



HOPSON DEVELOPMENT HOLDINGS LIMITED

合生創展集團有限公司*

(Incorporated in Bermuda with limited liability)

DISCLOSEABLE TRANSACTION

Shanghai Hopson, a wholly-owned subsidiary of the Company, entered into the Redevelopment Contract with Yangpu Redevelopment Operations Office dated 27 March 2002 for the acquisition of the Shanghai Hopson Development Site. In consideration of cash payments of approximately RMB 660 million (approximately HK\$623 million) in aggregate, Yangpu Redevelopment Operations Office will be responsible for all demolition and relocation works on the Shanghai Hopson Development Site, submitting all necessary applications to include the Shanghai Hopson Development Site within the next round of old area redevelopment zone designated by the Shanghai Buildings and Land Bureau and to assist Shanghai Hopson in applications to develop the Shanghai Hopson Development Site and to obtain the land-use rights certificate(s) for it.

The Shanghai Hopson Development Site is a prime city location bordering the Huangpu River, which the Group intends to develop as a commodity property area.

The Redevelopment Contract constituted a discloseable transaction of the Company, a circular including a valuation report on the Shanghai Hopson Development Site will be despatched to the shareholders of the Company as soon as practicable.

The Company acknowledges breach of Rule 14.13 of the Listing Rules and the Stock Exchange has stated that it reserves its rights to take appropriate action against the Company and/or the Directors. A circular including a valuation report on the Shanghai Hopson Development Site will be despatched to the shareholders of the Company as soon as practicable.

REDEVELOPMENT CONTRACT

Date:

27 March 2002

Parties:

Yangpu Redevelopment Operations Office, a working department of the Shanghai Yangpu Buildings and Land Administrative Bureau (上海市楊浦區房屋土地管理局), which are both independent of and not connected with any of the directors, chief executives, substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates.

Shanghai Hopson, a wholly foreign owned enterprise established pursuant to the laws of the PRC and a wholly-owned subsidiary of the Company.

Shanghai Hopson Development Site:

The Shanghai Hopson Development Site comprises Shanghai Yangpu 121, 129 and 130 Old Districts, of which “Development Site South” is bordered by Shanghai Yangshupu Power Plant to the west, Huangpu River to the north, Shanghai Yangshupu Gas Plant to the east and Yangshupu Road to the south, and “Development Site North” is bordered by Guiyang Road to the west, Yangshupu Road to the north, Longchang Road to the east and Haizhou Road to the south.

The useable area of Development Site South is approximately 84,000 square metres (approximately 126 mu), with additional public usage redline areas yet to be determined. The useable area of Development Site North is approximately 108,000 square metres (approximately 162 mu), with an additional 17,000 square metres (approximately 25 mu) for public usage. Development Site North is partitioned into Areas A, B, C and D according to a map attached to the Redevelopment Contract. All area references are subject to survey results of the “Survey Borders Technological Report” to be issued by the Shanghai Yangpu Survey Department.

Demolition and relocation works:

Yangpu Redevelopment Operations Office will be responsible for all demolition and relocation works on the Shanghai Hopson Development Site, submitting all necessary applications to include the Shanghai Hopson Development Site within the next round of old area redevelopment zone designated by the Shanghai Buildings and Land Bureau and to assist Shanghai Hopson in applications to develop the Shanghai Hopson Development Site and to obtain the land-use rights certificate(s) for it.

Demolition and relocation works shall be completed and handed over to Shanghai Hopson according to the following schedule:

Upon payment of second instalment	Development Site South
Before 27 December 2002	Development Site North A Area
Before 27 June 2003	Development Site North B Area
Before 26 March 2004	Southern half of Development Site North C Area
Before 31 September 2004	Entire Development Site North C Area
To be determined by the parties	Development Site North D Area

Consideration:

Shanghai Hopson shall pay Yangpu Redevelopment Operations Office demolition and relocation costs of RMB 2.2 million for each mu of useable land, and RMB 1.1 million for each mu of land for public usage. The aggregate consideration for the acquisition of the Shanghai Hopson Development Site as represented by the said demolition and relocation costs was negotiated between Shanghai Hopson and the Yangpu Redevelopment Operations Office on an arm’s-length basis. The aggregate consideration payable by Shanghai Hopson to Yangpu Redevelopment Operations Office amounts to approximately RMB 660 million (approximately HK\$623 million), and is payable in cash according to the following schedule:

Upon the Redevelopment Contract taking effect	RMB 100 million
Before 28 April 2002	RMB 100 million
Before 28 October 2002	RMB 130 million
Before 27 December 2002	RMB 50 million
Before 27 June 2003	RMB 90 million
Before 26 March 2004	RMB 90 million
Demolition and relocation in respect of Development Site North “C” Area 90% completed	RMB 20.24 million

Time of payment in respect of Development Site North “D” Area shall be determined by the parties.

Final settlement of the balance will be calculated on the basis of actual costs incurred and actual site areas to be set out in the “Survey Borders Technological Report” after all demolition and relocation works are completed. RMB 200 million (approximately HK\$189 million) had been paid by Shanghai Hopson to Yangpu Redevelopment Operations Office to date in accordance with the Redevelopment Contract.

The aggregate consideration shall be funded by internal resources of the Company and/or bank borrowings.

Preferential treatment:

As part of the new round of old area redevelopment zone, the Shanghai Hopson Development Site will be entitled to:

- waiver of land use fees;
- self-budgeting for construction of municipal and public facilities, waiver of residential construction ancillary fees;
- no restriction on the ratio of public facilities to residential premises. Ancillary public facilities shall be constructed in accordance with the necessary requirements of the community. The local government shall not otherwise requisition public facilities.
- Shanghai Hopson shall cooperate and construct a certain portion of underground facilities for use both during peace and war. Subject to the approval of the civil defence authorities, the construction fee for civil defence facilities shall be waived;
- waiver of environmental sanitation facilities subsidy;
- waiver of education subsidy;
- waiver of demolition and relocation administrative fee and compensation fee for removing the old public houses;
- waiver of sanitation deposit and the fee for eliminating “four pests”;
- waiver of ancillary project fee for completion of the residential constructions, the fee for awarding good-quality residences and the fee for quality control of construction projects;
- waiver of the fee for construction project planning licence, the deposit for city construction filing and the fee for producing files for completion of the construction projects;
- waiver of environmental protection deposit, the costs for materials fee for new-type wall body and the deposit for greening;
- waiver from being requisitioned low-priced residences for helping the poor;
- waiver of all other fees separately levied by various departments and entities under Yangpu District;
- for so long as Shanghai Hopson is developing the Shanghai Hopson Development Site, it shall be entitled to enjoy the relevant tax preferential policy of the Yangpu District; and
- in the event that Yangpu Redevelopment Operations Office grants a more favourable policy in respect of another plot of land during the process of redevelopment of the Shanghai Hopson Development Site, Yangpu Redevelopment Operations Office shall also grant to Shanghai Hopson the same preferential treatment.

Breach of contract:

In the event that Yangpu Redevelopment Operations Office does not hand over the relevant plots of land comprising the Shanghai Hopson Development Site according to schedule, damages of 0.0005% on the corresponding demolition and relocation costs paid by Shanghai Hopson shall be paid by Yangpu Redevelopment Operations Office to Shanghai Hopson for each day of delay. In the event of more than three months’ delay, Shanghai Hopson shall have the right to terminate the Redevelopment Contract, Yangpu Redevelopment Operations Office shall refund without interest all corresponding demolition and relocation costs paid by Shanghai Hopson, and compensate Shanghai Hopson for all losses suffered by Shanghai Hopson as a result of the breach of contract by Yangpu Redevelopment Operations Office.

In the event that Shanghai Hopson falls behind its payment schedule, an additional amount of 0.0005% on the outstanding instalment shall be payable for each day of delay. In the event of more than six months’ delay by Shanghai Hopson, Yangpu Redevelopment Operations Office shall have the right to terminate the Redevelopment Contract, cancel all development rights over the remaining plots of land comprising the Shanghai Hopson Development Site and claim compensation from Shanghai Hopson for all losses suffered by Yangpu Redevelopment Operations Office as a result of the breach of contract by Shanghai Hopson. If Shanghai Hopson chooses to develop Development Site South without Development Site North, land grant fees shall be payable at the rate of RMB 220 million per mu.

REASONS FOR THE TRANSACTION AND DISCLOSEABLE TRANSACTION

The Group was principally engaged in property development in the Guangdong Province of the PRC and is gradually expanding to targeted cities in the northern provinces, namely, Beijing, Tianjin and Shanghai.

The Shanghai Hopson Development Site is a prime city location bordering the Huangpu River. As an old area targeted for redevelopment, the site also enjoys a whole host of benefits and concessions described above. The Group plans to develop the Shanghai Hopson Development Site as a commodity property area and believes that the site is a strategically valuable acquisition. The Directors consider that the terms of the Redevelopment Contract 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.

The total consideration payable by Shanghai Hopson pursuant to the Redevelopment Contract of approximately RMB 660 million (approximately HK\$623 million) represents approximately 28.5% of the unaudited net tangible assets value of HK\$2,185 million of the Group as at 30 June 2001 (which was the date to which the latest published accounts of the Group as at 27 March 2002 were made up), and would have constituted a discloseable transaction for the Company on the date it was first entered into. The total consideration payable pursuant to the Redevelopment Contract represents approximately 26.3% of the latest published unaudited net tangible assets value of HK\$2,367 million of the Group as at 30 June 2002, thus, the Redevelopment Contract still constitutes a discloseable transaction if entered into after the unaudited results for the six months ended 30 June 2002 were published.

Pursuant to Rule 14.13 of the Listing Rules, the Company should have informed the Stock Exchange and published an announcement as soon as possible after the terms of the Redevelopment Contract were agreed, and a circular despatched to shareholders within 21 days thereafter. The Directors have reviewed the circumstances leading to and surrounding the Redevelopment Contract and sought legal advice, and determined that the reasons for the delay in announcing details of the Redevelopment Contract are:

- insufficient communication between the operational and compliance departments of the Group;
- doubt as to its legality and validity as, inter alia, Yangpu Redevelopment Operations Office is simply a working department with no legal person status independent from the Shanghai Yangpu local government, and did not have the legal capacity to enter into the Redevelopment Contract and to perform its obligations thereunder according to its statutory powers; and
- unexpectedly long lead time in seeking required confirmation as to the legal capacity of Yangpu Redevelopment Operations Office to enter into the Redevelopment Contract and, hence, ratification of the Redevelopment Contract.

The Company sought legal advice on the legality issue in late May 2002, and was advised that written confirmation should be sought from the Shanghai Yangpu local government that the Yangpu Redevelopment Operations Office did indeed have authority to represent the Shanghai Yangpu local government to enter into contracts relating to land with foreign parties. Shanghai Hopson contacted the Shanghai Yangpu local government on numerous occasions for clarification as from early June 2002. Written confirmation in the form of an authorization chopped with the official seal of the Shanghai Yangpu Buildings and Land Administrative Bureau by its legal representative confirming that the Redevelopment Contract was entered into by Yangpu Redevelopment Operations Office with its full authorization, and confirming and ratifying the Redevelopment Contract, was only received by the Company on 12 September 2002.

The Company acknowledges breach of Rule 14.13 of the Listing Rules and the Stock Exchange has stated that it reserves its rights to take appropriate action against the Company and/or the Directors. A circular including a valuation report on the Shanghai Hopson Development Site will be despatched to the shareholders of the Company as soon as practicable.

TERMS USED IN THIS ANNOUNCEMENT

“associate”	the meaning given to that term in the Listing Rules
“Company”	Hopson Development Holdings Limited
“Development Site North”	the portion of the Shanghai Hopson Development Site bordered by Guiyang Road to the west, Yangshupu Road to the north, Longchang Road to the east and Haizhou Road to the south
“Development Site South”	the portion of the Shanghai Hopson Development Site bordered by Shanghai Yangpu Power Plant to the west, Huangpu River to the north, Shanghai Yangshupu Gas Plant to the east and Yangshupu Road to the south
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“Redevelopment Contract”	contract to redevelop the Shanghai Hopson Development Site dated 27 March 2002 and entered into between Shanghai Hopson and Yangpu Redevelopment Operations Office
“Shanghai Hopson”	Shanghai Hopson Property Development Co., Ltd. (上海合生房地產開發有限公司), a wholly foreign owned enterprise established pursuant to the laws of the PRC and a wholly-owned subsidiary of the Company
“Shanghai Hopson Development Site”	Shanghai Yangpu 121, 129 and 130 Old Districts and the subject matter of the Redevelopment Contract
“Shanghai Buildings and Land Bureau”	Shanghai Municipal Buildings and Land Resources Administrative Bureau (上海市房屋土地資源管理局)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yangpu Redevelopment Operations Office”	Shanghai Yangpu Old Area Redevelopment Operations Office (上海市楊浦區舊區改造指揮部辦公室)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

For illustrative purposes of this announcement, RMB 106 = HK\$100.

Hong Kong, 17 September 2002

* for identification purposes only

By Order of the Board
Chu Mang Yee
Chairman

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