



HOPSON DEVELOPMENT HOLDINGS LIMITED

合生創展集團有限公司*

(Incorporated in Bermuda with limited liability)

CONNECTED TRANSACTION: ACQUISITION OF FURTHER INTEREST IN HOPSON LEJING

The Group entered into the Transfer Agreement with GD Zhujiang, GZ Development Centre, Tong Rui Da, GZ Industrial and York Joint and the Third Supplemental Agreement with GD Zhujiang to amend certain existing joint venture terms of Hopson Lejing. Hopson Lejing is engaged in the development and construction of commodity properties in Guangdong Province.

The Directors (including the independent non-executive Directors) consider that the Lejing Transaction is in the ordinary and usual course of business of the Group and the terms of both the Transfer Agreement and the Third Supplemental Agreement have been negotiated on an arm's length basis and are normal commercial terms which are fair and reasonable so far as the Shareholders are concerned and are in the interest of the Company.

GD Zhujiang is a substantial shareholder of certain existing subsidiaries of the Company in the PRC. GZ Development Centre is effectively owned as to 92% by GD Zhujiang whereas GZ Industrial is owned as to 38% by GD Zhujiang. York Joint is an existing substantial shareholder of Hopson Lejing. Accordingly, the Lejing Transaction constitutes a connected transaction under the Listing Rules. However, Shareholders' approval is not required pursuant to Rule 14.25(1) of the Listing Rules as the value of the Lejing Transaction represents less than 3 per cent. of the latest published consolidated net tangible assets of the Group as at 30 June, 2002. Details of the Lejing Transaction will be included in the next annual report and accounts of the Company in accordance with the requirements of Rule 14.25(1) (A) to (D) of the Listing Rules.

I. BACKGROUND

On 26 June, 1997, Timbercrest entered into an agreement with GD Zhujiang for the formation of Hopson Lejing for the development and construction of commodity property on a site in Shi Jing Town of Guangzhou, the PRC. On 28 July, 1998, Timbercrest entered into an agreement to assign one third of its interest in Hopson Lejing to York Joint. On the same day, Timbercrest, GD Zhujiang and York Joint entered into the First Supplemental Agreement to vary the terms of the original co-operative joint venture agreement of Hopson Lejing. The First Supplemental Agreement was approved by the relevant government authorities in the PRC in November 1998.

On 16 February, 2000, the First Supplemental Agreement was further amended by an agreement entered into between GD Zhujiang, GZ Development Centre, Tong Rui Da, GZ Industrial, York Joint and Hopeson. Details of the principal amendments made to the First Supplemental Agreement were disclosed in an announcement of the Company published on 8 December, 1999 and the circular to the Shareholders dated 26 January, 2000. Subsequently, the same parties to the said agreement further entered into the Second Supplemental Agreement to amend the First Supplemental Agreement (as amended by the said agreement). The existing terms of the co-operative joint venture arrangement of Hopson Lejing are set out in paragraph III below. The Second Supplemental Agreement was approved by the relevant government authorities in the PRC in June 2000.

On 18 December, 2002, the Group entered into the Transfer Agreement whereby, among other things, Hopeson will assume York Joint's obligations to make contribution to 20.1 per cent. of the registered capital of Hopson Lejing and that GZ Development Centre, Tong Rui Da, GZ Industrial and York Joint will cease to be the joint venture parties to Hopson Lejing. Hopeson will assume York Joint's obligations to make contribution to 20.1 per cent. of the registered capital of Hopson Lejing because the Directors (including the independent non-executive Directors) are of the view that it is commercially valuable to the Group to increase its shareholding in Hopson Lejing and thus the percentage of profit sharing therein. Hopson Lejing has reimbursed GZ Development Centre, Tong Rui Da and GZ Industrial of the costs incurred by them in respect of Hopson Lejing. York Joint has not made any capital contribution to Hopson Lejing.

The principal terms of the Transfer Agreement are set out in paragraph II below.

II. THE TRANSFER AGREEMENT

Set out below are the amendments to the existing co-operative joint venture arrangement of Hopson Lejing under the Transfer Agreement:

(i) Change of joint venture parties

GZ Development Centre, Tong Rui Da, GZ Industrial and York Joint shall cease to be the joint venture parties to Hopson Lejing. The said four outgoing parties shall not be required to make further capital contributions to Hopson Lejing and shall not be entitled to enjoy and bear further profits and losses thereof.

(ii) Capital contribution

The whole amount of the registered capital of Hopson Lejing shall be contributed by GD Zhujiang and Hopeson in the ratio of 19.9% and 80.1% respectively. If there shall be capital requirements beyond the amount of the registered capital, the same shall be raised by Hopson Lejing from third parties.

(iii) Profit sharing

The profits and losses of Hopson Lejing shall be shared and borne by GD Zhujiang and Hopeson in the ratio of 25.5% and 74.5% respectively.

(iv) Repayment of advanced loan

All advances made to Hopson Lejing by GD Zhujiang and Hopeson prior to their respective contributions to the registered capital shall be repaid in full to GD Zhujiang and Hopeson together with interest accrued thereon at the then prevailing interest rate adopted by the banks prior to the distribution of profits by Hopson Lejing.

(v) Operation and management

Hopeson shall be responsible for the operation and management of Hopson Lejing.

III. THE THIRD SUPPLEMENTAL AGREEMENT

In light of the changes to the existing co-operative joint venture arrangement of Hopson Lejing under the Transfer Agreement, the Group therefore entered into the Third Supplemental Agreement to amend certain terms of the existing co-operative joint venture of Hopson Lejing.

Set out below are the existing terms of the co-operative joint venture of Hopson Lejing and the amended terms thereof under the Third Supplemental Agreement:

	Existing terms:	Amended terms:
Parties:	(i) GD Zhujiang (ii) GZ Development Centre (iii) Tong Rui Da (iv) GZ Industrial (v) York Joint (vi) Hopeson	(i) GD Zhujiang (ii) Hopeson
Total investment:	RMB200 million	Remain unchanged
Registered capital:	RMB83 million	Remain unchanged
Capital contribution:	The whole amount of the registered capital shall be contributed by GD Zhujiang, York Joint and Hopeson in the ratio of 19.9%, 20.1% and 60.0% respectively. Payments of the capital contribution shall be made by the parties by twelve instalments on a quarterly basis. The amount payable by the parties for the first instalment shall represent 15% of the registered capital and be made within the first three months from the date of issue of the business license of Hopson Lejing. The amount payable for the following ten equal instalments shall each represent 8% of the registered capital. The amount payable for the final instalment shall represent 5% of the registered capital. The difference between the amount of total investment and the amount of the registered capital shall be procured by the parties in the same ratio. If there shall be capital requirements beyond the amount of total investment, the same shall be raised by the parties in the same ratio or by Hopson Lejing from third parties.	The whole amount of the registered capital shall be contributed by GD Zhujiang and Hopeson in the ratio of 19.9% and 80.1% respectively. Payment of the capital contribution shall be made by the parties by twelve instalments on a quarterly basis. The amount payable by the parties for the first instalment shall represent 15% of the registered capital and be made within the first three months from the date of issue of the business license of Hopson Lejing. The amount payable for the following ten equal instalments shall each represent 8% of the registered capital. The amount payable for the final instalment shall represent 5% of the registered capital. If there shall be capital requirements beyond the amount of registered capital, the same will be raised by Hopson Lejing from third parties.
Profit sharing:	The profits and losses of Hopson Lejing shall be shared and borne by GD Zhujiang, GZ Development Centre, Tong Rui Da, GZ Industrial, York Joint and Hopeson in the ratio of 24%, 0.4%, 1.7%, 3.4%, 17% and 53.5% respectively.	The profits and losses of Hopson Lejing shall be shared and borne by GD Zhujiang and Hopeson in the ratio of 25.5% and 74.5% respectively.
Board representation:	The board shall be composed of 5 directors, among whom, 1 shall be nominated by GD Zhujiang, 1 shall be nominated by York Joint and 3 shall be nominated by Hopeson. The chairman of the board shall be nominated by Hopeson.	The board shall be composed of 5 directors, among whom, 1 shall be nominated by GD Zhujiang and 4 shall be nominated by Hopeson. The chairman of the board shall be nominated by Hopeson.
Land use rights:	The land use rights of the respective lots making up the entire site shall be provided by GD Zhujiang, GZ Development Centre, Tong Rui Da and GZ Industrial at no costs as conditions for cooperative.	The land use rights of various lots of the entire site have been provided by GZ Development Centre, Tong Rui Da and GZ Industrial in accordance with the Second Supplemental Agreement. The land use rights of the remaining lots of the entire site shall be provided by GD Zhujiang at no cost as a condition for cooperation.
Upon Termination and Dissolution:	Available assets of Hopson Lejing shall be distributed among GD Zhujiang, GZ Development Centre, Tong Rui Da, GZ Industrial, York Joint and Hopeson in the ratio of 24%, 0.4%, 1.7%, 3.4%, 17% and 53.5% respectively.	Available assets of Hopson Lejing shall be distributed among GD Zhujiang and Hopeson in the ratio of 25.5% and 74.5% respectively.

IV. REASONS FOR THE TRANSFER AGREEMENT AND THE THIRD SUPPLEMENTAL AGREEMENT

As the Group is principally engaged in property development and also in property investment in Guangzhou, Beijing and Shanghai, the Lejing Transaction is in the ordinary and usual course of business of the Group. The projects of Hopson Lejing are expected to be completed in 2007. No profit has yet been shared among the joint venture parties of Hopson Lejing.

In view of the encouraging economic condition and property market in Guangzhou, the Directors (including the independent non-executive Directors) believe that the Site to be developed by Hopson Lejing, after development into a commodity property area, would be of great commercial value. Accordingly, the Directors (including the independent non-executive Directors) believe that it is commercially valuable to the Group to increase its shareholding and thus the percentage of profit sharing in Hopson Lejing.

The Directors (including the independent non-executive Directors) consider that the terms of both the Transfer Agreement and the Third Supplemental Agreement have been arrived at after arm's length negotiation and are normal commercial terms which are fair and reasonable so far as the Shareholders are concerned and are in the interest of the Company.

V. CONNECTED TRANSACTION

GZ Development Centre is effectively owned as to 92% by GD Zhujiang whereas GZ Industrial is owned as to 38% by GD Zhujiang. York Joint is an existing substantial shareholder of Hopson Lejing. Accordingly, GD Zhujiang, GZ Development Centre, GZ Industrial and York Joint are all connected persons of the Company under the Listing Rules.

Under the Transfer Agreement and the Third Supplemental Agreement, the Group will assume York Joint's obligations to make contribution to 20.1 per cent. of the registered capital of Hopson Lejing which amounts to RMB16,683,000 (equivalent to approximately HK\$15,739,000). No purchase consideration will be payable under the Transfer Agreement and the Third Supplemental Agreement. No profit was made by Hopson Lejing from the date of its establishment to 31 December, 2001. The unaudited profit of Hopson Lejing for the 6 months ended 30 June, 2002 was approximately HK\$13,498,000. As at 30 June, 2002, the consolidated net tangible assets of the Group amounted to HK\$2,367,987,000 (which is the latest published consolidated accounts of the Group). Accordingly, the value of the Lejing Transaction of RMB16,683,000 (equivalent to approximately HK\$15,739,000), represents approximately 0.66 per cent. of the latest published consolidated net tangible assets of the Group. However, Shareholders' approval is not required pursuant to Rule 14.25(1) of the Listing Rules as the value of the Lejing Transaction represents less than 3 per cent. of the latest published consolidated net tangible assets of the Group. Details of the Lejing Transaction will be included in the next annual report and accounts of the Company in accordance with the requirements of Rule 14.25(1) (A) to (D) of the Listing Rules.

VI. TERMS USED IN THIS ANNOUNCEMENT:

"Company"	Hopson Development Holdings Limited
"Directors"	directors of the Company
"First Supplemental Agreement"	the supplemental agreement dated 28 July, 1998 entered into between Timbercrest, GD Zhujiang and York Joint
"Group"	the Company and its subsidiaries
"GD Zhujiang"	廣東珠江投資有限公司 (Guangdong Zhujiang Investment Company Limited), a company established in the PRC and a substantial shareholder of certain existing subsidiaries of the Company in the PRC
"GZ Development Centre"	廣州珠江房地產開發中心有限公司 (Guangzhou Zhujiang Property Development Centre Company Limited (formerly 廣東珠江投資公司廣州開發中心 (Guangdong Zhujiang Investment Company Guangzhou Development Centre)), a company established in the PRC and effectively owned as to 92% by GD Zhujiang
"GZ Industrial"	廣東珠江實業發展有限公司 (Guangdong Zhujiang Industrial Development Company Limited), a company established in the PRC and owned as to 38% by GD Zhujiang
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hopson"	Hopson Holdings Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"Hopson Lejing"	廣東合生樂景房地產有限公司 (Guangdong Hopson Lejing Real Estate Limited), a sino-foreign co-operative joint venture established in the PRC
"Lejing Transaction"	the transactions under the Transfer Agreement and the Third Supplemental Agreement
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Second Supplemental Agreement"	the supplemental agreement dated 16 February, 2000 entered into between GD Zhujiang, GZ Development Centre, Tong Rui Da, GZ Industrial, York Joint and Hopson
"Share(s)"	share(s) of HK\$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares in issue
"Site"	the site located between the west side of Guangzhou Main Road and the south side of Feng He Village in Haizhu District of Guangzhou
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Third Supplemental Agreement"	the third supplemental agreement dated 18 December, 2002 entered into between GD Zhujiang and Hopson amending the Second Supplemental Agreement
"Timbercrest"	Timbercrest Properties Ltd., a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"Tong Rui Da"	廣州通瑞達房地產實業有限公司 (Guangzhou Tong Rui Da Real Estate Industrial Company Limited), a company established in the PRC and an independent third party not connected with the Group or any of its directors, chief executives or substantial shareholders or any of its subsidiaries or their respective associates (as defined in the Listing Rules)
"Transfer Agreement"	the transfer agreement dated 18 December, 2002 entered into between GD Zhujiang, GZ Development Centre, Tong Rui Da, GZ Industrial, York Joint and Hopson amending the existing co-operative joint venture arrangement of Hopson Lejing
"York Joint"	York Joint Development Limited, a company incorporated in the British Virgin Islands and a foreign joint venture party and substantial shareholder of Hopson Lejing
"HK\$"	Hong Kong dollars
"RMB"	Renminbi, the lawful currency of the PRC

For illustrative purposes of this announcement, RMB106 = HK\$100

By Order of the Board
Chu Mang Yee
Chairman

Hong Kong, 18 December, 2002

* For identification purpose only

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