



# HOPSON DEVELOPMENT HOLDINGS LIMITED

## 合生創展集團有限公司\*

(Incorporated in Bermuda with limited liability)

### DISCLOSEABLE AND CONNECTED TRANSACTIONS

On 8 January 2002, the Group entered into the Agreements (conditional) with three connected persons (as defined under the Listing Rules) of the Company to establish five sino-foreign co-operative joint ventures in the PRC for the development and construction of commodity (commercial and residential) property on various sites in Beijing and Guangzhou and a resort in Tianjin, the PRC.

The Agreements together constitute a discloseable transaction under the Listing Rules. Each Agreement is also a connected transaction of the Company. GD Zhujiang, a substantial shareholder of certain subsidiaries of the Company, is a connected person of the Company. The proposed PRC parties under the Agreements, BJ Zhujiang, TJ Zhujiang and GZ Development, all being controlled by and 84 per cent. directly and indirectly owned by GD Zhujiang, are therefore also connected persons of the Company.

As Sounda, which holds 63.62 per cent. of the issued share capital of the Company, has given written approval of the Agreements, and none of the connected persons have any control over any shares in the Company and therefore no shareholder of the Company will be required to abstain from voting pursuant to Rule 14.26 of the Listing Rules, the Company has applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 14.26 of the Listing Rules for the Company to hold a general meeting to seek shareholders' approval in respect of the Agreements (other than the Cuijing Agreement).

Further, two parcels of land previously targeted for development by Hopson Yijing are proposed to be developed by the Cuijing JV instead. Consequential amendments to the terms of Hopson Yijing (as two of the joint venture partners of Hopson Yijing are connected persons of the Company), entry into the Supplemental Joint Development Agreement (as four of the parties will be connected persons of the Company) and the Cuijing Agreement would also constitute connected transactions for the Company, and subject to approval by the shareholders of the Company in general meeting at which any connected person interested in the transaction shall abstain from voting.

The Directors consider that the Agreements, the Supplemental Joint Development Agreement and the proposed amendments to the terms of Hopson Yijing are in the ordinary and usual course of business of the Group, that the terms have been negotiated on an arm's-length basis and on normal commercial terms, and are fair and reasonable so far as the shareholders of the Company are concerned.

A circular containing, inter alia, details of the Agreements, the Supplemental Joint Development Agreement and the proposed amendments to the terms of Hopson Yijing, the opinion of the independent board committee, JS Cresvale's advice and DTZ's valuation report will be despatched to the shareholders of the Company as soon as practicable.

#### A. THE AGREEMENTS

##### THE LU ZHOU JV

On 8 January 2002, Pomeroy and BJ Zhujiang entered into the Lu Zhou Agreement for the formation of the Lu Zhou JV, a sino-foreign co-operative joint venture for the development and construction of university student apartments and commodity (commercial and residential) property with a total gross floor area of approximately 234,000 square metres located in Bangzijing Village of the Sanjianfang Town in the Chaoyang District of Beijing, the PRC. BJ Zhujiang is a company established in the PRC and owned as to 60 per cent. by GD Zhujiang and 40 per cent. by GZ Construction which is in turn controlled by and owned as to 60 per cent. by GD Zhujiang and its wholly-owned subsidiaries.

##### Principal terms of the Lu Zhou JV

Parties : (i) Pomeroy; and  
(ii) BJ Zhujiang

Business scope : Development, construction, sale, letting and management of commodity property located in Bangzijing Village of the Sanjianfang Town in the Chaoyang District of Beijing, the PRC and provision of ancillary facilities and services

Total investment : Rmb 300 million (approximately HK\$283.02 million)

Registered capital : Rmb 100 million (approximately HK\$94.34 million)

Term : 30 years from the date of issue of the business licence of the Lu Zhou JV

Capital contribution and financing : The registered capital will be contributed by Pomeroy and BJ Zhujiang in cash in the ratio of 70 per cent. and 30 per cent. respectively. The Lu Zhou JV will be responsible for arranging funding of capital requirements beyond the amount of the registered capital, including the difference between the total investment amount and the registered capital.

Registered capital contributions shall be made in cash by six instalments, the first of which shall be made within three months from the date of issue of the business licence of the Lu Zhou JV and the last of which shall be made within 36 months from the date of issue of the business licence of the Lu Zhou JV.

Land use right : The relevant parcel of land is collectively owned by the Bangzijing Village, which is independent of and not connected with the Company or any of its directors, chief executives, substantial shareholders, subsidiaries or their respective associates (as defined in the Listing Rules). By an agreement dated 9 March 2001, the Bangzijing Village Committee agreed to complete transfer the land use rights thereof to BJ Zhujiang for a total compensation amount of Rmb 168 million (approximately HK\$158.49 million), inclusive of all relocation costs. The total compensation amount was negotiated between the Bangzijing Village Committee and BJ Zhujiang on an arm's-length basis. Such amounts will ultimately be borne by the Lu Zhou JV pursuant to the reimbursement mechanism described below. Under the joint venture contract in respect of the Lu Zhou JV, BJ Zhujiang shall complete all procedures to transfer such land use rights to the Lu Zhou JV within 30 days (which may be extended to 60 days with the agreement of the parties) of the date of the joint venture contract, at the cost of the Lu Zhou JV. In the event that the land use rights cannot be transferred to the Lu Zhou JV within the agreed time period, all obligations to contribute to the registered capital shall forthwith terminate and the parties shall commence procedures to wind up the Lu Zhou JV prior to the date on which the first instalment of capital contributions is to be made. The Lu Zhou JV will also reimburse BJ Zhujiang for all payments incurred in relation to acquisition of the land use rights prior to establishment of the Lu Zhou JV, such as land acquisition payments, settlement and site clearance costs, of which approximately Rmb 111 million (approximately HK\$104.72 million) has been paid to date and approximately Rmb 57 million (approximately HK\$53.77 million) remain outstanding and payable in three further instalments, the last of which is payable within 480 days of entry into possession of the land. The estimated land grant fee of Rmb 30 million (approximately HK\$28.30 million) and all taxes and costs in relation to the transfer of land use rights (such as deed tax) will be payable by the Lu Zhou JV. The exact amount and payment mechanism of land grant fee will be negotiated between the Lu Zhou JV and the local land bureau after establishment of the Lu Zhou JV, the Directors do not consider that the taxes and costs in relation to the transfer of land use rights to be material.

Profit sharing : The profits and losses of the Lu Zhou JV will be shared and borne by Pomeroy and BJ Zhujiang in the ratio of 70 per cent. and 30 per cent. respectively.

Board of directors : The board of directors comprising seven directors will be the highest authority of the Lu Zhou JV. Pomeroy and BJ Zhujiang shall be entitled to appoint five and two

directors to the board of directors of the Lu Zhou JV respectively. The chairman of the board, who does not have a casting vote, shall be nominated by Pomeroy.

Unanimous consent : The following actions shall require the unanimous consent of the directors of the Lu Zhou JV:

- (1) the amendment of the articles of association of the Lu Zhou JV;
- (2) the granting of any mortgage/charge in respect of the assets of the Lu Zhou JV;
- (3) the increase, reduction or transfer of the registered capital of the Lu Zhou JV;
- (4) the dissolution of the Lu Zhou JV;
- (5) the consolidation or merger or change of structure of the Lu Zhou JV;
- (6) any other matters as decided by the directors of the Lu Zhou JV.

Liquidation : Liquidation procedures upon termination or winding-up of the Lu Zhou JV shall be made according to law, assets after completion of liquidation procedures shall be distributed in the same proportion as for profit sharing.

##### THE BEIFANG JV

On 8 January 2002, Nambour and BJ Zhujiang entered into the Beifang Agreement for the formation of the Beifang JV, a sino-foreign co-operative joint venture for the development and construction of commodity (commercial and residential) property with a total gross floor area of approximately 750,000 square metres located on Xidawang Road in the Chaoyang District of Beijing, the PRC.

##### Principal terms of the Beifang JV

Parties : (i) Nambour; and  
(ii) BJ Zhujiang

Business scope : Development, construction, sale, letting and management of commodity property located on Xidawang Road in the Chaoyang District of Beijing, the PRC and provision of ancillary facilities and services

Total investment : Rmb 196 million (approximately HK\$184.91 million)

Registered capital : Rmb 78.4 million (approximately HK\$73.96 million)

Term : 30 years from the date of issue of the business licence of the Beifang JV

Capital contribution and financing : The registered capital will be contributed by Nambour and BJ Zhujiang in cash in the ratio of 70 per cent. and 30 per cent. respectively. The Beifang JV will be responsible for arranging funding of capital requirements beyond the amount of the registered capital, including the difference between the total investment amount and the registered capital.

Registered capital contributions shall be made in cash by six instalments, the first of which shall be made within three months from the date of issue of the business licence of the Beifang JV and the last of which shall be made within 36 months from the date of issue of the business licence of Beifang JV.

Land use right : The land use rights and building ownership rights of the relevant parcel of land is owned by Beijing Chemical Factory and Beijing Chemical Group Company Limited, both of which are independent third parties not connected with the Company or any of its directors, chief executives, substantial shareholders, subsidiaries or their respective associates (as defined in the Listing Rules). By an agreement dated 26 April 2001, Beijing Chemical Factory and Beijing Chemical Group Company Limited agreed to transfer the land use rights and building ownership rights to BJ Zhujiang for a total compensation amount of Rmb 775 million (approximately HK\$731.13 million), and site clearance costs of Rmb 10 million (approximately HK\$9.43 million) which is separately payable to Beijing Chemical Factory. The total compensation amount was negotiated between Beijing Chemical Factory and Beijing Chemical Group Company Limited on the one hand, and BJ Zhujiang on the other hand, on an arm's-length basis. Such amounts will ultimately be borne by the Beifang JV pursuant to the reimbursement mechanism described below. Under the joint venture contract in respect of the Beifang JV, BJ Zhujiang shall complete all procedures to transfer such land use rights to the Beifang JV within 30 days (which may be extended to 60 days with the agreement of the parties) of the date of the joint venture contract, at the cost of the Beifang JV. In the event that the land use rights cannot be transferred to the Beifang JV within the agreed time period, all obligations to contribute to the registered capital shall forthwith terminate and the parties shall commence procedures to wind up the Beifang JV prior to the date on which the first instalment of capital contributions is to be made. The Beifang JV will also reimburse BJ Zhujiang for all payments incurred in relation to acquisition of the land use rights prior to establishment of the Beifang JV, such as land acquisition payments, settlement and site

\* for identification purposes only

clearance costs, of which approximately Rmb 210 million (approximately HK\$198.11 million) has been paid to date and approximately Rmb 575 million (approximately HK\$542.45 million) remain outstanding and payable in eight further instalments, the last of which is payable within 550 days of entry into possession of the land. The estimated land grant fee of approximately Rmb 180 million (approximately HK\$169.81 million) and all taxes and costs in relation to the transfer of land use rights (such as deed tax) will be payable by the Beifang JV. The exact amount and payment mechanism of land grant fee will be negotiated between the Beifang JV and the local land bureau after establishment of the Beifang JV, the Directors do not consider that the taxes and costs in relation to the transfer of land use rights to be material.

- Profit sharing : The profits and losses of the Beifang JV will be shared and borne by Nambour and BJ Zhujiang in the ratio of 70 per cent. and 30 per cent. respectively.
- Board of directors : The board of directors comprising seven directors will be the highest authority of the Beifang JV. Nambour and BJ Zhujiang shall be entitled to appoint five and two directors to the board of directors of the Beifang JV respectively. The chairman of the board, who does not have a casting vote, shall be nominated by Nambour.
- Unanimous consent : The same actions which require unanimous consent of the board of directors of the Lu Zhou JV also require unanimous consent of the board of directors of the Beifang JV.
- Liquidation : Liquidation procedures upon termination or winding-up of the Beifang JV shall be made according to law, assets after completion of liquidation procedures shall be distributed in the same proportion as for profit sharing.

#### THE YUJING JV

On 8 January 2002, Hopeson and BJ Zhujiang entered into the YuJing Agreement for the formation of the YuJing JV, a sino-foreign co-operative joint venture for the development and construction of commodity (commercial and residential) property with a total gross floor area of approximately 300,000 square metres located on Qingnian Road in the Chaoyang District of Beijing, the PRC.

#### Principal terms of the YuJing JV

- Parties : (i) Hopeson; and  
(ii) BJ Zhujiang
- Business scope : Development, construction, sale, letting and management of commodity property located on Qingnian Road in the Chaoyang District of Beijing, the PRC and provision of ancillary facilities and services
- Total investment : Rmb 194 million (approximately HK\$183.02 million)
- Registered capital : Rmb 77.6 million (approximately HK\$73.21 million)
- Term : 30 years from the date of issue of the business licence of the YuJing JV
- Capital contribution and financing : The registered capital will be contributed by Hopeson and BJ Zhujiang in cash in the ratio of 70 per cent. and 30 per cent. respectively. The YuJing JV will be responsible for arranging funding of capital requirements beyond the amount of the registered capital, including the difference between the total investment amount and the registered capital.
- Registered capital contributions shall be made in cash by six instalments, the first of which shall be made within three months from the date of issue of the business licence of the YuJing JV and the last of which shall be made within 36 months from the date of issue of the business licence of YuJing JV.
- Land use right : The land use rights to the relevant parcel of land is owned by Beijing Coal General Company First Factory (which is an independent third party not connected with the Company, or any of its directors, chief executives, substantial shareholders, subsidiaries or their respective associates (as defined in the Listing Rules)) and zoned for storage use. By an agreement dated 1 August 2000, Beijing Coal General Company First Factory agreed to complete change of land use procedures and transfer the land use rights thereof to BJ Zhujiang for a total compensation amount of Rmb 325 million (approximately HK\$306.60 million), inclusive of all relocation costs. The total compensation amount was negotiated between Beijing Coal General Company First Factory and BJ Zhujiang on an arm's-length basis. Such amounts will ultimately be borne by the YuJing JV pursuant to the reimbursement mechanism described below. Under the joint venture contract in respect of the YuJing JV, BJ Zhujiang shall complete all procedures to transfer such land use rights to the YuJing JV within 30 days (which may be extended to 60 days with the agreement of the parties) of the date of the joint venture contract, at the cost of the YuJing JV. In the event that the land use rights cannot be transferred to the YuJing JV within the agreed time period, all obligations to contribute to the registered capital shall forthwith terminate and the parties shall commence procedures to wind up the YuJing JV prior to the date on which the first instalment of capital contributions is to be made. The YuJing JV will also reimburse BJ Zhujiang for all payments incurred in relation to acquisition of the land use rights prior to establishment of the YuJing JV, such as land acquisition payments, settlement and site clearance costs, of which approximately Rmb 40 million (approximately HK\$37.73 million) has been paid to date and approximately Rmb 285 million (approximately HK\$268.87 million) remain outstanding and payable in five further instalments, the last of which will be payable by 30 August 2003. The joint venture contract in respect of the YuJing JV also provides that the land grant fee and all taxes and costs in relation to the transfer of land use rights (such as deed tax) will be payable by the YuJing JV. The exact amount and payment mechanism of land grant fee will be negotiated between the YuJing JV and the local land bureau after establishment of the YuJing JV, the Directors do not consider that the taxes and costs in relation to the transfer of land use rights to be material.

- Profit sharing : The profits and losses of the YuJing JV will be shared and borne by Hopeson and BJ Zhujiang in the ratio of 70 per cent. and 30 per cent. respectively.
- Board of directors : The board of directors comprising seven directors will be the highest authority of the YuJing JV. Hopeson and BJ Zhujiang shall be entitled to appoint five and two directors to the board of directors of the YuJing JV respectively. The chairman of the board, who does not have a casting vote, shall be nominated by Hopeson.
- Unanimous consent : The same actions which require unanimous consent of the board of directors of the Lu Zhou JV also require unanimous consent of the board of directors of the YuJing JV.
- Liquidation : Liquidation procedures upon termination or winding-up of the YuJing JV shall be made according to law, assets after completion of liquidation procedures shall be distributed in the same proportion as for profit sharing.

#### THE TIANJIN JV

On 8 January 2002, Hopeson and TJ Zhujiang entered into the Tianjin Agreement for the formation of the Tianjin JV, a sino-foreign co-operative joint venture for the development and construction of a tourist and resort area (with commodity properties) with a total gross floor area of approximately 2,500,000 square metres located in Baodi District of Tianjin, the PRC.

#### Principal terms of the Tianjin JV

- Parties : (i) Hopeson; and  
(ii) TJ Zhujiang, a company established in the PRC and owned as to 60 per cent. by GD Zhujiang and 40 per cent. by GZ Construction, which is in turn controlled by and owned as to 60 per cent. by GD Zhujiang and its wholly-owned subsidiaries.

- Business scope : Development, construction, sale, letting and management of commodity property located in the Baodi District of Tianjin, the PRC and provision of ancillary facilities and services
- Total investment : Rmb 180 million (approximately HK\$169.81 million)
- Registered capital : Rmb 72 million (approximately HK\$67.92 million)
- Term : 30 years from the date of issue of the business licence of the Tianjin JV
- Capital contribution and financing : The registered capital will be contributed by Hopeson and TJ Zhujiang in cash in the ratio of 70 per cent. and 30 per cent. respectively. The Tianjin JV will be responsible for arranging funding of capital requirements beyond the amount of the registered capital, including the difference between the total investment amount and the registered capital.

Registered capital contributions shall be made in cash by six instalments, the first of which shall be made within three months from the date of issue of the business licence of the Tianjin JV and the last of which shall be made within 36 months from the date of issue of the business licence of the Tianjin JV.

- Land use right : By an agreement dated 22 August 2001, the People's Government of Baodi District agreed to grant land use rights over the relevant parcel of land for a land grant fee of Rmb 180 million (approximately HK\$169.81 million), which is inclusive of relocation compensation amounts and related taxes and costs. Under the joint venture contract in respect of the Tianjin JV, TJ Zhujiang shall complete all procedures to transfer such land use rights to the Tianjin JV within 30 days (which may be extended to 60 days with the agreement of the parties) of the date of the joint venture contract, at the cost of the Tianjin JV. In the event that the land use rights cannot be transferred to the Tianjin JV within the agreed time period, all obligations to contribute to the registered capital shall forthwith terminate and the parties shall commence procedures to wind up the Tianjin JV prior to the date on which the first instalment of capital contributions is to be made. The Tianjin JV will also reimburse TJ Zhujiang for all payments incurred in relation to acquisition of the land use rights prior to establishment of the Tianjin JV, of which approximately Rmb 10 million (approximately HK\$9.43 million) has been paid to date and approximately Rmb 170 million (approximately HK\$160.38 million) remain outstanding and payable in instalments based on the actual progress of site clearance and re-settlement.
- Profit sharing : The profits and losses of the Tianjin JV will be shared and borne by Hopeson and TJ Zhujiang in the ratio of 70 per cent. and 30 per cent. respectively.
- Board of directors : The board of directors comprising seven directors will be the highest authority of the Tianjin JV. Hopeson and TJ Zhujiang shall be entitled to appoint five and two directors to the board of directors of the Tianjin JV respectively. The chairman of the board, who does not have a casting vote, shall be nominated by Hopeson.
- Unanimous consent : The same actions which require unanimous consent of the board of directors of the Lu Zhou JV also require unanimous consent of the board of directors of the Tianjin JV.
- Liquidation : Liquidation procedures upon termination or winding-up of the Tianjin JV shall be made according to law, assets after completion of liquidation procedures shall be distributed in the same proportion as for profit sharing.

#### THE CUIJING JV

The two parcels of land originally intended to be developed by Hopson Yijing as part of Pleasant View Garden, together with one other adjacent parcel of land, will be the site of a proposed new development of the Group, which will also form part of Pleasant View Garden. On 8 January 2002, Hopeson, Yue Teng, Construction Industrial and GZ Development entered into the Cuijing Agreement for the formation of the Cuijing JV for the development and construction of a site with a total gross floor area of approximately 74,000 square metres located between the west side of Guangzhou Main Road and the south side of Lu Jiang Village and Feng He Village in Haizhu District of Guangzhou, the PRC.

#### Principal terms of the Cuijing JV

- Parties : (i) Hopeson;  
(ii) Yue Teng;  
(iii) Construction Industrial; and  
(iv) GZ Development, a company established in the PRC, 60 per cent. and 40 per cent. of the registered capital of which are held by GD Zhujiang and GZ Construction respectively
- Business scope : Development, construction, sale, letting and management of commodity property located on the west side of Guangzhou Main Road and the south side of Lu Jiang Village and Feng He Village in Haizhu District of Guangzhou, the PRC and provision of ancillary facilities and services
- Total investment : Rmb 133.87 million (approximately HK\$126.29 million)
- Registered capital : Rmb 53.55 million (approximately HK\$50.52 million)
- Term : 20 years from the date of issue of the business licence of the Cuijing JV
- Capital contribution and financing : The registered capital will be contributed entirely by Hopeson in cash. The Cuijing JV will be responsible for arranging funding of capital requirements beyond the amount of the registered capital, including the difference between the total investment amount and the registered capital.
- Registered capital contributions shall be made in cash by six instalments, the first of which shall be made within three months from the date of issue of the business licence of the Cuijing JV and the last of which shall be made within 36 months from the date of issue of the business licence of the Cuijing JV.
- Land use right : The land use rights to the three parcels of land are held by Yue Teng, Construction Industrial and GZ Development respectively. Under the joint venture contract in respect of the Cuijing JV, Yue Teng and Construction Industrial shall respectively assist the Cuijing JV in all procedures to transfer the land use rights and obtain the right to development over their respective parcels of land to the Cuijing JV, and GZ Development shall complete all procedures to transfer the land use rights to its parcel of land to the Cuijing JV, all at the cost of the Cuijing JV, including the estimated land grant fees of Rmb 30.6 million (approximately HK\$28.87 million), the exact amount of which has yet to be determined as the land grant contracts for the two parcels of land to be contributed by Yue Teng and Construction Industrial have yet to be entered into. The Cuijing JV will also reimburse Hopeson for all payments incurred in relation to acquisition of the land use rights prior to establishment of the Cuijing JV, such as land acquisition payments, settlement and site clearance costs, of which approximately Rmb 7.67 million (approximately HK\$7.24 million) has been paid to date and approximately Rmb 14.30 million (approximately HK\$13.49 million) remain outstanding and payable. No reimbursements are due to Yue Teng or Construction Industrial as payments due by them in relation to acquisition of the land use rights have been made on their behalf by Hopeson.
- Profit sharing : The profits and losses of the Cuijing JV will be shared and borne by Hopeson, Yue Teng, Construction Industrial and GZ Development in the ratio of 97:1:1:1.

- Board of directors** : The board of directors comprising seven directors will be the highest authority of the Cuijing JV. Hopeson shall be entitled to appoint four directors, and each of Yue Teng, Construction Industrial and GZ Development shall be entitled to appoint one director to the board of directors of the Cuijing JV respectively. The chairman of the board, who does not have a casting vote, shall be nominated by Hopeson.
- Unanimous consent** : The same actions which require unanimous consent of the board of directors of the Lu Zhou JV also require unanimous consent of the board of directors of the Cuijing JV.
- Liquidation** : Liquidation procedures upon termination or winding-up of the Cuijing JV shall be made according to law, assets after completion of liquidation procedures shall be distributed in the same proportion as for profit sharing.

#### CONDITION

Each Agreement is conditional upon the approval by the shareholders of the Company as a connected transaction of the Company pursuant to the Listing Rules, or a waiver being granted by the Stock Exchange exempting the shareholder approval requirement, by no later than 60 days from the date of the relevant Agreement (or such later date as the parties shall agree).

Upon fulfilment of the condition, the relevant parties to the Agreements shall enter into joint venture agreements in respect of the respective joint venture to which the relevant Agreement relates within 30 days from the date such condition is fulfilled (or such later date as the parties shall agree).

#### REASONS FOR THE AGREEMENTS

The Group had prior to the Agreements principally engaged in property development in the Guangdong Province of the PRC. With the increasing demand for upmarket residential properties in Beijing, the accession of the PRC to the World Trade Organisation and Beijing being the host city of the 2008 Olympic Games, the Directors consider that the Agreements (other than the Cuijing Agreement) provide a good opportunity for the Group to enter into the potentially lucrative Beijing-Tianjin property market.

The Cuijing site comprises three adjacent parcels of land, two of which have been previously targeted by the Group for development by Hopson Yijing as part of Pleasant View Garden. Regrouping the two parcels of land under the Cuijing site allows the Group to continue with construction of Pleasant View Garden without delay in the overall planned development schedule, while at the same time offering the Group an opportunity to take advantage of the economies of scale and ancillary facilities and amenities of the other sites comprising Pleasant View Garden to develop the Cuijing site.

The Directors consider that the Agreements are in the ordinary and usual course of business of the Company, that the terms have been negotiated on an arm's-length basis and on normal commercial terms, and are fair and reasonable so far as the shareholders of the Company are concerned.

#### SOURCE OF FUNDING

The Group's capital contributions under the Agreements will be financed by internal resources, the on-going proceeds from sales of development properties and bank borrowings, if necessary. As payment of the Group's capital contributions under the Agreements shall be made by instalments, the Group does not anticipate that there will be any adverse effect on the Group's financial position.

#### DISCLOSEABLE AND CONNECTED TRANSACTIONS

The joint ventures to be established pursuant to the Agreements will be formed with a total investment amount of Rmb 1,003,870,000 (approximately HK\$947,050,000), of which the Group's contribution to the total registered capital amount to Rmb 283,150,000 (approximately HK\$267,120,000). The Agreements together constitute a discloseable transaction of the Company as the total investment costs represent approximately 43.3 per cent of the net tangible assets of the Group as at 30 June 2001, being the date to which the latest published accounts of the Group were made up.

GD Zhujiang, a substantial shareholder of certain subsidiaries of the Company, is a connected person of the Company. BJ Zhujiang, TJ Zhujiang and GZ Development, all being controlled by and 84 per cent. directly and indirectly owned by GD Zhujiang, are also respectively connected persons of the Company. Accordingly, each of the Agreements constitutes a connected transaction under the Listing Rules and is subject to the approval of the shareholders of the Company (excluding those shareholders prohibited by the Listing Rules from voting on the resolution) voting at a special general meeting convened to approve the Agreements pursuant to Rule 14.26 of the Listing Rules. Since none of GD Zhujiang, BJ Zhujiang, TJ Zhujiang and GZ Development and their associates (as defined in the Listing Rules) have any control over any shares in the Company, no shareholder of the Company will be required to abstain from voting pursuant to Rule 14.26 of the Listing Rules; and Sounda, which beneficially owns 63.62 per cent. of the issued share capital of the Company, has given written approval of the Agreements, the passing of any resolution in respect of the Agreements by the shareholders of the Company will be a foregone conclusion. In view of the aforesaid, the Company has applied to the Stock Exchange for a waiver from the requirement under Rule 14.26 of the Listing Rules for the Company to hold a general meeting to seek shareholders' approval in respect of the Agreements (other than the Cuijing Agreement). The Cuijing Agreement will be subject to the approval of the shareholders of the Company (excluding those shareholders prohibited by the Listing Rules from voting on the resolution).

#### B. HOPSON YIJING AND CONNECTED TRANSACTION

It was disclosed in an announcement of the Company of 7 December 1999 and a circular to shareholders dated 26 January 2000 that the Group proposed to establish Hopson Yijing, a sino-foreign cooperative joint venture, for the development and construction of a site which was to form part of Pleasant View Garden. The formation of Hopson Yijing constituted a connected transaction of the Company as Xin Nan Fang (as defined in the circular to shareholders dated 26 January 2000) and GD Zhujiang, two of the joint venture partners of Hopson Yijing were connected persons of the Company, as more particularly described in the circular to shareholders dated 26 January 2000. The independent shareholders of the Company had approved the formation of Hopson Yijing at a special general meeting of the Company held on 14 February 2000. However, as the acquisition of land use rights to two parcels of land which were originally intended to be contributed by Yue Teng and Construction Industrial to Hopson Yijing have been delayed, the Directors have decided to carve out such two parcels of land from the Hopson Yijing project so as not to delay overall construction and completion of Pleasant View Garden. The proposed amendments to the terms of Hopson Yijing will constitute a connected transaction of the Company as Xin Nan Fang and GZ Development will be parties, and subject to approval by the shareholders of the Company in general meeting at which any connected person interested in the transaction shall abstain from voting.

#### C. JOINT DEVELOPMENT AGREEMENT AND CONNECTED TRANSACTION

It was disclosed in the circular of the Company dated 26 January 2000 that Hopson Yijing was to enter into an agreement with New Tai An, Hopson Lejing and Zhukuang (as respectively defined in the circular of the Company dated 26 January 2000) to jointly develop and construct Pleasant View Garden, a commodity property on the site comprising four pieces of adjoining land at Guangzhou Main Road in Haizhu District of Guangzhou, the PRC. Such agreement was entered into on 16 February 2000 (the "Original Joint Development Agreement"). As the two parcels of land originally intended to be developed by Hopson Yijing will now be developed by the Cuijing JV, a supplemental joint development agreement (the "Supplemental Joint Development Agreement") is proposed to be entered into as soon as practicable upon formation of the Cuijing JV between the original parties of the Original Joint Development Agreement and the Cuijing JV to amend and supplement certain terms of the Original Joint Development Agreement.

New Tai An, Hopson Lejing and Hopson Yijing are connected persons of the Company by virtue of the substantial shareholding of GD Zhujiang in them, the entry into the Supplemental Joint Development Agreement thus constitutes a connected transaction for the Company, and subject to approval by the shareholders of the Company in general meeting at which any connected person interested in the transaction shall abstain from voting.

The Directors consider that there will not be any adverse material impact on the profitability of the overall Pleasant View Garden project as a result of the proposed amendments to the terms of Hopson Yijing and the Supplemental Joint Development Agreement.

#### D. GENERAL

JS Cresvale has been appointed as the independent financial adviser to advise the shareholders of the Company on whether the terms of the Agreements, the Supplemental Joint Development Agreement and the proposed amendments to the terms of Hopson Yijing are fair and reasonable so far as the shareholders of the Company are concerned. DTZ has been appointed to prepare a valuation report in respect of the properties concerned. A circular containing, inter alia, details of the Agreement, the Joint Development Agreement, the proposed amendments to the terms of Hopson Yijing, the opinion of the independent board committee, JS Cresvale's advice and DTZ's valuation report will be despatched to the shareholders of the Company as soon as practicable.

#### E. TERMS USED IN THIS ANNOUNCEMENT

"Agreements"	the Lu Zhou Agreement, the Beifang Agreement, the YuJing Agreement, the Tianjin Agreement and the Cuijing Agreement
"Beifang Agreement"	the conditional agreement dated 8 January 2002 and entered into between Nambour and BJ Zhujiang to establish the Beifang JV
"Beifang JV"	Beijing Hopson Beifang Real Estate Development Limited, the sino-foreign cooperative joint venture proposed to be established pursuant to the Beifang Agreement
"BJ Zhujiang"	Beijing Zhujiang Real Estate Development Company Limited, a company established in the PRC, 60 per cent. and 40 per cent. of the registered capital of which are held by GD Zhujiang and GZ Construction respectively
"Company"	Hopson Development Holdings Limited
"Construction Industrial"	Guangdong Construction Industrial Group Company, a company established in the PRC and an independent third party not connected with the Company or any of its directors, chief executives, substantial shareholders, subsidiaries or their respective associates (as defined in the Listing Rules)
"Cuijing Agreement"	the conditional agreement dated 8 January 2002 and entered into between Hopeson, Yue Teng, Construction Industrial and GZ Development to establish the Cuijing JV
"Cuijing JV"	Guang Zhou Hopson Cuijing Real Estate Limited, the sino-foreign cooperative joint venture proposed to be established pursuant to the Cuijing Agreement
"Directors"	the directors of the Company
"DTZ"	DTZ Debenham Tie Leung Limited
"Group"	the Company and its subsidiaries
"GD Zhujiang"	Guangdong Zhujiang Investment Limited, a company established in the PRC and a substantial shareholder of certain existing subsidiaries of the Company in the PRC
"GZ Construction"	Guangdong Zhujiang Construction Company Limited, a company established in the PRC, controlled by and 60 per cent. of the registered capital of which is held by GD Zhujiang and its wholly-owned subsidiaries
"GZ Development"	Guangzhou Zhujiang Real Estate Development Company Limited, a company established in the PRC, 60 per cent. and 40 per cent. of the registered capital of which are held by GD Zhujiang and GZ Construction respectively
"HK\$"	Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hopeson"	Hopeson Holdings Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"Hopson Yijing"	Guangzhou Hopson Yijing Real Estate Limited, a sino-foreign cooperative joint venture established to develop Pleasant View Garden as more particularly described in the circular to shareholders of the Company dated 26 January 2000
"JS Cresvale"	JS Cresvale International Limited, an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Lu Zhou Agreement"	the conditional agreement dated 8 January 2002 and entered into between Pomeroy and BJ Zhujiang to establish the Lu Zhou JV
"Lu Zhou JV"	Beijing Hopson Lu Zhou Real Estate Development Limited, the sino-foreign cooperative joint venture proposed to be established pursuant to the Lu Zhou Agreement
"Nambour"	Nambour Properties Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"Original Joint Development Agreement"	the joint development agreement entered into on 16 February 2000 between Hopson Yijing, New Tai An, Hopson Lejing and Zhukuang (as respectively defined in the circular of the Company dated 26 January 2000) to jointly develop and construct Pleasant View Garden, a commodity property on the site comprising four pieces of adjoining land at Guangzhou Main Road in Haizhu District of Guangzhou, the PRC
"Pleasant View Garden"	the commodity property development site located between the west side of Guangzhou Main Road and the south side of Lu Jiang Village and Feng He Village in Haizhu District of Guangzhou, the PRC to be developed and constructed under the Original Joint Development Agreement or the Supplemental Joint Development Agreement (as the case may be)
"Pomeroy"	Pomeroy Properties Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"PRC"	People's Republic of China
"Rmb"	Renminbi
"Sounda"	Sounda Properties Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Joint Development Agreement"	the supplemental joint development agreement to be entered into between New Tai An, Hopson Lejing, Hopson Yijing, Zhukuang and the Cuijing JV to amend and supplement certain terms of the Original Joint Development Agreement
"Tianjin Agreement"	the conditional agreement dated 8 January 2002 and entered into between Hopeson and TJ Zhujiang to establish the Tianjin JV
"Tianjin JV"	Tianjin Hopson Zhujiang Real Estate Development Limited, the sino-foreign cooperative joint venture proposed to be established pursuant to the Tianjin Agreement
"TJ Zhujiang"	Tianjin Zhujiang Industrial Company Limited, a company established in the PRC, 60 per cent. and 40 per cent. of the registered capital of which are held by GD Zhujiang and GZ Construction respectively
"Yue Teng"	Guangzhou Yue Teng Property Limited, a company established in the PRC and an independent third party not connected with the Company or any of its directors, chief executives, substantial shareholders, subsidiaries or their respective associates (as defined in the Listing Rules)
"YuJing Agreement"	the conditional agreement dated 8 January 2002 and entered into between Hopeson and BJ Zhujiang to establish the YuJing JV
"YuJing JV"	Beijing Hopson YuJing Real Estate Development Limited, the sino-foreign cooperative joint venture proposed to be established pursuant to the YuJing Agreement

*For illustrative purposes of this announcement, Rmb 106 = HK\$100*

By Order of the Board  
**Chu Mang Yee**  
Chairman

*Please also refer to the published version of this announcement in  
Hong Kong iMail and Hong Kong Economic Journal.*