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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>

**SUPPLEMENTAL ANNOUNCEMENT
DISCLOSEABLE TRANSACTION IN RELATION TO
FRAMEWORK AGREEMENT**

Reference is made to the announcement of Hopson Development Holdings Limited (the “**Company**”) dated 21 September 2017 in relation to the discloseable transaction in relation to a framework agreement (the “**Announcement**”). The Company now issues this announcement to provide its shareholders and potential investors with further information on the aforesaid transaction. Unless otherwise defined, capitalised terms used in this announcement have the same meanings as defined in the Announcement.

FRAMEWORK AGREEMENT AND RESTRUCTURING PLAN

Security deposit

Pursuant to the Restructuring Plan, a security deposit of RMB100 million (equivalent to HK\$120 million) shall be paid to an account specified by the Huizhou Court or the administrator of bankruptcy reorganisation to secure the implementation of the Restructuring Plan. The Huizhou Court is the approval authority in respect of the bankruptcy reorganisation of the Distressed Companies, while the administrator of bankruptcy reorganisation is responsible for monitoring the implementation of the Restructuring Plan and is required to submit a report on the implementation of the Restructuring Plan to the Huizhou Court.

The security deposit may be refunded (i) in the event that the Restructuring Plan is not approved by the Huizhou Court (which is no longer applicable as the Restructuring Plan was approved by the Huizhou Court on 31 August 2017); or (ii) in the event that the Restructuring Plan is approved, when the implementation of the Restructuring Plan has satisfied certain conditions specified by the Huizhou Court or the administrator of bankruptcy reorganisation.

In accordance with the Framework Agreement and as a co-investor under the Restructuring Plan, Hopson Dijing has paid the said deposit on behalf of Huizhou Yonghua. It is anticipated that the deposit will be returned to Hopson Dijing when the implementation of the Restructuring Plan has satisfied certain conditions specified by the Huizhou Court or the administrator of bankruptcy reorganisation.

Sale Shares and Xiangshan Villa Project

In anticipation of the acquisition of the Sale Shares by Hopson Dijing pursuant to the Framework Agreement, an application was made to the Huizhou Court for the direct transfers of the Sale Shares and such shares representing 10% equity interest in Huizhou Xinghua from the current shareholders of Huizhou Xinghua (the “**Huizhou Xinghua Shareholders**”) to Hopson Dijing and Huizhou Yonghua respectively. On 20 September 2017, the Huizhou Court approved the proposed direct transfers by the Huizhou Xinghua Shareholders to Hopson Dijing and Huizhou Yonghua. As the Huizhou Xinghua Shareholders are required under the Restructuring Plan to transfer their equity interests in Huizhou Xinghua to Huizhou Yonghua (see the section headed “Pledges in favour of Hopson Dijing — 3. Two property development projects owned by the Distressed Companies” below for details), Huizhou Yonghua has a beneficial interest in the Sale Shares and is in a position to sell the Sale Shares to Hopson Dijing as the vendor despite not being the registered owner of the same. Subject to the conclusion of definitive agreement(s), Hopson Dijing will acquire the Sale Shares from Huizhou Yonghua for a consideration of RMB800 million (equivalent to HK\$960 million). The consideration for the Sale Shares was determined based on negotiation between Hopson Dijing and Huizhou Yonghua, having taken into account the negative net asset value of Huizhou Xinghua and the capital required for the initial release of existing encumbrances under the Restructuring Plan.

Upon completion of the acquisition of the Sale Shares and the transfers of shares in Huizhou Xinghua by the Huizhou Xinghua Shareholders, Huizhou Xinghua will be owned as to 90% by Hopson Dijing and 10% by Huizhou Yonghua. Their interests in the Xiangshan Villa Project are proportionate to their shareholding in Huizhou Xinghua, such that the Xiangshan Villa Project will be held as to 90% by Hopson Dijing and 10% by Huizhou Yonghua.

As one of the Distressed Companies, Huizhou Xinghua recorded a negative net asset value of approximately RMB50 million (equivalent to approximately HK\$60 million). Having considered the improvement in net asset value contemplated by reason of the Restructuring Plan, the value of and future income generated from Xiangshan Villa Project, the Board considers the acquisition of the Sale Shares to be a unique opportunity to expand the Group’s presence in and around Huizhou City, Guangdong Province. Subject to the terms of the agreement(s) for the acquisition of the Sale Shares, the Board considers the acquisition of the Sale Shares to be in the interest of the Company and the shareholders of the Company as a whole.

As at the date of this announcement, Hopson Dijing and Huizhou Xinghua are still in the process of determining the terms and documentation for the transfer of the Sale Shares.

Pledges in favour of Hopson Dijing

Pursuant to the Framework Agreement, Huizhou Yonghua agreed to provide or procure the provision of various pledges in favour of Hopson Dijing to secure the performance of Huizhou Yonghua's payment obligation under the Framework Agreement. Details of the pledges are as follows:

1. *10% equity interest in Huizhou Xinghua*

Upon completion of the acquisition of the Sale Shares and the transfers of shares in Huizhou Xinghua by the Huizhou Xinghua Shareholders, Huizhou Xinghua will be owned as to 90% by Hopson Dijing and 10% by Huizhou Yonghua. Huizhou Yonghua will then grant a pledge over its 10% equity interest in Huizhou Xinghua in favour of Hopson Dijing to secure the performance of Huizhou Yonghua's payment obligation under the Framework Agreement.

2. *100% equity interest in Huizhou Yonghua*

In addition to the pledge over 10% equity interest in Huizhou Xinghua, Huizhou Yonghua will procure its sole shareholder to grant a pledge over 100% of the equity interest in Huizhou Yonghua in favour of Hopson Dijing to secure the performance of Huizhou Yonghua's payment obligation under the Framework Agreement.

3. *Two property development projects owned by the Distressed Companies*

With regard to the three Distressed Companies other than Huizhou Xinghua, pursuant to the Restructuring Plan, the current shareholder(s) of each Distressed Company shall at nil consideration transfer a majority interest in the relevant Distressed Company to Huizhou Yonghua or its nominee, while the remaining interest will be held by a person nominated by the current shareholder(s) of the Distressed Company, failing which the same will be held by Huizhou Yonghua on behalf of the current shareholder(s). On 20 September 2017, the Huizhou Court approved the proposed transfer of a majority interest in each Distressed Company to Huizhou Yonghua. As a result of the aforesaid, Huizhou Yonghua will gain control over such Distressed Companies upon implementation of the Restructuring Plan.

Pursuant to the Restructuring Plan, the RMB800 million (equivalent to HK\$960 million) to be paid by Hopson Dijing for the Sale Shares will be used to repay all the debts of Huizhou Xinghua, repay certain debts owed by the other Distressed Companies in order to discharge some of the other encumbrances over the Xingfu Mofang Project which do not form part of the Collaterals (see the section headed "Distressed Assets" below for a description of the composition of the Collaterals), and finance the resumption of construction of the properties under development in the Xingfu Mofang Project and the marketing and sale of the Xunliao Wan Project. Following that, the proceeds of sale as and when properties in the Xunliao Wan Project and Xingfu Mofang Project become available for sale will be applied to settle other outstanding liabilities and discharge the remaining encumbrances over the two projects. Under the Restructuring Plan, the creditors of the Distressed Companies will agree on the discounts to debts and Huizhou Yonghua will be

responsible for repaying the discounted debts of the Distressed Companies (other than Huizhou Xinghua) through the aforesaid revolving self-financing process after Hopson Dijing has paid the said RMB800 million (equivalent to HK\$960 million) for the Sale Shares.

Upon release of the existing encumbrances, pursuant to the Framework Agreement, Huizhou Yonghua will grant pledges over the Xunliao Wan Project and Xingfu Mofang Project in favour of Hopson Dijing to secure the performance of Huizhou Yonghua's payment obligation under the Framework Agreement.

THE ACQUISITION

Acquisition for and on behalf of Huizhou Yonghua

Huizhou Yonghua invited Hopson Dijing to jointly participate and co-invest in the Consolidated Reorganisation because the latter had the financial resources to fund the Restructuring Plan and was better positioned to win the bid for the Distressed Assets at the auction held for the sale of the Distress Assets. On the other hand, as the Distressed Assets (including the Collaterals) are acquired in the name of Hopson Dijing (albeit for and on behalf of Huizhou Yonghua), Hopson Dijing would enjoy greater security for the due payment and performance by Huizhou Yonghua of its obligations under the Framework Agreement.

Since Hopson Dijing entered into the Transfer Agreement to acquire the Distressed Assets for and on behalf of Huizhou Yonghua, Hopson Dijing does not have beneficial interest in the same and hence the Distressed Assets would not be consolidated into the Company's financial statements.

Distressed Assets

The Distressed Assets comprise the rights to collect nine non-performing loans in the aggregate amount of approximately RMB1,910,668,145 (equivalent to approximately HK\$2,292,801,774), (comprising outstanding principal, interest and default penalty owed and/or guaranteed by, among others, the Distressed Companies) together with the rights and security interests in pledges over the Collaterals. The Collaterals comprise the following:

- the land use rights relating to parcels of land in various locations in Huizhou City and other parts of Huidong County in Guangdong Province, some of which are bare land as at the date of this announcement. In particular, the land use rights of the entire project site of the Xunliao Wan Project and certain parts of the project site of the Xiangshan Villa Project have been pledged as part of the Collaterals;
- the residential and commercial properties, as well as properties under development, including properties in various locations in Huizhou City and other parts of Huidong County in Guangdong Province, some of which are owned by the Distressed Companies. In particular, all properties developed under the Xunliao Wan Project, part of the properties developed under the Xingfu Mofang Project and part of the properties under development in the Xiangshan Villa Project have been pledged as part of the Collaterals; and

- the equity interests in companies in the PRC including equity interests in all four Distressed Companies, as well as equity interests in certain guarantors to the nine non-performing loans, being companies affiliated with the Distressed Companies.

Consideration

The consideration for the Distressed Assets is RMB1,364 million (equivalent to approximately HK\$1,637 million). A major part of the said consideration, being RMB1,188 million (equivalent to approximately HK\$1,426 million), is financed by the Loan provided by Hopson Dijing to Huizhou Yonghua. As for the difference between the Loan and the consideration for the Distressed Assets, being RMB176 million (equivalent to approximately HK\$211 million), Hopson Dijing and Huizhou Yonghua intend to enter in the Supplemental Agreement which would provide that the difference will be borne by Hopson Dijing as to RMB106 million (equivalent to approximately HK\$127 million) and by Huizhou Yonghua as to RMB70 million (equivalent to HK\$84 million). Hopson Dijing's share of the difference of RMB106 million (equivalent to approximately HK\$127 million) represents part of its cost of participation and investment in the Restructuring Plan, while Huizhou Yonghua's share of the difference of RMB70 million (equivalent to HK\$84 million) will be financed by a loan from Hopson Dijing on the same terms of the Loan.

MISCELLANEOUS

Commitment under the Framework Agreement

The aggregate commitment of Hopson Dijing for the transactions contemplated under the Framework Agreement (as amended by the Supplemental Agreement when executed) will be approximately RMB2,264 million (equivalent to approximately HK\$2,717 million) payable in cash, comprising (i) a security deposit of RMB100 million (equivalent to HK\$120 million) payable to an account specified by the Huizhou Court or the administrator of bankruptcy reorganisation; (ii) RMB1,364 million (equivalent to approximately HK\$1,637 million) being the consideration for the Distressed Assets acquired for and on behalf of Huizhou Yonghua; and (iii) RMB800 million (equivalent to HK\$960 million) for the Sale Shares.

Save as disclosed in the Announcement and herein, the Company is not required to discharge or assume any liabilities of its counterparties and does not have any further commitment in relation to the transactions contemplated under the Framework Agreement, including any payment to the Huizhou Court or the administrator of bankruptcy reorganisation or capital contribution to the construction of projects to be managed by Hopson Dijing pursuant to the Framework Agreement.

Information on property projects

Xunliao Wan Project

The Xunliao Wan Project is a commercial/residential complex project with a gross floor area of approximately 120,000 square metres, comprising two blocks of hotel properties and one block of residential properties. The construction of the Xunliao Wan Project has been completed and the

properties have passed completion inspection procedures, but sale of properties has not commenced as at the date of this announcement. Upon completion of various pre-sale preparation such as construction of demonstration unit(s) and marketing promotion, the properties developed under the Xunliao Wan Project will be offered for sale, which is expected to be substantially completed in the coming three years.

Xingfu Mofang Project

The Xingfu Mofang Project is a multiple-use complex project with residential, commercial and office properties. Among properties that had been completed, which mainly comprised residential and commercial properties, most of the properties were either sold or leased. As at the date of this announcement, commercial and office properties with a total planned gross floor area of approximately 130,000 square metres remain to be developed. Subject to financing of the resumption of construction under the Restructuring Plan, it is expected that the construction and sale of properties under the Xingfu Mofang Project will be substantially completed in the coming three to five years.

Xiangshan Villa Project

The Xiangshan Villa Project is a residential complex project with a golf course. Among the residential properties that had been completed, which mainly comprised standalone villas, approximately half of the properties were sold. As at the date of this announcement, properties to be developed under the Xiangshan Villa Project comprise (i) villas the construction of which has been suspended; and (ii) certain parcels of land with a total site area of approximately 110,000 square metres. Subject to repayment of certain debts owed by Huizhou Xinghua under the Restructuring Plan, it is expected that the construction and sale of properties under the Xiangshan Villa Project will be substantially completed in the coming three to five years.

Upon completion of the acquisition of the Sale Shares and the transfers of shares in Huizhou Xinghua by the Huizhou Xinghua Shareholders, Xiangshan Villa Project will be held as to 90% by Hopson Dijing and 10% by Huizhou Yonghua. The Company will, as and when appropriate, make capital contribution to the construction of the project in a manner similar to the development of other self-developed projects of the Group.

Non-compliance with Rule 14.34 of the Listing Rules

On 26 July 2017, Huizhou Yonghua and Hopson Dijing entered into the legally binding Framework Agreement, pursuant to which Hopson Dijing agreed to, among other things, provide the Loan to Huizhou Yonghua to finance the Acquisition and acquire the Sale Shares from Huizhou Yonghua pursuant to the Restructuring Plan. Due to an inadvertent oversight, the Company did not announce the Framework Agreement in a timely manner and failed to comply with Rule 14.34 of the Listing Rules. As disclosed in the Announcement, the Board has resolved to adopt various measures to strengthen the relevant internal control procedures to prevent occurrence of similar incidents in the future.

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

Hong Kong, 4 October 2017

In this announcement, sums in RMB are translated to HK\$ at the rate of RMB1 = HK\$1.2. This does not mean that RMB could be converted into HK\$ based on such exchange rate, or vice versa.

As at the date of this announcement, the Board comprises nine directors. The executive directors are Mr. Chu Mang Yee (Chairman), Ms. Chu Kut Yung (Deputy Chairman), Mr. Au Wai Kin, Mr. Liao Ruo Qing, Mr. Xie Bao Xin and Mr. Bao Wenge; and the independent non-executive directors are Mr. Lee Tsung Hei, David, Mr. Tan Leng Cheng, Aaron, and Mr. Ching Yu Lung.

* *For identification purposes only*