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合 生 創 展 集 團 有 限 公 司\*

**HOPSON DEVELOPMENT HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 754)**

Website: <http://www.irasia.com/listco/hk/hopson>

## **ANNOUNCEMENT**

### **MAJOR AND CONNECTED TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES**

### **SUPPLEMENTAL AGREEMENT INCREASE IN AUTHORISED SHARE CAPITAL**

Reference is made to the Announcements. The Board announced that on 13 December 2010, the Company and Farrich entered into the Supplemental Agreement to vary and amend certain terms and conditions of the Share Purchase Agreement.

Reference is made to the announcements of the Company dated 3 November 2010 and 6 December 2010 (collectively “Announcements”) in relation to the Share Purchase Agreement and the transactions contemplated thereunder, which is a major and connected transaction of the Company. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined in the Announcements.

The Board announced that on 13 December 2010, the Company and Farrich entered into a supplemental agreement (“Supplemental Agreement”) to vary and amend certain terms and conditions of the Share Purchase Agreement.

## PRINCIPAL TERMS OF THE SUPPLEMENTAL AGREEMENT

Pursuant to the Supplemental Agreement, the parties agreed to vary and amend the terms and conditions of the Share Purchase Agreement in the following manner:

1. That the Consideration shall be reduced by the amount of RMB270,000,000 (“Adjusted Sum”) from RMB6,875,066,000 (“Original Consideration”) to RMB6,605,066,000. The amount of Cash Consideration shall remain to be RMB2,313,787,000 and the balance of the Consideration in the sum of RMB4,291,279,000 shall be satisfied by the Company by means of the Share Issue.
2. The Issue Price of the Consideration Shares shall be increased to HK\$9.5 per Share. Accordingly, 523,246,625 Consideration Shares will be allotted and issued to Farrich or its nominee(s) pursuant the Share Issue, of which
  - at the direction of Farrich, 128,000,000 Consideration Shares will be allotted and issued to Sounda; and
  - the balance of 395,246,625 Consideration Shares will be allotted and issued to Farrich or its nominee(s) (other than Sounda).
3. The Adjusted Sum represents the parties’ estimate on the amount of land appreciation tax (“LAT”) that may be payable by the Project Cos under the relevant PRC laws and regulations had the subject matter of sale and purchase of the Share Purchase Agreement involved a direct transfer of the property interests in the Lands and the Project. Such estimate was made with reference to (a) the prevailing charging rate for LAT under the relevant PRC laws and regulations; and (b) the increase in value of the Project at Completion, being the estimated difference between the Original Consideration and the total costs of development of the Project at not less than RMB4,375,045,290 and other deductible items including sales tax and other allowances allowed by the relevant PRC laws and regulations.
4. Farrich has undertaken to provide or cause to be provided to the Company LAT deductible invoices amounting to not less than RMB4,375,045,290 in respect of the costs of development of the Project. If Farrich fails to provide or cause to be provided invoices up to the said amount, Farrich shall compensate the Company for any increase in the Project Cos’ contingent liability for LAT as a result of any shortfall in the value of invoices so provided by Farrich, in which event, the Company shall be entitled to deduct the compensation from any outstanding Cash Consideration and/or instruct the escrow agent to dispose of such number of Escrow Shares and pay the proceeds thereof to the Company as compensation.

Save as disclosed above, all other terms of the Share Purchase Agreement shall remain unchanged.

## EFFECTS OF THE SHARE ISSUE ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structure of the Company immediately before and after the completion of the Share Issue, as revised pursuant to the Supplemental Agreement, is set out below (assuming no further Shares are issued before the Share Issue):

	As at the date of this announcement		Immediately after completion of the Share Issue	
	<i>No. of Shares</i>	<i>Approx. percentage</i>	<i>No. of Shares</i>	<i>Approx. percentage</i>
Sounda <sup>1</sup>	1,032,363,809	58.91%	1,160,363,809	50.99%
Hopson Education Fund <sup>2</sup>	68,640,000	3.92%	68,640,000	3.01%
Mr. Au Wai Kin <sup>3</sup>	34,500,000	1.97%	34,500,000	1.52%
Farrich	—	—	395,246,625	17.37%
Public shareholders	<u>616,864,000</u>	<u>35.2%</u>	<u>616,864,000</u>	<u>27.11%</u>
	<u>1,752,367,809</u>	<u>100%</u>	<u>2,275,614,434</u>	<u>100%</u>

*Note:*

1. Sounda is wholly-owned by Mr. Chu.
2. Mr. Chu is the sole shareholder of Hopson Education Fund.
3. Mr. Au Wai Kin is an executive Director of the Company.

## REASONS FOR ENTERING INTO THE SUPPLEMENTAL AGREEMENT

Since the Acquisition does not involve any direct transfer of property interests in the Lands and the Project, with reference to the relevant PRC rules and regulations and having regard to the present intention of the Group to hold the Project for long term investment purpose, it is expected that LAT would not arise in respect of the Acquisition. But the Board considers that it cannot rule out the possibility that the Group may in the future dispose of the Lands and the Project through a direct transfer of the property interests therein, in which event, the Group will have to bear the portion of LAT attributable to the increase in value of the Project at Completion. The adjustment in Consideration is to strike for a better and more equitable allocation of the contingent liability for LAT between the Company and Farrich. The increase in the Issue Price and the corresponding reduction in the number of Consideration Shares were proposed in response to the comments of Independent Shareholders and the general investing public that the Company has received thus far in relation to the possible dilution effect of the Share Issue.

The terms of the Supplemental Agreement were arrived at after arm's length negotiations between the Company and Farrich. As the reduction in Consideration is beneficial to the Company, the Directors (excluding the independent non-executive Directors, who will render their opinion upon receipt of the advice of the independent financial adviser, and Mr. Chu) consider the terms of the Supplemental Agreement fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **INCREASE IN AUTHORISED SHARE CAPITAL**

As at the date of this announcement, the authorised share capital of the Company is HK\$200,000,000 divided into 2,000,000,000 Shares. To cater for the issuance of Consideration Shares contemplated under the Share Issue, a resolution will be proposed, and if thought fit, passed at the SGM to approve the increase in the authorised share capital of the Company from HK\$200,000,000 to HK\$300,000,000 by the creation of an additional 1,000,000,000 Shares. To the best information, knowledge and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, no Shareholder has an interest in the proposed increase in authorised share capital of the Company that is materially different from the other Shareholders. Therefore, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the increase in authorised share capital of the Company. The Directors have no intention to allot and issue new Shares other than the Consideration Shares.

### **DESPATCH OF CIRCULAR**

A circular containing, among others, (i) further information on the Acquisition and the Share Issue; (ii) valuation report of the Lands; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company in relation to the Acquisition and the Share Issue; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders of the Company in relation to the Acquisition and the Share Issue; (v) financial information of the Group and accountants' report of Target Co; (vi) information on the increase in authorised share capital of the Company and (vii) a notice of the SGM, is expected to be despatched to the Shareholders on or before 24 December 2010.

### **DIRECTORS**

As at the date hereof, the executive Directors comprise CHU Mang Yee (Chairman), XIANG Bin, AU Wai Kin, XUE Hu, ZHAO Mingfeng, LIAO Ruqing, and the independent non-executive Directors comprise LEE Tsung Hei, David, WONG Shing Kay, Oliver and TAN Leng Cheng, Aaron.

By Order of the Board  
**Chu Mang Yee**  
*Chairman*

Hong Kong, 13 December 2010

\* *for identification purposes only*