



HOPSON DEVELOPMENT HOLDINGS LIMITED

合生創展集團有限公司*

(Incorporated in Bermuda with limited liability)

DISCLOSEABLE TRANSACTION

The Group entered into (i) the CL Agreement with Chia Hsin, Lung Meng and Chia Lung for the acquisition of the CL Sale Shares for the CL Consideration and (ii) the PD Agreement with Sun Chung for the acquisition of the PD Sale Shares and the PD Shareholder's Loans for the PD Consideration. Subject to completion of the CL Agreement and the PD Agreement, the Group would acquire the respective entire interests of Chia Lung and Prestige Dragon.

The Directors consider that the Transaction is in the ordinary and usual course of business of the Group and the terms of both the CL Agreement and the PD 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.

The Transaction constitutes a discloseable transaction of the Company under the Listing Rules. A circular will be despatched to the Shareholders as soon as practicable.

I. BACKGROUND

Shanghai Lung Meng was owned as to 65 per cent., 10 per cent. and 25 per cent. by Chia Lung, Prestige Dragon and Shanghai Hungkang respectively. Pursuant to an agreement dated 6 August, 2002 entered into between, inter alia, Chia Lung, Prestige Dragon and Shanghai Hungkang, Chia Lung acquired from Shanghai Hungkang its entire 25 per cent. interest in Shanghai Lung Meng for the consideration of RMB8,000,000 (equivalent to approximately HK\$7,547,170) ("SLM Acquisition Price") and thereby be responsible for making a contribution of US\$500,000 (equivalent to approximately HK\$3,900,000) towards the registered capital of Shanghai Lung Meng ("Capital Contribution"). Payment for the SLM Acquisition Price has not been made. Chia Lung is responsible for the payment of the SLM Acquisition Price which shall be made within 7 days after the relevant new business registration documents have been issued to Shanghai Lung Meng. The payment of the SLM Acquisition Price will be funded by internal resources of the Group.

Shanghai Lung Meng is engaged in property development in Shanghai, PRC and is the legal and beneficial owner of the right to develop and operate the Lot. The land use right certificate in respect of the Lot is vested in Shanghai Lung Meng. Apart from the right to develop and operate the Lot, Shanghai Lung Meng is not holding any other assets. Chia Lung and Prestige Dragon are investment holding companies holding only Shanghai Lung Meng. Neither Chia Lung nor Prestige Dragon has any profits for the previous two financial years.

At the time Chia Lung and Prestige Dragon acquired their respective interests in Shanghai Lung Meng, the then registered capital of Shanghai Lung Meng was US\$10,000,000 in which US\$6,500,000 was contributed by Chia Lung in cash, US\$1,000,000 was contributed by Prestige Dragon in cash and US\$2,500,000 was contributed by Shanghai Hungkang (US\$500,000 in cash and US\$2,000,000 in the form of the right to develop the Lot).

On 8 August, 2002, inter alia, Shanghai Lung Meng and Land Administration Office entered into a site clearance and demolition contract pursuant to which Shanghai Lung Meng appointed Land Administration Office to undertake site clearance and demolition works for the Project, including the relocation of the residents on the Lot, connection of electricity supply, water supply and road and demolition of buildings, for the Site Clearance Fee. No site clearance and demolition work has been commenced. Commencement of the site clearance and demolition works depends on the demand for properties in Shanghai and the progress of the construction of the Group's other projects in Shanghai. Shanghai Lung Meng and Land Administration Office have verbally agreed to enter into a supplemental agreement to vary the payment terms of the Site Clearance Fee and the schedule of the site clearance and demolition works. As at the date hereof, Shanghai Lung Meng has not made any payment of the Site Clearance Fee. The payment of the Site Clearance Fee will be funded by internal resources of the Group and, if necessary, bank borrowings.

On 20 February, 2003, the Group entered into the CL Agreement with Chia Hsin, Lung Meng and Chia Lung and the PD Agreement with Sun Chung in order to acquire the respective entire interests of Chia Lung and Prestige Dragon.

The respective principal terms of the CL Agreement and the PD Agreement are set out in paragraphs II and III below.

II. CL AGREEMENT

(i) Parties

Vendors:	(1) Chia Hsin (2) Lung Meng
Purchaser:	Hopson China

Chia Lung is also a party to the CL Agreement for the purpose of, inter alia, agreeing to the manner in which it will be managed following various completion stages as set out in paragraph II(ii) below.

(ii) Sale of CL Sale Shares

Chia Hsin shall sell the CH Sale Shares and Lung Meng shall sell the LM Sale Shares and Hopson China shall purchase the same free from Encumbrances and with all rights attached or accruing thereto and together with all dividends declared and paid from and with effect from the relevant date of completion in the following manner:

(a) The First Stage Sale

On the date of the CL Agreement, Hopson China shall purchase from Chia Hsin 1,640,000 shares of the CH Sale Shares and from Lung Meng 910,000 shares of the LM Sale Shares (respectively representing 25.23 per cent. and 14 per cent. of the entire issued share capital of Chia Lung). Completion of the First Stage Sale shall take place on the date of the CL Agreement.

(b) The Second Stage Sale

Subject to paragraph II(iv) or (v) below, Hopson China shall on 18 May, 2003 purchase from Chia Hsin 1,150,000 shares of the CH Sale Shares and from Lung Meng 650,000 shares of the LM Sale Shares (respectively representing 17.69 per cent. and 10 per cent. of the entire issued share capital of Chia Lung). Completion of the Second Stage Sale shall take place on 18 May, 2003 or such date as set out in paragraph II(iv) or (v) below.

(c) The Third Stage Sale

Subject to paragraph II(v) below, Hopson China shall on 18 August, 2003 purchase from Chia Hsin 1,185,000 shares of the CH Sale Shares and from Lung Meng 640,000 shares of the LM Sale Shares (respectively representing 18.23 per cent. and 9.85 per cent. of the entire issued share capital of Chia Lung). Completion of the Third Stage Sale shall take place on 18 August, 2003 or such date as set out in paragraph II(v) below.

(d) The Fourth Stage Sale

Hopson China shall on 18 January, 2004 or such early date as agreed by Hopson China and Chia Hsin purchase from Chia Hsin 325,000 shares of the CH Sale Shares (representing 5 per cent. of the entire issued share capital of Chia Lung). Completion of the Fourth Stage Sale shall take place on 18 January, 2004 or such early date as agreed by Hopson China and Chia Hsin.

(iii) CL Consideration

The CL Consideration in the sum of US\$16,427,000 (equivalent to approximately HK\$128,130,600) shall be payable by Hopson China to Chia Hsin and Lung Meng in the following manner:

(a) The First Stage Sale

Upon completion of the First Stage Sale, Hopson China shall pay to Chia Hsin US\$4,270,000 (equivalent to approximately HK\$33,306,000) and to Lung Meng US\$2,130,000 (equivalent to approximately HK\$16,614,000). The aggregate sum of US\$6,400,000 represents 38.96 per cent. of the CL Consideration.

(b) The Second Stage Sale

Upon completion of the Second Stage Sale, Hopson China shall pay to Chia Hsin US\$2,930,000 (equivalent to approximately HK\$22,854,000) and to Lung Meng US\$1,600,000 (equivalent to approximately HK\$12,480,000). The aggregate sum of US\$4,530,000 represents 27.58 per cent. of the CL Consideration.

(c) The Third Stage Sale

Upon completion of the Third Stage Sale, Hopson China shall pay to Chia Hsin US\$2,830,000 (equivalent to approximately HK\$22,074,000) and to Lung Meng US\$1,700,000 (equivalent to approximately HK\$13,260,000). The aggregate sum of US\$4,530,000 represents 27.58 per cent. of the CL Consideration.

Other than the amount stated above, Hopson China shall also pay either (1) or (2) of the following to Chia Hsin and Lung Meng on completion of the Third Stage Sale:

- (1) if completion of the Third Stage Sale shall take place on 18 August, 2003, a fixed amount of US\$137,000 (equivalent to approximately HK\$1,068,600), such amount shall be paid to Chia Hsin and Lung Meng which shall be shared between them in proportion to their respective interests in the relevant portion of the CL Consideration for the Third Stage Sale. The sum of US\$137,000 represents 0.83 per cent. of the CL Consideration; or

- (2) if completions of the Second Stage Sale and the Third Stage Sale are accelerated as set out in paragraph II(v) below, a sum equivalent to the number of days accrued for the period from 20 February, 2003 to the date of the accelerated completion multiplied by the daily rate of US\$761.90 (equivalent to approximately HK\$5,943) and such amount shall be paid to Chia Hsin and Lung Meng which shall be shared between them in proportion to their respective interests in the aggregate relevant portions of the CL Consideration for the Second and the Third Stage Sales.

(d) The Fourth Stage Sale

Upon completion of the Fourth Stage Sale, Hopson China shall pay to Chia Hsin US\$830,000 (equivalent to approximately HK\$6,474,000). The sum of US\$830,000 represents 5.05 per cent. of the CL Consideration.

The CL Consideration was negotiated between Hopson China, Chia Hsin and Lung Meng on an arm's length basis. The CL Consideration was determined by the Group's property development division with reference to a valuation conducted on 2 January, 2003 by an independent valuer. The CL Consideration (which is based on a value of approximately RMB332,000 per mu) is lower than the market value (approximately RMB453,649 per mu) of the Lot as stated in the said valuation. The payment of the CL Consideration will be funded by internal resources of the Group amounting to approximately US\$7,000,000 and bank borrowings amounting to approximately US\$9,000,000, if necessary.

(iv) Deferred completion of the Second Stage Sale

Hopson China shall be entitled to defer completion of the Second Stage Sale to August 18, 2003 by serving on Chia Hsin and Lung Meng not less than 3 Business Day prior written notice. In such event, in addition to the relevant portion of the CL consideration for the Second Stage Sale as set out in paragraph II(iii)(b) above, Hopson China shall pay to Chia Hsin and Lung Meng a sum equivalent to the number of days accrued for the period from 18 May, 2003 to the date of the deferred completion multiplied by:

- (1) the interest rate for one year loan of floating capital in US dollars published by the People's Bank of China two Business Days preceding the date of deferred completion ("Rate") if the date of deferred completion of the Second Stage Sale falls on a day within 30 days from 18 May, 2003;
- (2) three times of the Rate if the date of deferred completion of the Second Stage Sale falls on a day beyond 30 days but within 60 days from 18 May, 2003; or
- (3) four times of the Rate if the date of deferred completion of the Second Stage Sale falls on a day beyond 60 days from 18 May, 2003,

which shall be shared between Chia Hsin and Lung Meng in proportion to their respective interests in the relevant portion of the CL Consideration for the Second Stage Sale.

(v) Accelerated completion of the Second Stage Sale and the Third Stage Sale

Hopson China shall be entitled to accelerate completions of both the Second Stage Sale and the Third Stage Sale at any time prior to 18 May, 2003 by serving on Chia Hsin and Lung Meng not less than 3 Business Day prior written notice.

(vi) Failure to complete the Second/Third Stage Sale

Should Hopson China in breach of the CL Agreement fail to complete the Second or Third Stage Sale (as the case may be) in accordance with the terms of the CL Agreement, Chia Hsin and Lung Meng shall jointly have the right to buy back from Hopson China all the relevant portion of the CL Sale Shares already sold to Hopson China ("Sold CL Sale Shares") ("Buy Back Right") on, inter alia, the following terms:

- (a) the purchase price of the Sold CL Sale Shares shall be equivalent to 90 per cent. of the relevant portion of the CL Consideration which shall be payable on the completion date in respect of the Sold CL Sale Shares;
- (b) the Buy Back Right may be exercised within a period of 9 months from 18 May, 2003 (or such date of deferred completion of the Second Stage Sale, if applicable) or 18 August, 2003, as the case may be ("Buy Back Period") by Chia Hsin and Lung Meng by serving on Hopson China not less than 7 Business Day notice;
- (c) completion of the Sold CL Sale Shares shall take on a date and at a place to be agreed among the parties; and
- (d) the Buy Back Right in respect of all the Sold CL Sale Shares may only be exercised once by Chia Hsin and Lung Meng jointly and shall be automatically lapse upon expiry of the Buy Back Period.

III. PD AGREEMENT

(i) Parties

Vendor:	Sun Chung
Purchaser:	Hopson China

(ii) Sale of PD Sale Shares

Sun Chung shall sell and Hopson China shall purchase the PD Sale Shares free from Encumbrances and with all rights attached or accruing thereto and together with all dividends declared and paid from and with effect from the date of completion as set out in paragraph III(v) below.

(iii) Sale of the PD Shareholder's Loans

Sun Chung shall assign and transfer to Hopson China the SC Shareholder's Loan, and shall procure the assignment and transfer to Hopson China of the BOC Shareholder's Loan free from Encumbrances and Hopson China shall accept the same with effect from the date of completion.

(iv) PD Consideration

The PD Consideration in the sum of US\$1,810,000 (equivalent to approximately HK\$14,118,000) comprises US\$815,946.56 (equivalent to approximately HK\$6,364,383), being the consideration for the sale and purchase of the PD Sale Shares and US\$994,053.44 (equivalent to approximately by HK\$7,753,617), being the consideration for the assignment and transfer of the PD Shareholder's Loans (among which US\$1,322.67 (equivalent to approximately by HK\$10,317) represents the SC Shareholder's Loan and US\$992,730.77 (equivalent to approximately by HK\$7,743,300) represents the BOC Shareholder's Loan). The PD Consideration shall be payable in full upon the completion as set out in paragraph III(v) below.

The PD Consideration was negotiated between Sun Chung and Hopson China on an arm's length basis. The PD Consideration was determined by the Group's property development division with reference to a valuation conducted on 2 January, 2003 by an independent valuer and with reference to the PD Shareholder's Loans. The portion of the PD Consideration representing the consideration for the sale and purchase of the PD Sale Shares (which is based on a value of approximately RMB332,000 per mu) is lower than the market value (approximately RMB453,649 per mu) of the Lot as stated in the said valuation. The payment of the PD Consideration will be funded by internal resources of the Group.

(v) Completion

Completion of the sale and purchase of the PD Sale Shares and the assignment and transfer of the PD Shareholder's Loans shall take place on the date of the PD Agreement.

IV. REASONS FOR THE TRANSACTION

The Group is principally engaged in property development and also in property investment in Guangzhou, the southern part of Guangdong, Beijing, Tianjin and Shanghai, PRC.

In view of the encouraging economic condition and the property market in Shanghai, the Directors consider it beneficial to the Group to strengthen its property investment and development business in Shanghai. The Directors believe that the Lot, after development, would be of great commercial value. The Directors consider that the Transaction is in the ordinary and usual course of business of the Group, and that the terms of both CL Agreement and PD Agreement have been arrived at after arm's length of negotiation and are normal commercial terms which are fair and reasonable as far as the Shareholders are concerned and are in the interest of the Company.

V. DISCLOSEABLE TRANSACTION

The CL Consideration, the PD Consideration, the SLM Acquisition Price, the Capital Contribution and the Site Clearance Fee (“Investment Value”) amount to approximately HK\$402,752,370 in aggregate. As of 30 June, 2002, the consolidated net tangible assets of the Group amounted to HK\$2,367,987,000 (which is the latest published consolidated audited accounts of the Group). Accordingly, the Investment Value represents more than 15 per cent. of the latest consolidated net tangible assets of the Group, and the Transaction constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing details of the Transaction will be despatched to the Shareholders as soon as practicable.

VI. TERMS USED IN THIS ANNOUNCEMENT:

“BOC Shareholder’s Loan”	the loan in the sum of US\$992,730.77 (equivalent to approximately HK\$7,743,300) due and owing by Prestige Dragon to Bank of China Group Investment Limited (中銀集團投資有限公司), the immediate holding company of Sun Chung as at the date of the PD Agreement
“Business Day”	a day (not being a Saturday, Sunday or Hong Kong public holiday) on which banks are open for business in Hong Kong
“CH Sale Shares”	4,300,000 CL Shares representing approximately 66.15 per cent. of the entire issued share capital of Chia Lung
“Chia Hsin”	Chia Hsin Group Ltd. (佳欣集團有限公司), a company incorporated in Samoa and not a connected person of the Company as defined in the Listing Rules
“Chia Lung”	Chia Lung Group Company Limited (佳龍集團有限公司), a company incorporated in Samoa and is owned as to 66.15 per cent. (representing 4,300,000 CL Shares) by Chia Hsin and 33.85 per cent. (representing 2,200,000 CL Shares) by Lung Meng
“CL Agreement”	the agreement dated 20 February, 2003 entered into between Chia Hsin, Lung Meng, Chia Lung and Hopson China
“CL Consideration”	the aggregate sum of US\$16,427,000 (equivalent to approximately HK\$128,130,600) being the consideration for the acquisition of the CL Sale Shares under the CL Agreement
“CL Shares”	share(s) of US\$1.00 each in the capital of Chia Lung
“CL Sale Shares”	the aggregate of the CH Sale Shares and the LM Sale Shares
“Company”	Hopson Development Holdings Limited
“Directors”	directors of the Company
“Encumbrances”	all claims, charges, liens, encumbrances, equities and adverse rights of any description
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hopson China”	Hopson Properties (China) Ltd. (合生(中國)房地產有限公司), a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“Land Administration Office”	上海市閔行區顧橋鎮土地管理所(Shanghai Municipal Minxin District Zhuanqiao Town Land Administration Office), not a connected person of the Company as defined in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LM Sale Shares”	2,200,000 CL Shares representing approximately 33.85 per cent. of the entire issued share capital of Chia Lung
“Lot”	the piece of land located in 閔行區 (Minxin District) of Shanghai, PRC comprising approximately 1,196,519 mu bordered by 劍川路 (Jianchuan Road) to the north, 景谷路 (Jingu Road) to the south, 安寧路 (Anning Road) to the East and 瑞麗路 (Reili Road) to the west
“Lung Meng”	Lung Meng Group Company Limited (龍盟集團有限公司), a company incorporated in Hong Kong and not a connected person of the Company as defined in the Listing Rules
“PD Agreement”	the agreement dated 20 February, 2003 entered into between Sun Chung and Hopson China
“PD Sale Shares”	10,000 shares of HK\$1.00 each in the capital of Prestige Dragon representing the entire issued share capital thereof
“PD Shareholder’s Loans”	the aggregate of the SC Shareholder’s Loan and the BOC Shareholder’s Loan
“PD Consideration”	the aggregate sum of US\$1,810,000 (equivalent to approximately HK\$14,118,000) being the respective considerations for the acquisition of the PD Sale Shares (US\$815,946.56) and the PD Shareholder’s Loans (US\$994,053.44)
“PRC”	the People’s Republic of China
“Prestige Dragon”	Prestige Dragon Development Limited (譽龍發展有限公司), a company incorporated in Hong Kong and not a connected person of the Company as defined in the Listing Rules
“Project”	the property development project on the Lot undertaken by Shanghai Lung Meng
“SC Shareholder’s Loan”	the loan in the sum of US\$1,322.67 (equivalent to approximately HK\$10,317) due and owing by Prestige Dragon to Sun Chung as at the date of the PD Agreement
“Shanghai Hungkang”	上海紅康北橋房地產有限公司(Shanghai Hungkang North Bridge Property Company Limited), a company established in the PRC and not a connected person of the Company as defined in the Listing Rules
“Shanghai Lung Meng”	上海龍盟有限公司(Shanghai Lung Meng Company Limited), a sino-foreign co-operative joint venture established in the PRC
“Shareholders”	holder(s) of the shares of HK\$0.10 each in the share capital of the Company in issue
“Site Clearance Fee”	the sum of RMB264,000,000 (equivalent to approximately HK\$249,056,600) payable to Land Administration Office by Shanghai Lung Meng for the site clearance and demolition works for the Project
“Sun Chung”	Sun Chung Estate Company Limited (新中地產有限公司), a company incorporated in Hong Kong and not a connected person of the Company as defined in the Listing Rules
“Transaction”	the transactions under the CL Agreement and the PD Agreement
“HK\$”	Hong Kong dollars
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars

For illustrative purposes of this announcement, RMB 1.06 = HK\$1 and US\$1 = HK\$7.8

By Order of the Board
Chu Mang Yee
Chairman

Hong Kong, 21 February, 2003

* For identification purposes only

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