



HOPSON DEVELOPMENT HOLDINGS LIMITED

合生創展集團有限公司*

(Stock Code: 754)

(Incorporated in Bermuda with limited liability)

CONNECTED TRANSACTION

The Directors announce that on 31 May, 2004, the Group respectively entered into the (conditional) Cooperation Agreement and the (conditional) Internal Sub-Contract with Shanghai Hungkang, a connected person (as defined under the Listing Rules) of the Company in connection with its development of the Lot in the PRC via Shanghai Lung Meng, a non-wholly-owned subsidiary of the Company. Upon the Lung Meng Agreements becoming unconditional, the Group will enter into the Termination Agreement with Shanghai Hungkang to terminate the Share Transfer Agreement and mutually release each other from further obligations thereunder.

The Transaction constitutes a connected transaction of the Company under the Listing Rules. The Transaction is subject to the approval of the shareholders of the Company (excluding those shareholders prohibited by the Listing Rules from voting on the resolution) voting at a special general meeting convened to approve each of the Lung Meng Agreements and the Termination Agreement on the terms specified therein. No shareholder will be required to abstain from voting. The Company has applied to the Stock Exchange for a waiver from the requirement under the Listing Rules for the Company to hold a general meeting to seek shareholders' approval in respect of each of the Lung Meng Agreements and the Termination Agreement.

The Directors consider that the Transaction is in the ordinary and usual course of business of the Group and the terms of each of the Lung Meng Agreement and the Termination Agreement have been negotiated on an arm's length basis and on normal commercial terms which are fair and reasonable so far as the shareholders of the Company are concerned.

A circular containing, inter alia, details of each of the Lung Meng Agreements and the Termination Agreement will be despatched to the shareholders of the Company as soon as practicable.

A. THE TRANSACTION

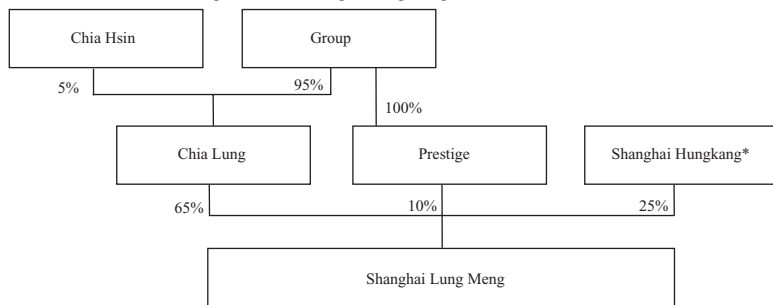
Background

Shanghai Lung Meng is a sino-foreign cooperative joint venture established in the PRC for the development and operation of the Lot in Shanghai, PRC. Shanghai Lung Meng is owned as to 65 per cent., 10 per cent. and 25 per cent. by Chia Lung, Prestige and Shanghai Hungkang respectively. Shanghai Lung Meng is principally engaged in the development and operation of the Lot and has no other operations. As the Lot is still under development, it has not been generating any profit.

The Directors announced on 20 February, 2003 that the Group entered into agreements with (i) Chia Hsin and Lung Meng Group Limited and (ii) Sun Chung Estate Company Limited, all independent third parties of the Company, to acquire, by stages, the respective entire interests of Chia Lung and Prestige for a total investment value of approximately HK\$402,752,370 ("Original Investment Value"). Prior to the Group's acquisition of Chia Lung, Chia Lung entered into the Share Transfer Agreement to acquire 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) ("Original 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"). Chia Lung has made the Capital Contribution but has not paid the Original Acquisition Price as transfer of Shanghai Hungkang's 25 per cent. interest in Shanghai Lung Meng has not been completed due to disputes of the parties to the Share Transfer Agreement over the compensation for the resumption of land. The Directors do not consider it necessary to publish an announcement when the parties were in the course of negotiation with the aim to resolve the dispute. Eventually the parties agreed to settle such dispute by entering into the Transaction.

Under the Share Transfer Agreement, Payment of the Original Acquisition Price shall be made within 7 days after the relevant new registration documents have been issued to Shanghai Lung Meng. As of to date, the Group owns 95 per cent. and 100 per cent. respectively of the entire issued share capital of Chia Lung and Prestige. Through mediation by the Land Administration Office, Chia Lung and Shanghai Hungkang entered into the Lung Meng Agreements to resolve their differences under the Share Transfer Agreement.

The chart below illustrates the shareholding structure of Shanghai Lung Meng as of to date:



* upon completion of the Transaction, the 25 per cent. interest of Shanghai Hungkang will be transferred to Chia Lung and Prestige

Condition

Each of the Lung Meng Agreements and the Termination Agreement is conditional upon the approval of the shareholders of the Company (excluding those shareholders prohibited by the Listing Rules from voting on the resolution) voting at a special general meeting convened to approve the Lung Meng Agreements and the Termination Agreement on the terms specified therein, or a waiver being granted by the Stock Exchange from the requirement under the Listing Rules for the Company to hold a general meeting to seek shareholders' approval in respect of the Lung Meng Agreements and the Termination Agreement, by no later than 60 days from the date of the Lung Meng Agreements (or such later date as the parties shall agree) ("Condition"). No Shareholder will be required to abstain from voting.

Within 30 days from the date of fulfilment of the Condition, Chia Lung, Prestige, Shanghai Hungkang, Shanghai Lung Meng and the Land Administration Office will enter into the Termination Agreement, and Shanghai Lung Meng and the Land Administration Office will enter into the Site Clearance Contract.

Principal terms of the Lung Meng Agreements

1. The Cooperation Agreement

Parties:	(i) Chia Lung; (ii) Prestige; and (iii) Shanghai Hungkang
Description:	The parties, being all the joint venture partners of Shanghai Lung Meng, agree to change the mode of their co-investment and cooperation in the joint venture company such that instead of contributing to 25 per cent. of the registered capital and sharing 25 per cent. of the profits of Shanghai Lung Meng, Shanghai Hungkang shall be solely responsible for the development of and be solely entitled to the profit generated from the Carved-out Land and shall not share any of the profit or loss of Shanghai Lung Meng. The Carved-out Land shall be transferred by Shanghai Lung Meng to Shanghai Hungkang by way of asset distribution when 25 per cent. of the total investment for the development of the Carved-out Land (including fees for pre-development works, construction of infrastructure, ancillary facilities installation and construction works) has been incurred. Upon transfer of the Carved-out Land from Shanghai Lung Meng to Shanghai Hungkang, the latter shall transfer its 25 per cent. interest in Shanghai Lung Meng to Chia Lung and Prestige at the nominal consideration of RMB 1 (equivalent to approximately HK\$0.94).
Total consideration:	Shanghai Hungkang shall reimburse Chia Lung and Prestige for 25 per cent. of the relocation expenses and development costs incurred by Shanghai Lung Meng (but funded by Chia Lung and Prestige) in respect of the Lot up to 30 September, 2003.

2. The Internal Sub-Contract

Parties:	(i) Shanghai Lung Meng; and (ii) Shanghai Hungkang
Description:	Shanghai Lung Meng agrees to appoint Shanghai Hungkang to undertake site clearance and demolition works in respect of the Carved-out Land, including the relocation of existing residents thereon and connection of electricity supply, water supply and roads pending the transfer of the Carved-out Land to Shanghai Hungkang by way of asset distribution referred above.
	No consideration will be payable by Shanghai Lung Meng.

Termination Agreement and Site Clearance Contract

Within 30 days upon fulfillment of the Condition, (i) Chia Lung, Prestige and Shanghai Hungkang will enter into the Termination Agreement to terminate the Share Transfer Agreement and mutually release each other from further obligations thereunder, and (ii) Shanghai Lung Meng and the Land Administration Office will enter into the Site Clearance Contract in respect of the Remaining Lot and to make adjustments to the site clearance fee payable by Shanghai Lung Meng to the Land Administration Office following the exclusivity of the Carved-out Land to Shanghai Hungkang. The total site clearance fee payable by Shanghai Lung Meng to the Land Administration Office will be approximately RMB197,425,646 of which RMB110,000,000 has been paid.

Reasons for the Transaction

The Group is principally engaged in property development and property investment in various cities in the PRC including Shanghai, Beijing, Tianjin and Guangzhou. The Lung Meng Agreements, Termination Agreement and Site Clearance Contract will have the effect of breaking the impasse under the Share Transfer Agreement, and facilitating the transfer of the 25 per cent. interest of Shanghai Hungkang in Shanghai Lung Meng to Chia Lung and Prestige. The net difference to the Group under the Share Transfer Agreement and the Lung Meng Agreements is that the size of the Lot will be reduced by 25 per cent. after transfer of the Carved-out Land to Shanghai Hungkang but Chia Lung and Prestige will be reimbursed of 25 per cent. of the expenses incurred on development of the Lot and Chia Lung will be relieved of the payment of the Original Acquisition Price of RMB 8,000,000 upon transfer of Shanghai Hungkang's 25 per cent. interest in Shanghai Lung Meng to it. The total investment fee for the development of the Carved-out Land is estimated to be approximately RMB340,000,000. Up to date, approximately RMB3,500,000 has been incurred as the development costs in respect of the Carved-out Land.

The Directors consider that the terms of each of the Lung Meng Agreements, the Termination Agreement and the Site Clearance Contract are arrived at after arm's length negotiation and on normal commercial terms which are fair and reason so far as the shareholders of the Company are concerned.

The open market value of the Remaining Lot and the Carved-out Land as assessed by DTZ were approximately HK\$517,500,000 and HK\$191,900,000 respectively as of 31 March, 2004. In view that the open market value of the Remaining Lot has increased by approximately 28 per cent. of the Original Investment Value, the Directors consider that the increase in value of the Lot since the Group's acquisition of Chia Lung and Prestige is sufficient to compensate the transfer of the Carved-out Land to Shanghai Hungkang and that the Transaction has no adverse effect on the financial and operational positions of the Company.

Connection between the parties and the connected transaction

Chia Lung and Prestige are investment holding companies holding only Shanghai Lung Meng. Shanghai Hungkang was established by the local government of Zhuanqiao Town, Minxin District of Shanghai for property development.

Shanghai Lung Meng is a non-wholly-owned subsidiary of the Company. Shanghai Hungkang, being a substantial shareholder owning 25 per cent. of Shanghai Lung Meng, is a connected person of the Company under the Listing Rules. Accordingly, each of the Lung Meng Agreements and the Termination Agreement constitutes a connected transaction of the Company under the Listing Rules.

As the consideration ratio of the Transaction exceeds 2.5 per cent, each of the Lung Meng Agreements and the Termination Agreement is subject to the approval of the shareholders of the Company (excluding those shareholders prohibited by the Listing Rules from voting on the resolution) voting at a special general meeting convened to approve the Lung Meng Agreements and the Termination Agreement pursuant to Rule 14A. 18 of the Listing Rules.

B. WAIVER

Sounda, which beneficially owns 63.56 per cent. of the issued share capital of the Company as of to date, has confirmed in writing that in the event that shareholders' approval in respect of each of the Lung Meng Agreements and the Termination Agreement is required, it will vote, or procure the voting of the shares in the Company in which Sounda and its associates are interested, in favour of the Lung Meng Agreements and the Termination Agreement. Sounda does not have any interest in the Transaction and does not have any interest which is different from those of the other shareholders of the Company.

Shanghai Hungkang is a connected person of the Company only by virtue of its 25 per cent. interest in Shanghai Lung Meng. Other than being interested in 25 per cent. of Shanghai Lung Meng, Shanghai Hungkang has no connection with the Group. Since none of Shanghai Hungkang, its directors, shareholders or associates has any interest in the shares in the Company, no shareholder of the Company would be required to abstain from voting.

Since the passing of any resolution in respect of each of the Lung Meng Agreements and the Termination Agreement by the shareholders of the Company will be a foregone conclusion and no shareholders will be required to abstain from voting, the expense to the Company of holding a shareholders' meeting would be an unnecessary expense. In view of the aforesaid, the Company has applied to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules for a waiver from the requirement under the Listing Rules for the Company to hold a general meeting to seek shareholders' approval in respect of the Lung Meng Agreements and the Termination Agreement.

C. GENERAL

CSC Asia Limited has been appointed as the independent financial adviser to advise the Independent Board Committee on whether the Lung Meng Agreements and the Termination Agreement are in the best interest of the Company. DTZ has been appointed to prepare a valuation report in respect of the Lot.

A circular containing details of the Lung Meng Agreements and the Termination Agreement, opinion of the Independent Board Committee, CSC Asia Limited's advice and DTZ's valuation report will be despatched to the shareholders of the Company as soon as practicable.

As of to date, the executive Directors are Messrs. Chu Mang Yee, Xiang Bin, Au Wai Kin, Chen Chang Ying and Xiao Yan Xia and the independent non-executive Directors are Messrs. Yuen Pak Yiu, Philip, Lee Tsung Hei, David and Wong Shing Kay, Oliver.

D. TERMS USED IN THIS ANNOUNCEMENT

“Carved-out Land”	The piece of land located on 華坪街道160街坊1丘 (Qin No.1 Jiefang No.160 Huaping Jiedao) of the Lot comprising approximately 300 mu
“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 95 per cent. by Hopson China and 5 per cent. by Chia Hsin
“Company”	Hopson Development Holdings Limited
“Cooperation Agreement”	the agreement dated 31 May, 2004 entered into among Chia Lung, Prestige and Shanghai Hungkang
“Directors”	the directors of the Company
“DTZ”	DTZ Debenham Tie Leung, an independent valuer
“Independent Board Committee”	an independent committee of the Board comprising Messrs. Yuen Pak Yiu, Philip, Lee Tsung Hei, David and Wong Shing Kay, Oliver, established to review and consider the Transaction
“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
“Internal Sub-Contract”	the agreement dated 31 May, 2004 entered into between Shanghai Lung Meng and Shanghai Hungkang
“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
“Lot”	the piece of land located in 閔行區 (Minxin District) of Shanghai, PRC comprising approximately 1,196.52 mu and 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 Agreements”	the Cooperation Agreement and the Internal Sub-Contract
“PRC”	the People's Republic of China
“Prestige”	Prestige Dragon Development Limited (譽龍發展有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of Hopson China
“Remaining Lot”	the Lot, after the transfer of the Carved-out Land to Shanghai Hungkang
“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 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 and a non-wholly-owned subsidiary of Hopson China
“Share Transfer Agreement”	the share transfer agreement entered into among Chia Lung, Prestige and Shanghai Hungkang on 6 August, 2002 for the transfer of Shanghai Hungkang's 25 per cent. interest in Shanghai Lung Meng to Chia Lung
“Site Clearance Contract”	the agreement to be entered into between Shanghai Lung Meng and the Land Administration Office upon the Lung Meng Agreements becoming unconditional
“Sounda”	Sounda Properties Limited, a company incorporated in the British Virgin Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination Agreement”	the agreement to be entered into among Chia Lung, Prestige, Shanghai Hungkang, Shanghai Lung Meng and the Land Administration Office upon the Lung Meng Agreements becoming unconditional
“Transaction”	the transaction under the Lung Meng Agreements and the Termination Agreement
“HK\$”	Hong Kong dollars
“US\$”	United States dollars
“RMB”	Renminbi, the lawful currency of the PRC

For illustrative purpose of this announcement, RMB1.06 = HK\$1.00 and US\$1 = HK\$7.8

Hong Kong, 3 June, 2004

* 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.*