



合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

CONNECTED TRANSACTIONS

On 15 December, 2003, the Group entered into the following transactions which are independent of each other:

Yijing Transaction

The Group entered into the Transfer Agreement, the Supplemental Agreement and the Supplemental Articles with GD Zhujiang and Xin Nan Fang to acquire further interest in Hopson Yijing and to amend certain existing joint venture terms of Hopson Yijing.

The Directors (including the independent non-executive Directors) consider that the Yijing Transaction is in the ordinary and usual course of business of the Group and the terms of the Transfer Agreement, the Supplemental Agreement and the Supplemental Articles 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. Xin Nan Fang is indirectly owned as to 90.65% by Mr. Chu Muk Chi, a brother of the Chairman. Accordingly, each of GD Zhujiang and Xin Nan Fang is a connected person of the Company and the Yijing Transaction constitutes a connected transaction of the Company 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 Yijing Transaction represents less than the higher of HK\$10,000,000 or 3 per cent. of the latest published consolidated net tangible assets of the Group as at 30 June, 2003. Details of the Yijing 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.

Proposed Land Sale

The Group entered into an agreement to sell to the Chairman the Land owned by Huanan Real Estate.

The Directors (including the independent non-executive Directors) consider that the terms of the Proposed Land Sale 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 Proposed Land Sale by the Group to the Chairman constitutes a connected transaction of the Company 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 Proposed Land Sale represents less than the higher of HK\$10,000,000 or 3 per cent. of the latest published consolidated net tangible assets of the Group as at 30 June, 2003. Details of the Proposed Land Sale 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.

Tianjin Transaction

The Group entered into the CJV Agreement and the CJV Articles with Tianjin Zhujiang for the formation of Tianjin Hotel for the development, construction and operation of a hotel in Tianjin city, the PRC.

The Directors (including the independent non-executive Directors) consider that the terms of the CJV Agreement and the CJV Articles 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.

Tianjin Zhujiang is owned as to 60% by GD Zhujiang and 40% by GZ Construction which is effectively a 60% owned subsidiary of GD Zhujiang. GD Zhujiang is a substantial shareholder of certain existing subsidiaries of the Company in the PRC. Accordingly, Tianjin Zhujiang is a connected person of the Company and the Tianjin Transaction constitutes a connected transaction of the Company 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 Tianjin Transaction represents less than the higher of HK\$10,000,000 or 3 per cent. of the latest published consolidated net tangible assets of the Group as at 30 June, 2003. Details of the Tianjin 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.

Share Sale Transaction

The Group entered into the Sale and Purchase Agreement whereby the Group will sell to the Chairman the Sale Shares and waive the Shareholder’s Loan.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase 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 Share Sale Transaction between the Group and the Chairman constitutes a connected transaction of the Company 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 Share Sale Transaction represents less than the higher of HK\$10,000,000 or 3 per cent. of the latest published consolidated net tangible assets of the Group as at 30 June, 2003. Details of the Share Sale 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.

A. YIJING TRANSACTION

1. Background

Hopson Yijing, a sino-foreign cooperative joint venture, was established by GD Zhujiang, Xin Nan Fang and Hopeson, for the development and construction of Pleasant View Garden jointly with the other members of the Group. The formation of Hopson Yijing constituted a connected transaction of the Company as GD Zhujiang and Xin Nan Fang, two of the joint venture partners of Hopson Yijing, were connected persons of the Company. The independent Shareholders approved the formation of Hopson Yijing at a special general meeting of the Company held on 14 February, 2000. On 20 February, 2002, the independent Shareholders approved the entry into a supplemental agreement by Hopeson to amend certain joint venture terms of Hopson Yijing.

As at the date hereof, Hopson Yijing is held as to 34.8% by GD Zhujiang, 5.2% by Xin Nan Fang and 60% by Hopeson.

The Group entered into the Transfer Agreement, the Supplemental Agreement and the Supplemental Articles with GD Zhujiang and Xin Nan Fang to acquire further interest in Hopson Yijing and to amend certain existing joint venture terms of Hopson Yijing.

2. The Transfer Agreement

Set out below are the principal terms of the Transfer Agreement:

(i) Transfer of shareholding

Xin Nan Fang shall transfer to Hopeson 4.7% of its shareholding in Hopson Yijing for a consideration of RMB8.9 million (equivalent to approximately HK\$8.4 million) (“Transfer Consideration”). The share transfer shall become effective from the date of approval by the Commission of Foreign Trade and Economic Cooperation and registration by the business bureau.

(ii) Capital contribution

Following the transfer, the registered capital of Hopson Yijing shall be contributed by GD Zhujiang, Xin Nan Fang and Hopeson in the ratio of 34.8%, 0.5% and 64.7% respectively. If there shall be capital requirements beyond the amount of the registered capital, the same shall be raised by Hopson Yijing from third parties.

(iii) Profit sharing

The profits and losses of Hopson Yijing shall be shared and borne by GD Zhujiang and Hopeson in the ratio of 35% and 65% respectively. Xin Nan Fang shall not be entitled to any profit sharing or loss bearing. Hopson Yijing shall pay to Xin Nan Fang as soon as practicable a sum of RMB950,000 (equivalent to HK\$896,200) regardless of the performance of Hopson Yijing.

(iv) Operation and management

The deputy chairman and the director appointed by Xin Nan Fang shall resign from the board of directors of Hopson Yijing. Hopeson shall appoint a deputy managing director and GD Zhujiang shall appoint a director to the board of Hopson Yijing as replacement. The deputy general manager nominated by Xin Nan Fang shall resign and shall be replaced by a nominee of Hopeson.

As at the date hereof, Hopson Yijing is held as to 34.8% by GD Zhujiang, 5.2% by Xin Nan Fang and 60% by Hopeson. Following the completion of the Transfer Agreement, Hopson Yijing will be held as to 34.8% by GD Zhujiang, 0.5% by Xin Nan Fang and 64.7% by Hopeson.

3. The Supplemental Agreement and Supplemental Articles

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

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

	Existing terms:	Amended terms:
Parties:	(i) GD Zhujiang (ii) Xin Nan Fang (iii) Hopeson	Remain unchanged
Total investment:	RMB205.1 million (equivalent to approximately HK\$193.5 million)	Remain unchanged
Registered capital:	RMB82.04 million (equivalent to approximately HK\$77.4 million)	Remain unchanged
Capital contribution:	The whole amount of the registered capital shall be contributed by GD Zhujiang, Xin Nan Fang and Hopeson in the ratio of 34.8%, 5.2% and 60% respectively. Payments of the capital contribution shall be made by the parties within 36 months from the date of issuance of the business licence of Hopson Yijing on 12 June, 2001.	The whole amount of the registered capital shall be contributed by GD Zhujiang, Xin Nan Fang and Hopeson in the ratio of 34.8%, 0.5% and 64.7% respectively. Payments of the capital contribution shall be made within 36 months from the date of issuance of the business licence of Hopson Yijing on 12 June, 2001.
	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 registered capital, the same shall be raised by Hopson Yijing from third parties.
	If there shall be capital requirements beyond the amount of the registered capital, the same shall be raised by Hopson Yijing from third parties or provided by the parties in the same ratio.	

	Existing terms:	Amended terms:
Profit sharing:	The profits and losses of Hopson Yijing shall be shared and borne by GD Zhujiang, Xin Nan Fang and Hopeson in the ratio of 34.8%, 5.2% and 60% respectively.	The profits and losses of Hopson Yijing shall be shared and borne by GD Zhujiang and Hopeson in the ratio of 35% and 65% respectively.
Board representation and nomination of deputy managers:	The board shall be composed of 5 directors, among whom, 1 shall be nominated by GD Zhujiang, 1 shall be nominated by Xin Nan Fang and 3 shall be nominated by Hopeson. Hopeson shall be entitled to appoint the chairman. Each of GD Zhujiang and Xin Nan Fang shall be entitled to appoint a deputy chairman. Board meetings shall be attended by at least 1 director nominated by or a representative of each of GD Zhujiang and Xin Nan Fang.	Hopson Yijing shall pay to Xin Nan Fang a sum of RMB950,000 regardless of the performance of Hopson Yijing.
	There shall be 2 deputy general managers, each of whom shall be nominated by GD Zhujiang and Xin Nan Fang.	The board shall be composed of 5 directors, among whom, 2 shall be nominated by GD Zhujiang and 3 shall be nominated by Hopeson. Hopeson shall be entitled to appoint the chairman. GD Zhujiang shall be entitled to appoint 2 deputy chairmen. Board meetings shall be attended by at least 1 director nominated by or a representative of each of GD Zhujiang and Hopeson.
		There shall be 2 deputy general managers, each of whom shall be nominated by GD Zhujiang and Hopeson.

4. Source of Funding

As at the date hereof, GD Zhujiang and Hopeson have contributed RMB18,924,200 (equivalent to approximately HK\$17,853,019) and RMB34,135,406 (equivalent to approximately HK\$32,203,213) respectively to the registered capital of Hopson Yijing. Xin Nan Fang has not made any contribution to the registered capital of Hopson Yijing. Both GD Zhujiang and Hopeson have made their capital contribution in the form of cash.

Pursuant to the Supplemental Agreement and the Supplemental Articles, GD Zhujiang, Xin Nan Fang and Hopeson shall be responsible to contribute 34.8%, 0.5% and 64.7% of the registered capital of Hopson Yijing respectively. Accordingly, GD Zhujiang, Xin Nan Fang and Hopeson shall be responsible to contribute approximately RMB28,550,000 (approximately HK\$26,933,963), RMB410,200 (approximately HK\$386,981) and RMB53,079,880 (approximately HK\$50,075,358) respectively. GD Zhujiang’s capital contribution shall remain unchanged under the Supplemental Agreement and the Supplemental Articles whereas Hopeson shall be required to contribute a further capital contribution of RMB3,855,880 (approximately HK\$3,637,623). Accordingly, the outstanding amount of capital contribution which shall be paid by GD Zhujiang, Hopeson and Xin Nan Fang shall be RMB9,625,800 (equivalent to HK\$9,080,943), RMB18,944,474 (equivalent to HK\$17,872,145) and RMB410,200 (approximately HK\$386,981) respectively. Xin Nan Fang shall make its capital contribution by cash.

The Transfer Consideration was negotiated between Xin Nan Fang and the Group on an arm’s length basis and was determined based on the respective share of estimated profit of the whole Hopson Yijing project with reference to the historical selling prices of Pleasant View Garden and the profits made by Hopson Yijing. As of 30 June, 2003, 13.8% of the total gross floor area of the whole Pleasant View Garden were sold. The payment of the Transfer Consideration and the Group’s capital contribution under the Supplemental Agreement will be funded by internal resources of the Group.

5. Reasons for the Transfer Agreement, the Supplemental Agreement and the Supplemental Articles

Hopson Yijing was established for the development and construction of Pleasant View Garden and the sale of the commodity property developed in Pleasant View Garden by Hopson Yijing. As the Group is principally engaged in property development and also in property investment in Guangzhou, Beijing, Tianjin and Shanghai, the Yijing Transaction is in the ordinary and usual course of business of the Group. The audited profits after taxation attributable to Hopson Yijing for the two years ended 31 December, 2002 were approximately HK\$3.4 million and HK\$18.2 million respectively and the unaudited profits after taxation attributable to Hopson Yijing for six months ended 30 June, 2003 was HK\$4.4 million. Hopson Yijing was established on 27 February, 2001. The unaudited net asset value of Hopson Yijing as at 30 June, 2003 was HK\$84,860,000.

Xin Nan Fang is desirous of disposing of part of its interest in Hopson Yijing so as to realize part of its investment in Hopson Yijing. In view of the encouraging economic condition and property market in Guangzhou, the Directors (including the independent non-executive Directors) believe that it is commercially valuable for the Group to acquire additional interest in Hopson Yijing from Xin Nan Fang.

The Directors (including the independent non-executive Directors) consider that the terms of the Transfer Agreement, the Supplemental Agreement and the Supplemental Articles 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.

6. Connected Transaction

GD Zhujiang is a substantial shareholder of certain existing subsidiaries of the Company in the PRC. Xin Nan Fang is indirectly owned as to 90.65% by Mr. Chu Muk Chi, a brother of the Chairman. Accordingly, each of GD Zhujiang and Xin Nan Fang is a connected person of the Company and the Yijing Transaction constitutes a connected transaction of the Company under the Listing Rules. As at 30 June, 2003, the consolidated net tangible assets of the Group amounted to approximately HK\$2,511,345,000. Accordingly, the value of the Yijing Transaction represents less than 3 per cent. of the latest published consolidated net tangible assets of the Group as at 30 June, 2003. Shareholders’ approval is not required pursuant to Rule 14.25(1) of the Listing Rules as the value of the Yijing Transaction represents less than the higher of HK\$10,000,000 or 3 per cent. of the latest published consolidated net tangible assets of the Group as at 30 June, 2003. Details of the Yijing 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.

B. PROPOSED LAND SALE

1. Background

Huanan Real Estate, a sino-foreign co-operative joint venture, was established on 9 June, 2000 for the development and construction of Huanan New City.

Huanan Real Estate is held as to 40% by Panyu Zhujiang and 60% by Archibald. Panyu Zhujiang is owned as to 89% by GD Zhujiang, 10% by GZ Construction and 1% by Panyu Nan Village Town Economic Development Company.

The Land forms part of the site of approximately 2,158,331 square metres owned by Huanan Real Estate. Huanan Real Estate has developed and constructed a commodity property known as Huanan New City with approximately 666,667 square metres over the site. The remaining area of the site remains undeveloped. The Group will develop the remaining area by stages according to market demand.

2. Sale of Land

The Group entered into an agreement with the Chairman to sell to the Chairman the Land for a consideration of RMB4,357,864 (equivalent to approximately HK\$4,111,192) (“Land Sale Consideration”).

The Land Sale Consideration was negotiated between Huanan Real Estate and the Chairman on an arm’s length basis and was determined with reference to open market value of the Land of RMB4,357,864 (equivalent to approximately HK\$4,111,192) as at 12 November, 2003 as disclosed in the Land Valuation Report. The Group intends to apply the Land Sale Consideration as general working capital of the Group.

3. Reasons for the Proposed Land Sale

The Chairman is desirous of building a holiday house for his own use and enjoyment and not for commercial purpose. The Chairman chose the Land based on his personal preference. Since there is undeveloped land held by Huanan Real Estate, it would be reasonable for the Chairman to acquire the Land from Huanan Real Estate rather than from the competitors of the Group or other third parties. In view of the substantial undeveloped area owned by Huanan Real Estate, Huanan Real Estate and the Chairman agree that the Chairman shall acquire the Land from Huanan Real Estate. As the Chairman is a renowned figure in the property development industry in Guangzhou, his selection of a site closely adjacent to Huanan New City as his holiday house will help enhancing the sale of Huanan New City. As the Chairman and the Group are aware that the sale of land from the Group to the Chairman constitutes a connected transaction, the parties negotiate the Land Sale Consideration on an arm’s length basis and determine the same with reference to the open market value of the land based on an independent valuation report.

The Directors (including the independent non-executive Directors) consider that the terms of the Proposed Land Sale 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.

4. Connected Transaction

The Proposed Land Sale by Huanan Real Estate to the Chairman constitutes a connected transaction of the Company under the Listing Rules. As at 30 June, 2003, the consolidated net tangible assets of the Group amounted to approximately HK\$2,511,345,000. Accordingly, the Land Sale Consideration represents less than 3 per cent. of the latest published consolidated net tangible assets of the Group as at 30 June, 2003. Shareholders’ approval is not required pursuant to Rule 14.25(1) of the Listing Rules as the value of the Proposed Land Sale represents less than the higher of HK\$10,000,000 or 3 per cent. of the latest published consolidated net tangible assets of the Group as at 30 June, 2003. Details of the Proposed Land Sale 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.

C. TIANJIN TRANSACTION

1. Background

The Group entered into the CJV Agreement and the CJV Articles with Tianjin Zhujiang for the formation of Tianjin Hotel, a sino-foreign co-operative joint venture in the PRC, for the development, construction and operation of a hotel in Tianjin City, the PRC.

2. Principal terms of the CJV Agreement and the CJV Articles in respect of Tianjin Hotel

Parties:	(1) Tianjin Zhujiang (2) Nambour
Business scope:	The operation of hotel, restaurants, karaoke lounge, massage parlour, beauty salon, hair salon, shopping mall, kiosk, electronic game machines, snooker/ping-pong, bowling etc. recreational facilities, transportation and tourism in the hot spring hotel project in Baodi Area, Tianjin city, the PRC
Total investment:	RMB180,000,000 (equivalent to approximately HK\$169,811,321)
Registered capital:	RMB72,000,000 (equivalent to approximately HK\$67,924,529)
Capital contribution:	The whole amount of the registered capital shall be contributed by Tianjin Zhujiang and Nambour in the respective sum of RMB21,600,000 (equivalent to approximately HK\$20,377,358) and RMB50,400,000 (equivalent to approximately HK\$47,547,170) representing a ratio of 30% and 70% respectively. Nambour shall make its capital contribution in cash as follows: (i) the first instalment of RMB7,560,000 (equivalent to approximately HK\$7,132,075) representing 15% of its capital contribution and 10.5% of the registered capital of Tianjin Hotel shall be paid within 3 months from the date of issuance of the business licence of Tianjin Hotel; (ii) the second instalment of RMB8,568,000 (equivalent to approximately HK\$8,083,019) representing 17% of its capital contribution and 11.9% of the registered capital of Tianjin Hotel shall be paid within 12 months from the date of issuance of the business licence of Tianjin Hotel; (iii) the third instalment of RMB8,568,000 (equivalent to approximately HK\$8,083,019) representing 17% of its capital contribution and 11.9% of the registered capital of Tianjin Hotel shall be paid within 18 months from the date of issuance of the business licence of Tianjin Hotel; (iv) the fourth instalment of RMB8,568,000 (equivalent to approximately HK\$8,083,019) representing 17% of its capital contribution and 11.9% of the registered capital of Tianjin Hotel shall be paid within 24 months from the date of issuance of the business licence of Tianjin Hotel; (v) the fifth instalment of RMB17,136,000 (equivalent to approximately HK\$16,166,038) representing 34% of its capital contribution and 23.8% of the registered capital of Tianjin Hotel shall be paid within 30 months from the date of issuance of the business licence of Tianjin Hotel.

Tainjin Zhujiang shall transfer to Tianjin Hotel its land use right in the site in Baodi District, Tianjin (“Hotel Site”) on which the hotel project of Tianjin Hotel will be constructed within 30 days after the effective date of the CJV Agreement as its contribution to the registered capital of Tianjin Hotel. As disclosed in the Site Valuation Report, as at 18 November, 2003, the open market value of the Hotel Site was RMB 21,633,135. The surplus of RMB 33,135 over RMB 21,600,000 shall be applied as Tianjin Zhujiang’s additional investment in Tianjin Hotel beyond its registered capital contribution.

The difference between the amount of the total investment and the amount of the registered capital shall be rasied by Tianjin Hotel. If there shall be capital requirement beyond the amount of the total investment, the same shall be raised by Tianjin Hotel.

Profit sharing:	The profits and losses of the Tianjin Hotel shall be shared and borne by Tianjin Zhujiang and Nambour in the ratio of 30% and 70% respectively.
Term of Tianjin Hotel:	30 years from the date of issuance of the business licence of Tianjin Hotel.
Board representation:	The board of directors shall comprise 5 directors of whom 1 shall be nominated by Tianjin Zhujiang and 4 by Nambour. The chairman of the board, who does not have a casting vote, shall be nominated by Nambour.
Unanimous consent:	The following actions shall require the unanimous consent of the directors of Tianjin Hotel: (i) the amendments to the articles of association of the Tianjin Hotel; (ii) the granting of mortgage/charge in respect of the assets of the Tianjin Hotel; (iii) the increase or reduction of the registered capital of the Tianjin Hotel; (iv) the dissolution of the Tianjin Hotel; (v) the consolidation or merger or change of structure of the Tianjin Hotel; (vi) any other matters which the board considers shall require the unanimous consent of all directors.
Other responsibilities:	Tianjin Zhujiang’s responsibilities shall include: (i) site resumption, clearance, levelling and construction of infrastructure (such as connection of basic utilities) of the Hotel Site and all procedures in connection with the site resumption. (ii) make available of all requisite documentation and information and within 30 business days upon the CJV Agreement becoming effective complete the transfer of the land use rights of the Hotel Site to the Tianjin Hotel. (iii) within 30 business days upon the CJV Agreement becoming effective deliver to the Tianjin Hotel the Hotel Site.

- (iv)

apply to the approving authorities for establishment of Tianjin Hotel and business licence registration.
- (v)

handle such matters as required by the Tianjin Hotel.
- Nambour’s responsibilities shall include:

(i)

provide training to management personnel and staff;

(ii)

handle such matters as required by the Tianjin Hotel.

3. Source of Funding

The Group’s capital contribution under the CJV Agreement will be funded by internal resources of the Group and if necessary, bank borrowings.

4. Reasons for the formation of the Tianjin Hotel

Located on the banks of Haihe River and Yunhe (Grand Canal), Tianjin is the gateway to the Pacific Ocean leading to major European cities and is the major transportation hub in the northern part of the PRC. In view of the accession to the World Trade Organisation and the hosting of the Olympic Game in 2008 by the PRC, the Directors consider that Tianjin will become an even more popular city for local tourists and tourists all over the world and the demand for luxurious hotels in Tianjin will therefore increase. Accordingly, the Directors consider that the Tianjin Transaction will provide an excellent investment opportunity for the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the CJV Agreement and the CJV Articles 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.

5. Connected Transaction

Tianjin Zhujiang is owned as to 60% by GD Zhujiang and 40% by GZ Construction which is effectively a 60% owned subsidiary of GD Zhujiang. GD Zhujiang is a substantial shareholder of certain existing subsidiaries of the Company in the PRC. Accordingly, Tianjin Zhujiang is a connected person of the Company and the Tianjin Transaction constitutes a connected transaction of the Company under the Listing Rules. As at 30 June, 2003, the consolidated net tangible assets of the Group amounted to approximately HK\$2,511,345,000. Accordingly, the value of the Tianjin Transaction represents less than 3 per cent. of the latest published consolidated net tangible assets of the Group as at 30 June, 2003. Shareholders’ approval is not required pursuant to Rule 14.25(1) of the Listing Rules as the value of the Tianjin Transaction represents less than the higher of HK\$10,000,000 or 3 per cent. of the latest published consolidated net tangible assets of the Group as at 30 June, 2003. Details of the Tianjin 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.

D. SHARE SALE TRANSACTION

1. Tonking and the Property

As at the date hereof, Tonking is owned as to 30% by Hopeson and 70% by Ms. Wong, a Shareholder. Ms. Wong is not a connected person of the Company as defined in the Listing Rules.

Tonking is a property holding company, the sole asset of which is the Property. The Property comprises the whole of the 19th Floor of a 31-storey (including 5-storey car parking podium) commercial building. The Property comprises a gross floor area of approximately 323.30 square meters (equivalent to approximately 3,480 square feet) or a saleable area of approximately 206.89 square meters (equivalent to approximately 2,227 square feet). Tonking acquired the Property in September, 1995 for a consideration of HK\$24,360,000. As disclosed in the Property Valuation Report, as at 31 October, 2003, the open market value of the Property was HK\$6,550,000. The Property is subject to a mortgage in favour of the Bank, the outstanding principal thereunder calculated up to 22 November, 2003 was approximately HK\$8,348,533. Hopeson has provided a guarantee in favour of the Bank as security for the repayment of the outstanding bank loan and has advanced to Tonking the Shareholder’s Loan. The audited loss attributable to the shareholders of Tonking for the 2 years ended 31 December, 2002 were HK\$127,991 and HK\$11,800,991 respectively. As at the date hereof, the unaudited negative net tangible asset value of Tonking amounts to approximately HK\$14,503,187.

The Property is currently leased to the Group as office at a monthly rent of HK\$60,000.

2. The Sale and Purchase Agreement

The Group entered into the Sale and Purchase Agreement whereby the Group shall, inter alia, sell to the Chairman the Sale Shares and waive the Shareholder’s Loan.

Set out below are the principal terms of the Sale and Purchase Agreement:

(i) Parties

Vendors:

(a)

Hopeson

(b)

Ms. Wong

Purchaser:

the Chairman

(ii) Sale Shares and Share Sale Consideration

Hopeson shall sell to the Chairman the Sale Shares and Ms. Wong shall sell to the Chairman 7 ordinary shares of HK\$1.00 each in Tonking, together representing the entire issued share capital of Tonking for the Share Sale Consideration which shall be payable on completion of the sale and purchase. Completion shall take place simultaneously upon the signing of the Sale and Purchase Agreement.

(iii) Waiver of Shareholder’s Loan

Hopeson shall waive the Shareholder’s Loan upon completion of the Sale and Purchase Agreement.

3. Basis of determination of the Share Sale Consideration

The Share Sale Consideration and the terms of the Sale and Purchase Agreement were arrived at after arm’s length negotiations.

As disclosed in the Property Valuation Report, as at 31 October, 2003, the open market value of the Property was HK\$6,550,000. The Property is subject to a mortgage in favour of the Bank, the outstanding principal thereunder calculated up to 22 November, 2003 was approximately HK\$8,348,533. As at the date hereof, Tonking is indebted to Hopeson the Shareholder’s Loan. In view of the negative net tangible asset value of Tonking and the outstanding amount under the mortgage to which the Property is subject, Hopeson and Ms. Wong agree to sell to the Chairman the entire issued shares in Tonking for a nominal value of HK\$1.00 and Hopeson agrees to waive the Shareholder’s Loan.

4. Reasons for the Share Sale Transaction

The outstanding amount under the mortgage to which the Property is subject is higher than the current market value of the Property. The monthly rent in respect of the Property received by Tonking is not sufficient to make the monthly repayment to the Bank. In view of the negative equity value of the Property and the negative net tangible asset value of Tonking and in order to cease advancing further shareholder’s loan to Tonking for repayment of the outstanding bank loan, Hopeson and Ms. Wong agree to sell to the Chairman the entire issued shares in Tonking for a nominal value of HK\$1.00 and Hopeson agrees to waive the Shareholder’s Loan.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase 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.

5. Connected Transaction

The Share Sale Transaction being a transaction between the Group and the Chairman constitutes a connected transaction of the Company under the Listing Rules. As at 30 June, 2003, the consolidated net tangible assets of the Group amounted to approximately HK\$2,511,345,000. Accordingly, the Share Sale Transaction represents less than 3 per cent. of the latest published consolidated net tangible assets of the Group as at 30 June, 2003. Shareholders’ approval is not required pursuant to Rule 14.25(1) of the Listing Rules as the value of the Share Sale Transaction represents less than the higher of HK\$10,000,000 or 3 per cent. of the latest published consolidated net tangible assets of the Group as at 30 June, 2003. Details of the Share Sale 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.

E. PRINCIPAL ACTIVITIES OF THE GROUP

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

F. TERMS USED IN THIS ANNOUNCEMENT:

“Archibald”	Archibald Properties Limited (愛實置業有限公司), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Bank”	Nanyang Commercial Bank, Limited
“Chairman”	Mr. Chu Mang Yee, the chairman of the Board and the controlling shareholder of the Company
“Company”	Hopson Development Holdings Limited
“CJV Agreement”	the co-operative joint venture agreement in respect of the Tianjin Hotel dated 15 December, 2003 entered into between Tianjin Zhujiang and Nambour
“CJV Articles”	the articles of association in respect of the Tianjin Hotel dated 15 December, 2003 entered into between Tianjin Zhujiang and Nambour
“Directors”	directors of the Company
“Encumbrances”	all claims, charges, liens, encumbrances, equities and adverse rights of any description
“GD Zhujiang”	廣東珠江投資有限公司 (Guangdong Zhujiang Investment Limited), a company established in the PRC and a substantial shareholder of certain existing subsidiaries of the Company in the PRC
“Group”	the Company and its subsidiaries
“GZ Construction”	廣東珠江工程總承包有限公司 (Guangdong Zhujiang Construction Limited), a company established in the PRC and controlled by GD Zhujiang
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hopeson”	Hopeson Holdings Limited (合生集團有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Hopson Yijing”	廣州合生逸景房地產有限公司 (Guangzhou Hopson Yijing Real Estate Limited), a sino-foreign co-operative joint venture established to develop Pleasant View Garden
“Huanan Real Estate”	廣東華南新城房地產有限公司 (Guangdong Huanan New City Real Estate Limited), a sino-foreign co-operative joint venture established for the development and construction of Huanan New City in the PRC
“Land”	a piece of land with an area of 11,117 square metres located between the south side of Zhujiang River Bank of Nan Village Town and the north side of Xin Cheng Road in Panyu of Guangdong Province
“Land Valuation Report”	the property valuation report dated 12 November, 2003 prepared by Guangdong Jian Cheng Appraisal Ltd, an independent professional valuer
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Wong”	Ms. Wong Kwai Ping, a Shareholder holding 30,000 Shares, representing approximately 0.00003% of the issued share capital of the Company as at 30 June, 2003
“Nambour”	Nambour Properties Limited (南博置業有限公司), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Panyu Zhujiang”	番禺珠江房地產有限公司 (Panyu Zhujiang Property Limited), a company established in the PRC and is owned as to 89% by GD Zhujiang, 10% by GZ Construction and 1% by Panyu Nan Village Town Economic Development Company
“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
“PRC”	the People’s Republic of China
“Property”	the property comprising all that 19th Floor, Wyndham Place, No. 44 Wyndham Street, Hong Kong
“Property Valuation Report”	the property valuation report dated 16 December, 2003 prepared by DTZ Debenham Tie Leung Limited, an independent professional valuer
“Proposed Land Sale”	the proposed sale of the Land by Huanan Real Estate to the Chairman
“Sale and Purchase Agreement”	the sale and purchase agreement dated 15 December, 2003 entered into between Hopeson, Ms. Wong and the Chairman
“Sale Shares”	3 ordinary shares of HK\$1.00 each in the share capital of Tonking held by Hopeson
“Share Sale Consideration”	the sum of HK\$1.00 being the consideration for the sale and purchase of the Sale Shares and the 7 ordinary shares of HK\$1.00 each in Tonking held by Ms. Wong
“Share Sale Transaction”	the transaction under the Sale and Purchase Agreement
“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
“Shareholder’s Loan”	the sum of approximately HK\$8,928,000 due and owing by Tonking to Hopeson
“Site Valuation Report”	the valuation report dated 18 November, 2003 prepared by Tianjin Boadi District Land Valuation Centre, an independent professional valuer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 15 December, 2003 entered into between GD Zhujiang, Xin Nan Fang and Hopeson
“Supplemental Articles”	the supplemental articles of association in respect of Hopson Yijing dated 15 December, 2003 entered into between GD Zhujiang, Xin Nan Fang and Hopeson
“Tianjin Hotel”	津港合作天津帝景溫泉酒店有限公司 (Jingang Cooperative Tianjin Regal Hot Spring Hotel Company Limited), a sino-foreign co-operative joint venture to be established in the PRC under the Tianjin Transaction
“Tianjin Transaction”	the transaction under the CJV Agreement and CJV Articles
“Tianjin Zhujiang”	天津珠江實業有限公司 (Tianjin Zhujiang Industrial Company Limited), a company established in the PRC and owned as to 60% by GD Zhujiang and 40% by GZ Construction
“Tonking”	Tonking International Limited, a company incorporated in Hong Kong and is owned as to 30% by Hopeson and 70% by Ms. Wong
“Transfer Agreement”	the transfer agreement dated 15 December, 2003 entered into between GD Zhujiang, Xin Nan Fang and Hopeson
“Xin Nan Fang”	廣州新南方房地產開發有限公司 (Guangzhou Xin Nan Fang Real Estate Development Company Limited), a company established in the PRC indirectly owned as to 90.65 per cent. by Mr. Chu Muk Chi, a brother of the Chairman
“Yijing Transaction”	the transaction under the Transfer Agreement, the Supplemental Agreement and the Supplemental Articles
“HK\$”	Hong Kong dollars
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 16 December, 2003

* For identification purpose 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.*