations, the location of the vacant properties and the scope of management services, which is in line with pricing basis under the New Framework Agreement.

Having reviewed the unit management fees for the three financial years ending 31 December 2011 and compared such fees against the figures/information of the current market range for transactions of a similar nature as provided by the Company, we consider that the unit management fees for the Annual Caps are consistent and in line with the market range.

LETTER FROM SOUTH CHINA CAPITAL LIMITED

Given that the management fees receivable by the Group for the three financial years ending 31 December 2011 based on which the Annual Caps are determined are in line with the market range for transactions of a similar nature and conform to the standards prescribed by 《物業服務收費管理辦法》(發改價格[2003]) 1864號 (Management Regulations on the Charge of the Property Servicing Fees (2003) No. 1864), we consider that the underlying bases for the Annual Caps for the three financial years ending 31 December 2011 are fair and reasonable so far as the Company and the Independent Shareholders are concerned. We note that the 2009 Annual Caps increase by approximately 8 times of the 2008 historical figure. According to the Directors of the Group, such increase represents (i) the estimated increase in the aggregate size of the vacant properties of Hanjiang Group to be managed by the Group in Guangzhou, Beijing and Xi'an, (ii) the increase in proportion and number of higher end properties of Hanjiang Group to be managed by the Group and (iii) the expected increase in the standards on property management fees and related costs prescribed by the Guangdong Provincial, Beijing Municipal and Xi'an local authorities.

Having considered the basis of determination for the Annual Caps of the Continuing Connected Transaction 9 for the three financial years ending 31 December 2011, we concur with the Directors' view that the Annual Caps of the Continuing Connected Transactions for the three financial years ending 31 December 2011 will provide sufficient operating flexibility to the Group. As such, we are of the view that the basis of determination for the Annual Caps for the three financial years ending 31 December 2011 is fair and reasonable so far as the Independent Shareholders are concerned.

Continuing Connected Transaction 10 — Design

Transaction	Proposed Annual Caps for the three years ending 31 December 2011		
	2009	2010	2011
	<u>Annual Cap</u>	<u>Annual Cap</u>	<u>Annual Cap</u>
	Approx. Amount	Approx. Amount	Approx. Amount
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Continuing Connected Transaction 10			
— Design	120,500	26,000	11,000

Basis of determination of the Annual Caps

As advised by the Directors, the proposed Annual Caps are the products of (i) the estimated unit design fees receivable by the Group for the relevant premises for the three financial years ending 31 December 2011 and (ii) the Directors' estimation of the aggregate gross floor areas and types of design works in respect of the property projects to be completed by Hanjiang Group in certain areas for the three financial years ending 31 December 2011.

LETTER FROM SOUTH CHINA CAPITAL LIMITED

We have been provided and reviewed a schedule of the design works fees charged by the Group to independent third parties for similar premises in similar nature. Having reviewed the unit design fees receivable for the three financial years ending 31 December 2011 and compared such unit design fees receivable against the figures for the unit design fees receivable charged by the Group to independent third parties for similar premises, we found that the unit design fees receivable by the Group from Hanjiang Group are not less favourable than the unit design fees charged to independent third parties.

Given that the unit design fees receivable by the Group for the three financial years ending 31 December 2011 based on which the Annual Caps are determined are in line with the market range for similar premises in similar locations, we concur with the Directors' view that the underlying bases for the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

4. Reasons for the Continuing Connected Transactions

Hanjiang Group is classified as 房屋建築工程施工總承包壹級 (Property Construction First Class Contractors) by the relevant government authority in the PRC and is specialized in providing property construction services in the PRC region. Given that Hanjiang Group is a well established property construction company with solid financial and technical stability and capabilities in place and since 2003, Hanjiang Group has been providing construction services to the Company, the Group has benefited from this well established close and good working relationship with the Hanjiang Group. The Directors believe that the continuance of their appointment is in the best interest of the Company and its shareholders as a whole.

The Group is a major property group that specializes in the development of medium to high-end large scale residential properties. Major investments were made in the first-tier cities such as Beijing, Shanghai, Tianjin and Guangdong. We believe the appointment of Hanjiang Group may enable the Group to leverage on their technical expertise to help the Group to capitalize on the growth and market prospects of the property market in the PRC.

It is worth to note that the Group and Hanjiang Group had started their business relationship since 1998 and the Continuing Connected Transaction 1 first took place since 2003. The management of the Group confirmed that Hanjiang Group had effectively completed the assigned development of the Group's property development projects on time with reference to the construction schedule. As advised by the management of the Group, there is no major disagreement on the standard of work had ever aroused. We believe the continual appointment of Hanjiang Group would enable the Group to have a favorable position and flexibility in negotiating for the Group's unique specification, completion time schedule, quality of work done and cost incurred in its property development projects in comparison with other independent contractors. We concur with the Directors' view that the continuance of the Continuing Connected Transaction 1 is in the best interest of the Company and its Shareholders as a whole.

Likewise, given the prolonged cooperation and close relationship developed between the Group and Hanjiang Group, the Continuing Connected Transaction 2 would enable the Group to have a better control on the cost and quality of management services so as to maintain a high level of after sales services to the buyers of the properties developed by the Group. We concur with the Directors' view that the appointment of a top-quality management company such as Hanjiang

LETTER FROM SOUTH CHINA CAPITAL LIMITED

Group is of paramount importance in the management of its large scale and quality property projects and the Continuing Connected Transaction 2 is in the best interest of the Company and its Shareholders as a whole.

Certain members of the Hanjiang Group are also respectively engaged in the businesses of building design, installation and decoration works, intelligent-building design and installation works, electrical power installation works and budgeting and cost consultation for property developments in the PRC. Each of such members of Hanjiang Group has proven track records in its area of expertise and possesses technical capabilities and expertise in carrying out medium to large scale property design projects, electrical power installation works, budgeting and cost consultation, installation and decoration projects and intelligent-building design and installation projects in the PRC. We understand that the Group is of the view that the appointment of companies with proven track records is of paramount importance in terms of quality control of its projects. As the Continuing Connected Transactions 3, 4 and 6 are entered into in the ordinary and usual course of business of the Group upon normal commercial terms and, the Group has already developed a close long term working relationship with Hanjiang Group, the appointment of Hanjiang Group to carry out Continuing Connected Transactions 3, 4 and 6 can further reinforce the Group's position and flexibility in negotiating for its unique specification, completion time schedule, quality of work done and cost incurred in its property development projects for design services, electrical power installation works and budgeting and cost consultation, installation and decoration services and intelligent-building design and installation services in comparison with other independent contractors. We concur with the Directors' view that the implementation of the Continuing Connected Transactions 3, 4 and 6 is in the best interest of the Company and its Shareholders as a whole.

After taken into consideration of the following (i) a good and reliable long term working relationship has been developed between the Group and Hanjiang Group, (ii) the design services, installation and decoration services and intelligent-building design and installation services provided by the Hanjiang Group are well recognized by the industry; and (iii) the enhancement of the Group's overall operations in terms of efficiency and effectiveness upon the appointment of Hanjiang Group, we concur with the Directors' view that the Continuing Connected Transactions 5 and 7-10, which are entered into in the ordinary and usual course of the respective businesses of the Group and Hanjiang Group upon normal commercial terms, are in the best interest of the Company and its shareholders as a whole.

RECOMMENDATION

Having considered the above factors and reasons, Directors' representations and confirmations, on balance, we are of opinion the terms of the each of the Continuing Connected Transactions and the proposed Annual Caps for the three financial years ending 31 December 2011 are fair and reasonable in so far as the interests of the Independent Shareholders are concerned and we concur with the Directors' view that the Continuing Connected Transactions are being entered into on normal commercial terms and in the ordinary and usual course of business of the Group.

LETTER FROM SOUTH CHINA CAPITAL LIMITED

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the forthcoming SGM to approve the Continuing Connected Transactions and the proposed Annual Caps for the three financial years ending 31 December 2011 contemplated therein, we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
South China Capital Limited
William Ip
Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

(1) Long position in Shares

Name	Number of Shares beneficially held		Approximate percentage of Shares in issue
	Personal	Corporate	
Mr. Chu Mang Yee	—	915,542,346 ⁽¹⁾	62.18
Mr. Au Wai Kin	—	34,500,000 ⁽²⁾	2.34

Notes:

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

(2) Long position in underlying Shares

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

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

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

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

3. SUBSTANTIAL SHAREHOLDERS

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

Name	Number of issued Shares	Approximate percentage of Shares in issue
Sounda Properties Limited	915,542,346	62.18

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

4. SERVICE AGREEMENTS

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

5. MATERIAL CHANGES

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

6. EXPERT

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

Name	Qualification
South China Capital Limited	Licensed corporation for type 6 (advising on corporate finance) of the regulated activities under the SFO

As at the Latest Practicable Date, South China Capital Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

South China Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which they appear.

As at the Latest Practicable Date, South China Capital Limited did not have any interest, direct or indirect, in any assets which since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. SECRETARY

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

8. COMPETING BUSINESS

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal office in Hong Kong at Suites 3305-3309, 33/F, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours from 21 May 2009 to 3 June 2009 (both dates inclusive):

- (i) New Framework Agreement;
- (ii) the letter from the Chairman, the text of which is set out on pages 3 to 20 of this circular;
- (iii) the letter from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this circular;
- (iv) the letter from South China Capital Limited, the text of which is set out on pages 23 to 51 of this circular;

- (v) the written consent from South China Capital Limited referred to in the section headed “Expert” in this appendix; and
- (vi) this circular.

10. LITIGATION

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

11. MISCELLANEOUS

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

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



合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Stock Code: 754)

(Incorporated in Bermuda with limited liability)

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

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of Hopson Development Holdings Limited (“Company” together with its subsidiaries, the “Group”) will be held at Alexandra Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on Tuesday, 16 June 2009 at 11:00 a.m. (or so soon thereafter as the annual general meeting of Hopson Development Holdings Limited convened on the same day and at the same place at 10:00 a.m. shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** the new framework agreement dated 30 April 2009 entered into between the Company and Guangdong Hanjiang Construction Installation Project Limited (“Hanjiang” together with its subsidiaries and associates, the “Hanjiang Group”) (“New Framework Agreement”) for the purpose of governing the continuing connected transactions between the Group and Hanjiang Group (“Continuing Connected Transactions”) be and is hereby approved, confirmed and ratified; and that the maximum aggregate annual value of each of the Continuing Connected Transactions for the three financial years ending 31 December 2011 proposed by the directors of the Company (“Directors”) be approved; and any one Director be and is hereby authorised on behalf of the Company to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he may in his discretion consider necessary or desirable for the purposes of or in connection with the implementation of the New Framework Agreement and the Continuing Connected Transactions”

By Order of the Board
Chu Mang Yee
Chairman

Hong Kong, 21 May 2009

Principal Office:

Suites 3305–3309

33/F, Jardine house

1 Connaught Place, Central

Hong Kong

* for identification purposes only

Notes:

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