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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>*

## **CONTINUING CONNECTED TRANSACTIONS**

### **BACKGROUND**

Reference is made to the announcement of the Company dated 30 April 2009 and the circular of the Company dated 21 May 2009 both relating to, among other things, the Previous Framework Agreement and the transactions contemplated thereunder which constitute continuing connected transactions of the Company under the Listing Rules.

The Previous Framework Agreement, the continuing connected transactions of the Company contemplated under the Previous Framework Agreement and the annual caps for the three financial years ended 31 December 2011 of each of such continuing connected transactions were approved by the then independent shareholders of the Company on 16 June 2009. The Previous Framework Agreement expired on 31 December 2011. Since the Group intends to continue most of the recurring transactions contemplated under the Previous Framework Agreement and to enter into certain new recurring transactions with the Hanjiang Group in the three financial years ending 31 December 2014, the Company entered into the New Framework Agreement with Hanjiang for the purpose of governing the New Transactions on 11 May 2012.

Prior to 31 December 2011, the Group and the Hanjiang Group had entered into certain service contracts under which the Hanjiang Group is required to carry out design works for certain property projects of the Group in 2012 and 2013. Such design contracts were entered into between the Group and the Hanjiang Group pursuant to certain expired framework agreements relating to continuing connected transactions including the Previous Framework Agreement. According to the terms of such contracts, it is expected that the Group will have to pay RMB34,690,000 and RMB2,408,000 to the Hanjiang Group for its design services in the two financial years ending 31 December 2013. The Group does not intend to enter into any new service contracts for such design works with the Hanjiang Group. After completion of the above contracts, the Old Transaction will be discontinued.

## **LISTING RULES IMPLICATIONS**

As Hanjiang is wholly owned by the brother-in-law of Mr. Chu who is also an uncle of Ms. Chu, it is a connected person of the Company under the Listing Rules and the New Transactions contemplated under the New Framework Agreement and the Old Transaction constitute continuing connected transactions under the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) in respect of the Continuing Connected Transactions on an annual basis, when aggregated pursuant to Rule 14A.25 of the Listing Rules, exceed 5%, the Continuing Connected Transactions constitute non-exempt continuing connected transactions of the Company and are subject to reporting, announcement, independent shareholders' approval and annual review requirements under Rule 14A.17 of the Listing Rules. Accordingly, the Company proposes to seek the Independent Shareholders' approval of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2014 at the SGM. Mr. Chu, Ms. Chu and their respective associates, including Sounda and Hopson Education Funds which collectively hold Shares representing approximately 63.42% of the issued share capital of the Company as at the date of this announcement, will abstain from voting at the SGM and votes of the Independent Shareholders at the SGM will be taken by poll.

The Directors consider that the Continuing Connected Transactions will be carried out on normal commercial terms in the ordinary and usual course of business of the Group. The Directors (other than the independent non-executive Directors who will form their view after having received the advice of the independent financial adviser) consider the terms of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps to be fair and reasonable and are in the interest of the Company and its shareholders as a whole.

## **GENERAL**

The Independent Board Committee has been formed to advise the Independent Shareholders and Celestial Capital has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps.

A circular containing, *inter alia*, details of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps, the letter from the independent financial adviser, the recommendation of the Independent Board Committee and a notice convening the SGM is expected to be despatched to the shareholders on or before 31 May 2012.

## A. BACKGROUND

Reference is made to the announcement of the Company dated 30 April 2009 and the circular of the Company dated 21 May 2009 both relating to, among other things, the Previous Framework Agreement and the transactions contemplated thereunder which constitute continuing connected transactions of the Company under the Listing Rules.

The Previous Framework Agreement, the continuing connected transactions of the Company contemplated under the Previous Framework Agreement and the annual caps for the three financial years ended 31 December 2011 of each of such continuing connected transactions were approved by the then independent shareholders of the Company on 16 June 2009. The Previous Framework Agreement expired on 31 December 2011. Since the Group intends to continue most of the recurring transactions contemplated under the Previous Framework Agreement and to enter into certain new recurring transactions with the Hanjiang Group in the three financial years ending 31 December 2014, the Company entered into the New Framework Agreement with Hanjiang for the purpose of governing the New Transactions on 11 May 2012.

Prior to 31 December 2011, the Group and the Hanjiang Group had entered into certain service contracts under which the Hanjiang Group is required to carry out design works for certain property projects of the Group in 2012 and 2013. Such design contracts were entered into between the Group and the Hanjiang Group pursuant to certain expired framework agreements relating to continuing connected transactions including the Previous Framework Agreement. According to the terms of such contracts, it is expected that the Group will have to pay RMB34,690,000 and RMB2,408,000 to the Hanjiang Group for its design services in the two financial years ending 31 December 2013. As the Group intends to designate one of its subsidiaries engaging in construction design business to take up all the design works of the Group's property projects in the future, the Group does not intend to enter into any new service contracts for such design works with the Hanjiang Group. After completion of the above contracts, the Old Transaction will be discontinued and therefore, the New Framework Agreement does not include design services provided by the Hanjiang Group to the Group.

As Hanjiang is wholly owned by the brother-in-law of Mr. Chu who is also an uncle of Ms. Chu, it is a connected person of the Company under the Listing Rules, the New Transactions contemplated under the New Framework Agreement and the Old Transaction constitute continuing connected transactions under the Listing Rules.

## **B. THE CONTINUING CONNECTED TRANSACTIONS**

### **B1. Particulars of the New Transactions**

**(1) *Services to be provided/premises to be leased by the Hanjiang Group to the Group pursuant to the New Framework Agreement:***

*New Transaction 1 — Construction:*

The appointment of the Hanjiang Group by the Group to carry out construction works for certain property projects of the Group (“**New Transaction 1**”).

*New Transaction 2 — Construction supervision:*

The appointment of the Hanjiang Group by the Group to supervise the construction of certain property projects of the Group (“**New Transaction 2**”).

*New Transaction 3 — Electrical power, low voltage system and intelligent building installation works, budgeting and cost control consultancy:*

The appointment of the Hanjiang Group by the Group to carry out electrical power, low voltage system and intelligent building installation works for certain property projects of the Group and to provide consultancy service in relation to budgeting and construction cost control to the Group (“**New Transaction 3**”).

*New Transaction 4 — Office lease:*

The lease of office premises in Guangzhou by the Hanjiang Group to the Group for use as offices (“**New Transaction 4**”).

*New Transaction 5 — Informatization related services:*

The appointment of the Hanjiang Group by the Group to provide services in connection with the building of informatization infrastructure and maintenance of servers and to supply the informatization related products and facilities to the Group, to provide consultancy service in respect of the informatization systems of the Group, staff training and technical support for such systems to the Group (“**New Transaction 5**”).

*New Transaction 6 — Development planning, sales agency and design consultancy service for commercial property projects:*

The appointment of the Hanjiang Group by the Group to provide services in connection with the development planning, sales agency and design consultancy service for the commercial property projects of the Group (“**New Transaction 6**”).

**(2) Services to be provided/premises to be leased by the Group to the Hanjiang Group pursuant to the New Framework Agreement:**

*New Transaction 7 — Management of vacant properties:*

The appointment of the Group by the Hanjiang Group to manage certain vacant properties developed by the Hanjiang Group and to handle the delivery of sold properties to owners (“**New Transaction 7**”).

*New Transaction 8 — Design:*

The appointment of the Group by the Hanjiang Group to carry out building design works for certain property projects of the Hanjiang Group (“**New Transaction 8**”).

*New Transaction 9 — Installation and decoration:*

The appointment of the Group by the Hanjiang Group to carry out installation and decoration works for certain property projects developed by the Hanjiang Group (“**New Transaction 9**”).

*New Transaction 10 — Shop lease:*

The lease of premises in Guangzhou by the Group to the Hanjiang Group for use as shops (“**New Transaction 10**”).

**B2. Particulars of the Old Transaction**

*Old Transaction — Design:*

Provision of design services by the Hanjiang Group to the Group for its property projects pursuant to contracts entered into between the Hanjiang Group and the Group prior to 31 December 2011 (“**Old Transaction**”).

## C. PRINCIPAL TERMS OF THE NEW FRAMEWORK AGREEMENT

On 11 May 2012, the Company and Hanjiang entered into the New Framework Agreement, setting out, among other things, the principal terms of the New Transactions as follows:

Date: 11 May 2012

Parties: (1) the Company  
(2) Hanjiang

Scope: 1. Services to be provided/premises to be leased by the Hanjiang Group to the Group:

Hanjiang shall procure the relevant member(s) of the Hanjiang Group or their respective sub-contractors to carry out construction works, construction supervision, electrical power, low voltage system and intelligent building installation works for certain property projects of the Group and to provide consultancy services in relation to budgeting and construction cost control, informatization system related services and services in connection with the development planning, sales agency and design consultancy services for commercial property projects to the Group. Hanjiang shall also procure the relevant member(s) of the Hanjiang Group to lease to the Group certain premises for use as the Group's offices.

2. Services to be provided/premises to be leased by the Group to the Hanjiang Group:

The Company shall procure the relevant member(s) of the Group to manage certain vacant properties developed by the Hanjiang Group, to carry out design, installation and decoration works for certain property projects of the Hanjiang Group and to lease to the Hanjiang Group certain premises for use as shops.

Term: The New Framework Agreement shall be for a term commencing on the date when it becomes effective and ending on 31 December 2014.

Condition precedent: The New Framework Agreement is conditional, and will become effective, upon the approval of the Independent Shareholders voting at the SGM.

Specific terms for the transactions: In respect of each of the engagements for each of the New Transactions, each of the Group and the Hanjiang Group will procure their relevant members to enter into a separate agreement for each transaction setting out the specific terms of engagement which are consistent with the terms and principles contained in the New Framework Agreement. The terms of the transactions must be normal commercial terms, fair and reasonable, consistent with the terms offered by Independent Third Parties in their provision of similar services or offering for lease of similar properties in their ordinary course of business and no less favourable than the terms offered by other Independent Third Parties from the perspective of the Group.

## D. PROPOSED ANNUAL CAPS AND PARTICULARS OF THE CONTINUING CONNECTED TRANSACTIONS

### D1. Proposed Annual Caps

Set out below are the Annual Caps proposed by the Directors for each of the three financial years ending 31 December 2014 in respect of each of the Continuing Connected Transactions:

<b>Transactions</b>	<b>2012</b> <b><u>Annual Cap</u></b> <b>(RMB'000)</b>	<b>2013</b> <b><u>Annual Cap</u></b> <b>(RMB'000)</b>	<b>2014</b> <b><u>Annual Cap</u></b> <b>(RMB'000)</b>
<i>(A) New Transactions</i>			
<i>Services to be provided/premises to be leased by the Hanjiang Group to the Group pursuant to the New Framework Agreement:</i>			
1. New Transaction 1 — Construction	1,818,540	1,616,480	1,414,420
2. New Transaction 2 — Construction supervision	16,597	14,635	13,114
3. New Transaction 3 — Electrical power, low voltage system and intelligent building installation works, budgeting and cost control consultancy	526,410	467,920	409,430
4. New Transaction 4 — Office lease	6,354	6,989	7,688
5. New Transaction 5 — Informatization related services	39,952	47,943	57,531
6. New Transaction 6 — Development planning, sales agency and design consultancy service for commercial property projects	8,550	9,596	13,765



<b>Transactions</b>	<b>2012</b> <b><u>Annual Cap</u></b> <b>(RMB'000)</b>	<b>2013</b> <b><u>Annual Cap</u></b> <b>(RMB'000)</b>	<b>2014</b> <b><u>Annual Cap</u></b> <b>(RMB'000)</b>
<i>Services to be provided/premises to be leased by the Group to the Hanjiang Group pursuant to the New Framework Agreement:</i>			
7. New Transaction 7 — Management of vacant properties	15,910	14,330	13,910
8. New Transaction 8 — Design	33,340	36,197	36,637
9. New Transaction 9 — Installation and decoration	94,808	43,400	174,860
10. New Transaction 10 — Shop lease	3,297	3,333	3,395
<b>(B) Old Transaction</b>			
11. Old Transaction — Design	<u>34,690</u>	<u>2,408</u>	<u>—</u>
	<u><u>2,598,448</u></u>	<u><u>2,263,231</u></u>	<u><u>2,144,750</u></u>

## D2. Particulars of the Continuing Connected Transactions

Set out below are particulars of the Continuing Connected Transactions, the bases upon which the proposed Annual Caps were determined and, in respect of the New Transactions, the relevant pricing bases set out in the New Framework Agreement:

### 1. *New Transaction 1 — Construction*

- Scope: Pursuant to the New Framework Agreement, the Group agrees to appoint the Hanjiang Group to carry out construction works for certain property projects of the Group.
- Pricing basis: The construction fees payable by the Group to the Hanjiang Group for carrying out construction works for various property projects of the Group in the PRC shall be determined by the parties by reference to the prevailing market rates charged by Independent Third Parties for providing similar services and the stipulated standards prescribed by 建設委員會 (Construction Committee) of where the particular property project is located, such as 北京市建築工程預算定額 (Base Price for Budgeting of Construction and Installation Works, Beijing Municipal) published by 北京市建設委員會 (Construction Committee of Beijing Municipal) in 2001 for property projects in Beijing, 廣東省各專業工程計價辦法 (2010年) (Basis for Calculating Professional Construction Works, Guangdong Province (2010)) and 廣東省各專業綜合定額 (2010年) (Comprehensive Calculation of Construction Works, Guangdong Province (2010)) published by 廣東省建設廳 (Construction Department of Guangdong Province) in 2010 for property projects in Guangzhou.
- Basis of determining the annual caps: The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above); (ii) the Directors' estimation of the aggregate gross floor area of properties in Guangzhou, Beijing, Shanghai, Tianjin and Huizhou, the construction of which are expected to be carried out by the Hanjiang Group for the relevant years; and (iii) the historical data relating to the Hanjiang Group carrying out construction works for the Group.

While it is expected that the Group will be developing more property projects in the three financial years ending on 31 December 2014 as compared to the last three financial years, the Group plans to designate a member of the Group, which has been building up its capability in the provision of main contracting services for property construction, to take up more construction works of the Group's property projects in the future, therefore the aggregate amount of the relevant proposed Annual Caps are slightly lower as compared to the aggregate amount of the annual caps for the three financial years ended 31 December 2011.

2. *New Transaction 2 — Construction supervision*

Scope: Pursuant to the New Framework Agreement, the Group agrees to appoint the Hanjiang Group to supervise the construction of certain property projects of the Group.

Pricing basis: The amount of construction supervising fees payable by the Group to the Hanjiang Group for supervising the construction of certain property projects of the Group shall be determined by the parties by reference to the prevailing market rates charged by Independent Third Parties for providing similar services and the standards prescribed under 建設工程監理與相關服務收費標準 (Construction Project Monitoring and Related Services Fees Standard).

Basis of determining the annual caps: The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above); (ii) the Directors' estimation of the aggregate gross floor area of properties in Guangzhou, Beijing, Shanghai, Tianjin and Huizhou, the construction works of which are expected to be supervised by the Hanjiang Group; and (iii) the historical data relating to provision of the construction supervision services by the Hanjiang Group to the Group.

The Group expects that the aggregate floor area of the properties involved in the property projects requiring the Hanjiang Group's involvement in the provision of construction supervision works will drop by approximately 42% as compared to the last three financial years. This contributes to the corresponding decrease in the relevant proposed Annual Caps as compared to the annual caps for the three financial years ended 31 December 2011.

3. *New Transaction 3 — Electrical power, low voltage system and intelligent building installation works, budgeting and cost control consultancy*

Scope: Pursuant to the New Framework Agreement, the Group agrees to appoint the Hanjiang Group to carry out electrical power, low voltage system and intelligent building installation works for certain property projects of the Group and to provide consultancy service to the Group in relation to budgeting for tenders and construction cost control. Low voltage system and intelligent building installation works include installation of visual walkie-talkie system, CCTV system, music broadcast system, security system, car park automatic management system, telephone system, mobile signal coverage system, internet system and television antenna system and procurement of the related facilities. Consultancy service to be provided to the Group in relation to budgeting for tenders and construction cost control include evaluation and formulation of the base price for a particular project that the Group intends to put up for public tender, preparation of tender invitations and rendering assistance in the evaluation of the bidders, formulation of the budget for particular projects and formulation of cost control plans for construction projects.

Pricing basis: The amount of fees payable by the Group to the Hanjiang Group for carrying out electrical power installation works for the property projects of the Group will be determined by reference to the prevailing market rates charged by independent third parties for providing similar services and the standards prescribed by the relevant governmental authorities of where the property is located such as 廣東省各專業工程計價辦法 (2010年) (Basis for Fee Calculation of Professional Construction Works, Guangdong Province (2010)) and 廣東省各專業綜合定額 (2010年) (Comprehensive Fee Calculation of Construction Works, Guangdong Province (2010)) published by 廣東省建設廳 (Construction Department of Guangdong Province) in 2010.

The amount of fees payable by the Group to the Hanjiang Group for carrying out low voltage system installation works for the property projects of the Group will be determined by reference to the prevailing market rates charged by Independent Third Parties for providing similar services and the standards prescribed by the relevant governmental authorities such as 通信建設工程預算定額 (Fee Calculation for Communication Construction Project) and 廣州地區建設工程常用材料綜合價格 (Comprehensive Price for Usually Used Materials for Construction Projects in Guangzhou) and for projects involving procurement, an additional procurement fee calculated based on a specified percentage of the price of the products as procurement fee will be charged.

The amount of fees payable by the Group to the Hanjiang Group for carrying out intelligent building installation works for certain property projects of the Group in the PRC will be determined by reference to the prevailing market rates charged by Independent Third Parties for providing similar services and the standards prescribed by the relevant governmental authorities of where the property is located such as 北京市建築工程預算定額 (Base Price for Budgeting of Construction and Installation Works, Beijing Municipal) published by 北京市建設委員會 (Construction Committee of Beijing Municipal) in 2001 for property projects in Beijing, 廣東省各專業工程計價辦法 (2010年) (Basis for Fee Calculation of Professional Construction Works, Guangdong Province (2010)) and 廣東省各專業綜合定額 (2010年) (Comprehensive Fee Calculation of Construction Works, Guangdong Province (2010)) published by 廣東省建設廳 (Construction Department of Guangdong Province) in 2010 for property projects in Guangzhou.

The amount of fees payable by the Group to the Hanjiang Group for compiling budgets for tenders and construction cost control consultancy service to the Group will be determined by reference to the standards prescribed by the relevant governmental authorities such as 招標代理服務收費標準 (Standard Fees for Tender Agencies) issued by the 北京市發展和改革委員會 (Beijing Municipal Commission of Development and Reform) in respect of the provision of services to assist in the tender process and 工程造價諮詢服務收費管理暫行辦法 (Provisional Administrative Measures on Consultation Fees for Construction Budgeting) issued by 建設部 (Ministry of Construction) in respect of the provision of budgeting services.

Basis of determining the annual caps: The relevant proposed Annual Caps, which represent the aggregate of the fees payable for the electrical power installation works, low voltage system installation works, intelligent building installation works together with budgeting and construction cost control consultancy service, have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above); (ii) the Directors' estimated aggregate gross floor area of the property projects to be completed by the Group in Guangzhou, Beijing, Shanghai, Tianjin, and Huizhou which require the Hanjiang Group to carry out electrical power installation works, low voltage system installation works, intelligent building installation works and to provide consultancy service in relation to budgeting and construction cost control for the relevant year; and (iii) the historical data relating to the Hanjiang Group carrying out electrical power installation, intelligent building installation works and providing budgeting and construction cost control consultancy service to the Group.

#### 4. *New Transaction 4 — Office lease*

Scope: Pursuant to the New Framework Agreement, the Hanjiang Group agrees to lease certain premises located in Guangzhou to the Group for use as offices.

Pricing basis: The rent payable by the Group to the Hanjiang Group will be determined by reference to the prevailing market rents charged by Independent Third Parties for leasing the same properties or properties of similar grading in the vicinity.

Basis of determining the annual caps: The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above); (ii) the size of the proposed leased premises; and (iii) an annual increment of 10% in the prevailing market rent of properties of similar grading in the vicinity.

As it is intended that the Group will relocate certain of their subsidiaries' offices to the commercial building owned by the Hanjiang Group where certain offices of the Group are already located, the Group will lease more office units from the Hanjiang Group, hence, the proposed Annual Caps increase substantially as compared to the annual caps for the three financial years ended 31 December 2011.

5. *New Transaction 5 — Informatization related services*

Scope: Pursuant to the New Framework Agreement, the Group agrees to appoint the Hanjiang Group to build the informatization infrastructure for the Group, to provide maintenance services to the Group for its servers, to supply and lease the related products and facilities from the Hanjiang Group, to provide consultancy services in respect of the informatization systems of the Group, staff training and technical support for such systems.

Pricing basis: The amount of fees payable by the Group to the Hanjiang Group for building the informatization infrastructure for the Group, provision of maintenance services to the Group for its servers, provision of consultancy service in respect of the informatization systems of the Group, staff training and technical support for such systems and the amount of purchase price/rents payable by the Group for its purchase/lease of products and facilities for the Group's informatization system from the Hanjiang Group will be determined by reference to the prevailing market rates charged by Independent Third Parties for providing similar services/products.

Basis of determining the annual caps: The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above); (ii) the nature of services, products and facilities to be provided by the Hanjiang Group to the Group based on the Group's plans; and (iii) the general proportion of turnover to expenses on information technology in the property development industry in the PRC.

6. *New Transaction 6 — Development planning, sales agency and design consultancy service for commercial property projects*

Scope: Pursuant to the New Framework Agreement, the Group agrees to appoint the Hanjiang Group to provide it with the services in connection with the development planning, sales agency and design consultancy for the Group's commercial property projects.

Pricing basis: The amount of fees payable by the Group to the Hanjiang Group for providing the services of planning, agency and design consultancy for the Group's commercial development projects will be determined by reference to the prevailing market rates charged by Independent Third Parties for providing similar services.



Basis of determining the annual caps: The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above); and (ii) the Group's commercial property projects to be completed by the Group for which the services of development planning, agency and design consultancy of the Hanjiang Group are required in the relevant year.

7. *New Transaction 7 — Management of vacant properties*

Scope: Pursuant to the New Framework Agreement, the Hanjiang Group agrees to appoint the Group to manage certain vacant properties and to handle delivery of sold properties of the Hanjiang Group located in Guangdong Province, Beijing and Xi'an.

Pricing basis: The amount of management fees receivable by the Group from the Hanjiang Group will be determined by the parties by reference to related costs of the Group and the standards on property management fees prescribed by the Guangdong Provincial, Beijing Municipal and Xi'an local authorities, the property pricing guidelines given by the local government and the prevailing market rates charged by Independent Third Parties for offering similar services for properties of similar grading in the vicinity.

Basis of determining the annual caps: The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above); (ii) Hanjiang's estimation of the aggregate gross floor area of properties of the Hanjiang Group which require the Group to provide the relevant management service and the number properties available for sale in the relevant year; and (iii) the historical data relating to the Group providing management service to the Hanjiang Group for its vacant properties and handling delivery of sold properties of the Hanjiang Group.

As the estimated aggregate floor area of the properties involved in the property projects requiring the Group's involvement in the provision of management service in the three financial years ending 31 December 2014 drops, the proposed Annual Caps are lower as compared to the annual caps for the three financial years ended 31 December 2011.



8. *New Transaction 8 — Design*

Scope: Pursuant to the New Framework Agreement, the Hanjiang Group agrees to appoint the Group to carry out design works for certain property projects of the Hanjiang Group.

Pricing basis: The amount of design fees receivable by the Group from the Hanjiang Group will be determined by the parties by reference to the prevailing market rates charged by Independent Third Parties for undertaking similar design projects and the standards and guidelines prescribed by the relevant local authority on fees chargeable for the provision of similar services (if any).

Basis of determining the annual caps: The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above); (ii) the aggregate sizes and types of the building projects of the Hanjiang Group for which the design work is proposed to be assigned to the Group in the relevant year; and (iii) the historical data relating to the Group carrying out design works for the Hanjiang Group.

9. *New Transaction 9 — Installation and decoration*

Scope: Pursuant to the New Framework Agreement, the Hanjiang Group agrees to appoint the Group to carry out installation and decoration works for certain property projects developed by the Hanjiang Group.

Pricing basis: The amount of fees receivable by the Group from the Hanjiang Group will be determined by the parties by reference to the prevailing market rates charged by Independent Third Parties for undertaking similar installation and decoration work and the standards and guidelines prescribed by the relevant local authority on fees chargeable for the provision of similar services (if any).

Basis of determining the annual caps: The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above); (ii) the historical data relating to the transactions of the same nature carried out between Guangdong Zhujiang Construction Decoration, the service provider, and the Hanjiang Group before Guangdong Zhujiang Construction Decoration became a subsidiary of the Company in late 2011; and (iii) the aggregate sizes and types of the building projects of the Hanjiang Group for which the installation and decoration works is proposed to be assigned to the Group in the relevant year.

*10. New Transaction 10 — Shop lease*

Scope: Pursuant to the New Framework Agreement, the Group agrees to lease certain premises located in Guangzhou to the Hanjiang Group for use as shops.

Pricing basis: The rent receivable by the Group from the Hanjiang Group will be determined by reference to the market rents for leasing the same properties or properties of similar grading to Independent Third Parties in the vicinity.

Basis of determining the annual caps: The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the New Framework Agreement (as set out in the sub-paragraph above); and (ii) the locations and sizes of certain identified shop premises in Guangzhou and Tianjin and the respective terms of such leases. As a member of the Hanjiang Group did not renew the lease of a shop with the Group, the proposed Annual Caps are slightly lower as compared to the annual caps for the three financial years ended 31 December 2011.

## *11. Old Transaction — Design*

**Scope:** Pursuant to certain design contracts entered into between the Group and the Hanjiang Group prior to 31 December 2011, the Hanjiang Group agrees to carry out design work for the property projects of the Group.

**Basis of determining the annual caps:** The relevant proposed Annual Caps have been determined based on (i) the relevant pricing basis under the previous framework agreements pursuant to which the subject design contracts were entered into; and (ii) the aggregate sizes of the building projects of the Group for which the design work had been assigned to the Hanjiang Group prior to 31 December 2011 as set out in the terms of the subject design contracts.

**E. HISTORICAL TRANSACTION VALUE OF THE CONTINUING CONNECTED TRANSACTIONS ENTERED INTO PURSUANT TO THE PREVIOUS FRAMEWORK AGREEMENT**

Set out below are the annual caps and transaction amounts of the continuing connected transactions contemplated under the Previous Framework Agreement which are also the Continuing Connected Transactions:

<u>Transaction</u>	<u>Year ended 31 December 2009</u>		<u>Year ended 31 December 2010</u>		<u>Year ended 31 December 2011</u>	
	<u>2009 Annual Caps</u>	<u>Actual transaction approximate amount</u>	<u>2010 Annual Caps</u>	<u>Actual transaction approximate amount</u>	<u>2011 Annual Caps</u>	<u>Actual transaction approximate amount</u>
	<u>(RMB '000)</u>	<u>(RMB '000)</u>	<u>(RMB '000)</u>	<u>(RMB '000)</u>	<u>(RMB '000)</u>	<u>(RMB '000)</u>
New Transaction 1						
— Construction	2,331,600	1,674,080	2,198,000	1,969,989	2,020,600	475,156
New Transaction 2						
— Construction supervision	25,000	1,734	25,900	5,556	25,500	5,672
New Transaction 3						
— Electrical power, low voltage system and intelligent building installation works, budgeting and cost control consultancy (Note 1)	624,700	67,477	594,700	94,705	584,900	120,096
New Transaction 4						
— Office lease	2,300	2,082	2,300	1,041	2,300	2,082
New Transaction 7						
— Management of vacant properties	17,200	12,265	16,800	5,166	16,400	2,220
New Transaction 8						
— Design	120,500	17,550	26,000	14,121	11,000	10,679
New Transaction 10						
— Shop lease	6,100	—	4,400	—	4,300	—
Old Transaction						
— Design (Note 2)	25,000	12,148	20,000	2,388	20,000	2,758

*Notes:*

1. As low voltage system installation work of the New Transaction 3 is not included in the Previous Framework Agreement, the figures for this item set out in the table relate to provision of the services of electrical power installation work, intelligent building installation work and budgeting and cost control consultancy by the Hanjiang Group to the Group only.
2. The New Framework Agreement does not include these services of the Hanjiang Group.

## **F. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS**

The Group is principally engaged in properties development in various cities in the PRC including Guangzhou, Huizhou, Beijing, Shanghai and Tianjin. The Group is also involved in some ancillary property related businesses, including property investment, property management and hotel operations in the PRC. The Continuing Connected Transactions are part and parcel of the Group's normal and ordinary business.

Hanjiang, which is engaged principally in the business of property construction in the PRC, is classified as 房屋建築工程總承包壹級 (Property Construction First Class Main Contractor) by the relevant government authority in the PRC. First class main contractors can undertake larger scale projects than non-first class contractors. Hanjiang offers a comprehensive range of services, employing over 350 industry experts, of which 100 are mid to senior level. Hanjiang has also obtained the ISO 9000 certification for its quality management systems, using top grade quality in its safety, construction, cost management and controls. Hanjiang is a reputable contractor in the industry, has a proven track record and possesses the relevant technical capabilities and expertise in handling large scale construction projects including numerous highly rated commercial buildings in the PRC. The Group has conducted market research and is of the view that the pricing offered by Hanjiang Group is highly competitive.

The New Transaction 1 has taken place since 2003 and the Hanjiang Group has completed various property projects for the Group since then. The Group and the Hanjiang Group have built up a close and good working relationship over the years. The Group is of the view that the appointment of high-quality construction contractors such as Hanjiang is essential in ensuring the quality of its property projects and the continuance of the New Transaction 1 is in the interests of the Company and its shareholders as a whole.

The working team of the Hanjiang Group possesses 房屋建築甲級資質 (Property Construction Grade A Qualification) by the relevant government authority in the PRC. Such team member of the Hanjiang Group has a proven track record, possesses the necessary expertise in carrying out construction supervision work in large scale property projects in the PRC and with a good reputation in the industry. The working team of the Hanjiang Group carrying out the construction supervision works for the Group has proven to the Group its expertise and efficiency in their work. The Group is of the view that the continuance of the

New Transaction 2 is in the interests of the Company and its shareholders as a whole in view of its close long-term working relationship with the Hanjiang Group, the proven track record of the Hanjiang Group, its expertise and experience in the industry.

The intelligent building installation works (being part of the New Transaction 3) have been carried out by the Hanjiang Group for the Group since 2006. The working team of the Hanjiang Group has a proven track record and possesses the necessary capabilities, resources and experience in handling intelligent building installation works for property projects in the PRC. The team member of the Hanjian Group possesses the qualification of 廣東省公安廳技術防範設計及施工三級資質 (Guangdong Provincial Public Safety Department's Technology Design and Installation Third Class Qualification) and 廣東省建設廳智能建築二級資質 (Guangdong Provincial Construction Department's Second Class Qualification). The Group is of the view that continuance of the appointment of the Hanjiang Group to carry out the intelligent building installation works (being part of the New Transaction 3) is in the interests of the Company and its shareholders as a whole in view of the good and long-term working relationship between the Group and the Hanjiang Group and the highly competitive pricing offered by the Hanjiang Group to the Group.

The working team of the Hanjiang Group holds the qualification of 工程專業承包三級資格 (Professional Construction Contractor Third Class Qualification). The team member of the Hanjiang Group has a proven track record and possesses the relevant technical capabilities and experience in carrying out electrical power installation for large scale property projects. The Hanjiang Group has completed the electrical power installation works for various large scale property projects in the PRC and has good reputation in the industry. The Group is of the view that continuance of the appointment of the Hanjiang Group to carry out the electrical power installation works (being part of the New Transaction 3) is in the interests of the Company and its shareholders as a whole in view of the proven track record of Hanjiang Group, its expertise and experience and reputation in the industry together with the close and long-term working relationship between the Group and the Hanjiang Group.

The working team of the Hanjiang Group has a proven track record and possesses the relevant technical capabilities and experience in carrying out low voltage system installation for large scale property projects. The Group is of the view that the appointment of the Hanjiang Group to carry out the low voltage system installation works (being part of the New Transaction 3) is in the interests of the Company and its shareholders as a whole in view of the proven track record of Hanjiang Group, its expertise and experience, long-term working relationship between the Group and the Hanjiang Group and the benefits of better coordination with the intelligent building installation works and electrical power installation works of which the Hanjiang Group is also the contractor.

The working team of the Hanjiang Group possesses the resources as required by the Group and the expertise in the provision of consultancy service in the compilation of budgets for public tenders for property developers and construction cost control management. The Group considers that the pricing offered by the Hanjiang Group for the provision of the aforesaid

service is highly competitive and engagement of the Hanjiang Group to provide such services (being part of the New Transaction 3) will assist the Group in ensuring the quality of budgets formulated for public tenders and cost control management. Accordingly, the Group is of the view that it is in the interests of the Company and its shareholders as a whole to continue the engagement of the Hanjiang Group for providing the aforesaid consultancy service.

The New Transaction 4 and the New Transaction 10 have taken place since 2006. In view of the good and long-term business relationship between the Group and the Hanjiang Group and the rents payable by/to the Group under the relevant leases are market rents, the Group is of the view that the New Transaction 4 and the New Transaction 10, which will be entered into on normal commercial terms and in the ordinary and usual course of the respective businesses of the Group and the Hanjiang Group, are in the interests of the Company and its shareholders as a whole.

The working team of the Hanjiang Group is a reputable product and service provider in the informatization technology industry with the proprietary rights in certain softwares which are specifically designed for the project management of property developers. It also possesses the resources required by the Group in acting as the Group's information technology service provider and the Hanjiang Group's pricing for providing the relevant services is competitive. The Group uses the project management systems, sales management systems and expenses management systems developed by the relevant service provider before and such systems have been proved to be effective in achieving cost control. Having considered the resources and capability of the Hanjiang Group and the proven record of providing high quality and reliable products and services to the Group, the Group is of the view that the New Transaction 5, which will be entered into on normal commercial terms and in the ordinary and usual business course of the respective businesses of the Group and the Hanjiang Group, is in the interests of the Company and its shareholders as a whole.

It is the Group's strategy to maintain a business portfolio with residential property sales as its focus and an appropriate portion in commercial projects. To strengthen the Group's development in the commercial property sector, the Group intends to engage professional consultants, specialising in commercial property development, to provide consultancy service in the pre-construction planning and design and sales agency services. Having considered that the working team of the Hanjiang Group possesses the expertise in providing consultation services in the planning, design, sales, operation and management of commercial property developments, its close business relationship with thousands of enterprises in the South China region and its extensive experience in the provision of consultancy services in the commercial property developments in the PRC, the Group is of the view that the New Transaction 6, which will be entered into on normal commercial terms and in the ordinary and usual business course of the respective businesses of the Group and the Hanjiang Group, is in the interests of the Company and its shareholders as a whole.



Property management is part of the normal and usual business of the Group. The New Transaction 7 has taken place since 2006. In view of the long-term and good working relationship between the Group and the Hanjiang Group together with the availability of a steady income source through provision of management service for the vacant properties developed by the Hanjiang Group and handling delivery of sold properties of the Hanjiang Group, the Group is of the view that continuance of the New Transaction 7, which will be entered into on normal commercial terms and in the ordinary and usual business course of the respective businesses of the Group and the Hanjiang Group, is in the interests of the Company and its shareholders as a whole.

The Hanjiang Group is a reputable property developer in the PRC, with strong financial position, and the capability in the construction of large scale property developments. In recent years, it has completed a number of high quality large scale property projects and built up good reputation in the industry. Having considered the reputation of the Hanjiang Group, the long term business relationship between the Group and the Hanjiang Group together with the availability of a steady income source through provision of the design service to the Hanjiang Group, the Group is of the view that the New Transaction 8, which will be entered into on normal commercial terms and in the ordinary and usual business course of the respective businesses of the Group and the Hanjiang Group, is in the interests of the Company and its shareholders as a whole.

Prior to Guangdong Zhujiang Construction Decoration becoming a subsidiary of the Company in late 2011, it had been carrying out the installation and decoration works for the Hanjiang Group's development projects. Having considered the Hanjiang Group is a long-standing customer of Guangdong Zhujiang Construction Decoration, the reputation of the Hanjiang Group, the long term business relationship between the Group and the Hanjiang Group together with the availability of a steady income source through provision of the installation and decoration service to the Hanjiang Group, the Group is of the view that the New Transaction 9, which will be entered into on normal commercial terms and in the ordinary and usual business course of the respective businesses of the Group and the Hanjiang Group, is in the interests of the Company and its shareholders as a whole.

The Old Transaction will be carried out pursuant to the terms agreed under the services contracts entered into between the relevant parties prior to 31 December 2011.

The Directors consider that the Continuing Connected Transactions will be carried out on normal commercial terms in the ordinary and usual course of business of the Group. The Directors (other than the independent non-executive Directors who will form their view after having received the advice of the independent financial adviser) consider the terms of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps to be fair and reasonable and are in the interest of the Company and its shareholders as a whole.



## **G. LISTING RULES IMPLICATIONS**

As Hanjiang is wholly owned by the brother-in-law of Mr. Chu who is also an uncle of Ms. Chu, it is a connected person of the Company under the Listing Rules and the New Transactions contemplated under the New Framework Agreement and the Old Transaction constitute continuing connected transactions under the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) in respect of the Continuing Connected Transactions on an annual basis, when aggregated pursuant to Rule 14A.25 of the Listing Rules, exceed 5%, the Continuing Connected Transactions constitute non-exempt continuing connected transactions of the Company and are subject to reporting, announcement, independent shareholders' approval and annual review requirements under Rule 14A.17 of the Listing Rules. Accordingly, the Company proposes to seek the Independent Shareholders' approval of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps at the SGM. Mr. Chu, Ms. Chu and their respective associates, including Sounda and Hopson Education Funds, which collectively hold Shares representing approximately 63.42% of the issued share capital of the Company as at the date of this announcement, will abstain from voting at the SGM and votes of the Independent Shareholders at the SGM will be taken by poll.

## **H. GENERAL**

The Independent Board Committee has been formed to advise the Independent Shareholders and Celestial Capital has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps.

A circular containing, *inter alia*, details of the New Framework Agreement, the Continuing Connected Transactions, the Annual Caps for the three financial years ending 31 December 2014, the letter from the independent financial adviser, the recommendation of the Independent Board Committee and a notice convening the SGM is expected to be despatched to the shareholders on or before 31 May 2012.

## I. TERMS USED IN THIS ANNOUNCEMENT

“Annual Caps”	the maximum aggregate annual contract value of the Continuing Connected Transactions for each of the three financial years ending 31 December 2014
“associate(s)”	the meaning given to that term in the Listing Rules
“Board”	board of Directors
“Celestial Capital”	Celestial Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps
“Company”	Hopson Development Holdings Limited
“connected person”	the meaning given to that term in the Listing Rules
“Continuing Connected Transactions”	the New Transactions and the Old Transaction
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Guangdong Zhujiang Construction Decoration”	廣東珠江建築裝飾工程有限公司 (Guangdong Zhujiang Construction Decoration Project Limited), a company established in the PRC and a connected person of the Company
“Hanjiang”	廣東韓江建築安裝工程有限公司 (Guangdong Hanjiang Construction Installation Project Limited), a company established in the PRC and a connected person of the Company
“Hanjiang Group”	Hanjiang, its subsidiaries and its associates
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Hopson Education Funds”	Hopson Education Charitable Funds Limited, a company incorporated in Hong Kong, holder of 68,640,000 Shares, representing approximately 3.95% of the issued share capital of the Company, as at the date of this announcement
“Independent Board Committee”	an independent committee of the Board comprising Messrs. Lee Tsung Hei, David, Wong Shing Kay, Oliver and Mr. Tan Leng Cheng, Aaron, established to review and consider the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2014
“Independent Third Parties”	persons who are independent of and not connected with the Company or any of its connected persons
“Independent Shareholders”	the shareholders of the Company other than Mr. Chu and Ms. Chu and their respective associates, including Sounda and Hopson Education Funds
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chu”	Mr. Chu Mang Yee, the chairman of the Board and an executive Director
“Ms. Chu”	Ms. Chu Kut Yung, an executive Director and daughter of Mr. Chu
“New Framework Agreement”	the conditional framework agreement dated 11 May 2012 entered into between the Company and Hanjiang in relation to the New Transactions
“New Transactions”	the New Transaction 1 to the New Transaction 10 as described in the section headed “The Continuing Connected Transactions” of this announcement to be entered into between the Group and the Hanjiang Group pursuant to the New Framework Agreement
“Old Transaction”	the Old Transaction as described in the section headed “The Continuing Connected Transactions” of this announcement
“PRC”	the People’s Republic of China

“Previous Framework Agreement”	the agreement dated 30 April 2009 entered into between the Company and Hanjiang in relation to certain continuing connected transactions of the Company between the Group and the Hanjiang Group for the three financial years ended 31 December 2011
“Shares”	the ordinary shares of HK\$0.10 each in the share capital of the Company
“SGM”	a special general meeting of the Company to be convened to approve, among other things, the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps
“Sounda”	Sounda Properties Limited, a company incorporated in the British Virgin Islands, holder of 1,032,363,809 Shares, representing approximately 59.47% of the issued share capital of the Company, as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board  
**Hopson Development Holdings Limited**  
**Chu Mang Yee**  
*Chairman*

Hong Kong, 11 May 2012

*As at the date of this announcement, the Board comprises nine directors. The executive directors are Mr. Chu Mang Yee (Chairman), Mr. Zhang Yi, Mr. Xiang Bin, Mr. Au Wai Kin, Mr. Liao Ruo Qing and Ms. Chu Kut Yung; and the independent non-executive directors are Mr. Lee Tsung Hei, David, Mr. Wong Shing Kay, Oliver, and Mr. Tan Leng Cheng, Aaron.*

\* *For identification purposes only*