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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>*

**CONNECTED TRANSACTIONS: ACQUISITION OF THE MAJORITY EQUITY INTEREST IN A PRC COMPANY WHICH IS THE SUCCESSFUL BIDDER OF LANDS IN YANGSHUO, GUANGXI, PRC AND ANTICIPATED PROVISION OF SHAREHOLDER'S LOAN TO THAT PRC COMPANY**

**Acquisition of the majority equity interest in a PRC company which is the successful bidder of lands in Yangshuo, Guangxi, PRC and anticipated provision of shareholder's loan**

On 4 February 2019, (i) Purchaser A (a wholly-owned subsidiary of the Company); (ii) Purchaser B; and (iii) the Vendor entered into the SPA whereby the Vendor agreed to sell, and (A) Purchaser A agreed to purchase 51% of the equity interest in the Target Company at the cash consideration of RMB51,000,000; and (B) Purchaser B agreed to acquire 9% of the equity interest in the Target Company at a cash consideration. Purchaser A has also agreed to provide a shareholder's loan in the amount of RMB163,000,000 to the Target Company after Completion. Purchaser B has also agreed to provide a shareholder's loan in the amount of RMB57,000,000 to the Target Company after Completion.

Completion of the SPA is subject to the fulfilment (or waiver, if applicable) of the conditions precedent provided under the SPA. Upon completion of the Acquisition, the Target Company will become an indirect non-wholly-owned subsidiary of the Company. The Target Company is the successful bidder of the Target Lands, i.e. four pieces of parcels of lands located in Yangshuo, Guangxi, PRC. Approximately 90% of those lands are for residential use and the balance of approximately 10% are for commercial use.

**Listing Rules Implications**

The Acquisition constitutes a connected transaction of the Company since the Vendor is a connected person of the Company.

Upon completion of the Acquisition, the Target Company will become a connected person of the Company by virtue of it being a connected subsidiary and, accordingly, the Shareholder's Loan Transaction, if entered into, will also constitute a connected transaction of the Company.

Under the Listing Rules, (i) the Acquisition on a standalone basis; (ii) the Shareholder's Loan Transaction on a standalone basis; and (iii) the Acquisition and the Shareholder's Loan Transaction on an aggregate basis are all subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements.

## **1. INTRODUCTION**

The Board announces that on 4 February 2019 (after trading hours), (i) Purchaser A (a wholly-owned subsidiary of the Company); (ii) Purchaser B; and (iii) the Vendor entered into the SPA whereby the Vendor agreed to sell, and (A) Purchaser A agreed to purchase the Target Equity at the cash consideration of RMB51,000,000; and (B) Purchaser B agreed to acquire 9% of the equity interest in the Target Company at a cash consideration. Purchaser A has also agreed to provide a shareholder's loan in the amount of RMB163,000,000 to the Target Company after Completion.

## **2. THE SPA**

Set out below is a summary of the principal terms of the SPA and the relevant information.

### **2.1 Date**

4 February 2019 (after trading hours).

### **2.2 Parties**

The parties to the SPA are Purchaser A, Purchaser B and the Vendor. Please refer to section 5 of this announcement for more information on the Parties.

### **2.3 Assets to be acquired by the Group under the SPA**

The assets to be acquired by the Group through Purchaser A is the Target Equity, being 51% of the equity interest in the Target Company. As advised by the Vendor, the Target Company was established by the Vendor. Accordingly, there is no acquisition cost in relation to the Target Equity for the Vendor. Please refer to section 3 of this announcement for more information on the Target Company.

Upon Completion, the Target Company will be owned as to (i) 51% by the Group; (ii) 9% by Purchaser B; and (iii) 40% by the Vendor. Accordingly, the Target Company will become an indirect non-wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Group.

## **2.4 The Consideration and basis of its determination**

The Consideration is RMB51,000,000. Both the Consideration and the Shareholder's Loan Transaction are expected to be financed by the internal resources of the Group.

The Consideration was determined through arm's length negotiations between the Vendor and Purchaser A and is in proportion to Purchaser A's share of the registered capital of the Target Company. The Board has also taken into account, among other things, the prospects of the Development Project as disclosed in more details in section 6 of this announcement.

## **2.5 Payment of the Consideration**

Purchaser A shall satisfy the Consideration by way of paying the Consideration to the Target Company as Purchaser A's capital contribution within five working days after it has been registered as a shareholder of the Target Company at the relevant PRC authority. Purchaser B shall pay its consideration for the Minority Transfer in the same manner.

## **2.6 Conditions precedent**

Completion of both the Acquisition and the Minority Transfer are subject to the fulfilment (or waiver, where applicable) of the Conditions summarized below:

- (a) the Vendor having complied with the provisions of the SPA governing, among other things, the management of the Target Company during the Transition Period;
- (b) the warranties given by the Vendor under the SPA being true and accurate; and
- (c) no event which has, or may have, an adverse effect on the Target Company has occurred during the Transition Period.

## **2.7 Completion**

Completion shall take place on the date on which both Purchaser A and Purchaser B are registered as the shareholders of the Target Company, which shall be within 15 working days after the date of the SPA. Purchaser A is entitled to terminate the Acquisition and Purchaser B is entitled to terminate the Minority Transfer unless the Acquisition and the Minority Transfer are completed simultaneously.

## **2.8 Provisions of loans to the Target Company by the Purchasers after Completion**

- (a) Purchaser A agreed to enter into a loan agreement with the Target Company within 10 working days after it has been registered as a shareholder of the Target Company, pursuant to which Purchaser A shall provide an unsecured shareholder's loan in the amount of RMB163,000,000 to the Target Company at the annual interest rate of 10%.

- (b) Purchaser B agreed to provide an unsecured shareholder's loan to the Target Company within 10 working days after it has been registered as a shareholder of the Target Company and on the same terms summarized in (a) above except that the amount of the shareholder's loan shall be RMB57,000,000.
- (c) With respect the repayment of the shareholders' loans, the Parties agreed that subject to the board of directors of the Target Company being satisfied that the Target Company is in a position to repay its debts, the shareholder's loans owing by the Target Company to Purchaser B shall be subordinated to the Target Company's debts owing to non-shareholder third parties and the shareholders of the Target Company (other than Purchaser B).

The shareholders' loans to be provided by the Purchasers shall only be used for paying the balance of the purchase price of the Target Lands or for the Development Project. The terms of the Shareholder's Loan Transaction were determined through arm's length negotiations among the Parties with reference to the prevailing interest rates for banks and non-bank financing in the PRC financial market and the funding needs of the Target Company in relation to payment of the purchase price of the Target Lands and the Development Project.

## **2.9 Arrangement in relation to share of profit and loss**

It is agreed that:

- (a) Purchaser B shall bear the aggregate loss in respect of the Development Project up to the maximum amount of RMB66,000,000 which shall be determined according to the financial statements of the Target Company;
- (b) the aggregate loss in respect of the Development Project which exceeds RMB66,000,000 shall be borne by the Parties in proportion to their respective shareholdings in the Target Company; and
- (c) the profit in respect of the Development Project shall be shared among the Parties in proportion to the actual amount of the registered capital of the Target Company that they have paid.

The amount of the loss of the Target Company which Purchaser B agreed to bear as disclosed above was determined through arm's length negotiations among the Parties with reference to the aggregate amount of the registered capital in the Target Company to be paid up by Purchaser B and the amount of the shareholder's loan to be provided by Purchaser B.

## **2.10 Other material terms**

- (a) The Vendor shall pay RMB40,000,000 to the Target Company as the Vendor's capital contribution within 30 working days after the Purchasers have been registered as the shareholders of the Target Company pursuant to the SPA.

- (b) The future financial needs of the Target Company shall be satisfied in the order of (i) third party financing; and (ii) provision of financial support by the Vendor and Purchaser A.

### **3. INFORMATION ON THE TARGET COMPANY**

Set out below is certain information on the Target Company as at the Announcement Date:

Place of establishment : PRC

Company type : limited liability company

Registered capital : RMB100,000,000

Paid up capital : Nil

Scope of business : Includes, among other things, property development, property management, leasing of properties and sale of self-developed properties

Operation period : 30 years from 12 December 2018 to 11 December 2048

Sole shareholder : Vendor

The unaudited total assets and total liabilities of the Target Company as at 31 December 2018 were both approximately RMB274,241,000 while the net asset value is zero. The Target Company was established on 12 December 2018 and therefore there is no financial information with respect to the profit or loss for the last two financial years preceding the Announcement Date.

The Target Company is the successful bidder of the Target Lands in the public bidding process in relation to the Target Lands held by Yangshuo Land Resources Bureau from 6 December 2018 to 19 December 2018. Please refer to (i) section 4.1 of this announcement for more information on the Target Lands and (ii) section 4.2 of this announcement for more information on the Development Project.

### **4. INFORMATION ON THE TARGET LANDS AND THE DEVELOPMENT PROJECT**

#### **4.1 Target Lands**

The Target Lands are four pieces of parcels of lands located in Yangshuo. According to the contracts on land use rights in respect of state-owned lands in relation to the Target Lands entered into between the Target Company and Yangshuo Land Resources Bureau, the Target Lands have an aggregate area of approximately 237,080 square metres of which (i) approximately 90% shall be used for residential purpose for a term of 70 years from the

delivery of the Target Lands to the Target Company; and (ii) approximately 10% shall be used for commercial purpose for a term of 40 years from the delivery of the Target Lands to the Target Company.

The purchase price of the Target Lands is RMB662,535,241, 50% of which had already been paid and the balance of 50% is required to be paid before 19 April 2019. As at the Announcement Date, it is expected that the Target Company will finance the balance of the purchase price of the Target Lands by shareholders' loans and/or debt financing from non-shareholders.

## 4.2 Development Project

As at the Announcement Date, the Target Company intends to develop the Target Lands in three phases, details of which are summarized below:

	<b>Phase I</b>	<b>Phase II</b>	<b>Phase III</b>
Commencement date of the development	May 2019	January 2020	February 2021
Total area of the development (after taking into account the plot ratio)	Approximately 73,937 square metres	Approximately 83,663 square metres	Approximately 127,200 square metres
Area for residential purpose	Approximately 59,000 square metres	Approximately 70,183 square metres	Approximately 127,200 square metres
Area for commercial purpose (shops)	Approximately 14,937 square metres	Approximately 13,480 square metres	Nil
Delivery of the properties to purchasers	November 2020	July 2021	December 2022

It is also expected that the Development Project will have approximately 3,000 car parking spaces. As at the Announcement Date, it is expected that the total investments of the Development Project would be approximately RMB4 billion to be financed by debt financing, the sale proceeds of the properties under the Development Project and, if available, shareholders' loans.

Save and except for approximately 5,000 square metres of the commercial development in phase I and phase II, respectively which the Target Company intends to assess the market at the material time before marking the relevant business decision, the buildings to be constructed under the Development Project are intended to be sold.

## **5. INFORMATION ON THE PARTIES**

### **5.1 The Group and Purchaser A**

The Company is an investment holding company. The Company's subsidiaries, associates and joint ventures are principally engaged in property development, property investment, hotel operations and property management.

Purchaser A is a wholly-owned subsidiary of the Company established in PRC whose scope of business is commercial services according to its business license.

### **5.2 Purchaser B**

Purchaser B is a company established in PRC whose business includes, among other things, management of investments, consultancy of information of property, property development and sale of properties according to its business license.

To the best knowledge and belief of the Directors having all reasonable enquiries, Purchaser B and its ultimate beneficial owner(s) are third parties independent of, and not connected with, the Company and its connected persons.

### **5.3 The Vendor**

The Vendor is a company established in PRC whose business includes, among other things, property development and property management according to its business license.

The Vendor is ultimately controlled by Mr. WH Chu. Mr. WH Chu is (i) the son of a connected person of the Company, namely the Chairman; and (ii) the elder brother of another connected person of the Company, namely the Deputy Chairman. As such, Mr. WH Chu is an associate of each of the Chairman and the Deputy Chairman and therefore a connected person of the Company. Accordingly, the Vendor, being a company ultimately controlled by Mr. WH Chu, is also a connected person of the Company.

## **6. REASONS AND BENEFITS FOR ENTERING INTO THE SPA**

The Development Project is a project for elderly life. As disclosed in section 4.2 of this announcement, the Target Company plans to develop the Target Lands into a project comprising residential properties principally and complemented by commercial properties (shops) in three phases. The Development Project is located in Yangshuo, a place with beautiful scenery and which is particularly attractive to those who like natural environment. The natural environment of Yangshuo also makes it suitable for geriatric and retirement life. Due to the aging population of PRC, it is expected that the demand for real estate projects positioned for elderly life will increase. The Group therefore participates in the Development Project through the acquisition of the Target Equity. The Development Project will also become the first strategic project of the Group for its future branding in the field of elderly life and as a pilot project for characteristic small towns. Further, the acquisition of the Target Equity is also in line with the objective of the Group to explore market opportunities.

Having taken into account the above reasons and benefits, the Directors (including all the independent non-executive Directors) consider that (i) the terms of the SPA to be fair and reasonable; (ii) the SPA Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) the SPA Transactions are in the interests of the Company and the Shareholders as a whole. None of the Directors has a material interest in the SPA Transactions. However, by virtue of an associate of each of the Chairman and the Deputy Chairman (namely, Mr. WH Chu) being materially interested in the SPA Transactions, each of the Chairman and the Deputy Chairman had not participated in the voting of the resolution(s) of the Board approving the SPA Transactions.

## **7. LISTING RULES IMPLICATIONS**

### **7.1 Connected transactions**

As disclosed in section 5.3 of this announcement, the Vendor is a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As disclosed in section 7.2 of this announcement, the Target Company will be a connected subsidiary of the Company upon completion of the Acquisition and, accordingly, the Shareholder's Loan Transaction, if entered into, will also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) other than the profit ratio in respect of each of (i) the Acquisition on a standalone basis; (ii) the Shareholder's Loan Transaction on a standalone basis; and (iii) the Acquisition and the Shareholder's Loan Transaction on an aggregate basis exceeds 0.1% but is less than 5% and each of the Acquisition and the Shareholder's Loan Transaction is conducted on normal commercial terms or better, the SPA Transactions are therefore subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under the Listing Rules.

## 7.2 Connected subsidiary upon Completion

Upon Completion, Mr. WH Chu, an associate of the connected persons of the Company at the issuer level (namely, the Chairman and the Deputy Chairman), will own 40% of the equity interest of the Target Company. As such, the Target Company will be an indirect non-wholly-owned subsidiary of the Company where the connected person of the Company at the issuer level can exercise or control the exercise of 10% or more of the voting power at its general meetings and, accordingly, the Target Company will become a connected subsidiary and therefore a connected person of the Company under the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	acquisition of the Target Equity by Purchaser A
“Announcement Date”	the date of this announcement, being 4 February 2019
“associate”	as defined under the Listing Rules
“Board”	the board of Directors
“Chairman”	Mr. Chu Mang Yee, the chairman of the Board and an executive Director
“Company”	Hopson Development Holdings Limited, a company incorporated in Bermuda and whose shares are listed on the Stock Exchange
“Completion”	completion of the Acquisition and the Minority Transfer in accordance with the SPA
“Conditions”	the conditions for the Completion
“connected person”	as defined under the Listing Rules
“connected subsidiary”	as defined under the Listing Rules
“Consideration”	the consideration payable by Purchaser A for the Acquisition pursuant to the SPA
“Deputy Chairman”	Ms. Chu Kut Yung, the deputy chairman of the Board and an executive Director
“Development Project”	the development project of the Target Lands as described in section 4.2 of this announcement
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries

“Guangxi”	Guangxi Zhuang Autonomous Region (廣西壯族自治區)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minority Transfer”	the transfer of 9% of the equity interest in the Target Company by the Vendor to Purchaser B
“Mr. WH Chu”	Mr. Chu Wai Hong, the son of the Chairman and the elder brother of the Deputy Chairman
“Parties”	the parties to the SPA, namely the Vendor, Purchaser A and Purchaser B
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes Taiwan, Hong Kong and the Macao Special Administrative Region
“Purchaser A”	廣州展騰投資有限公司 (Guangzhou Zhan Teng Investments Company Limited**), a company established in PRC and a wholly-owned subsidiary of the Company
“Purchaser B”	北京華裕東方投資有限公司 (Beijing Hua Yu Dong Fang Investments Company Limited**), a company established in PRC
“Purchasers”	collectively, Purchaser A and Purchaser B
“Shareholder’s Loan Transaction”	the provision of a shareholder’s loan by Purchaser A to the Target Company as described in section 2.8(a) of this announcement
“Shareholders”	holders of the shares of the Company
“SPA”	the sale and purchase agreement entered into among the Parties in relation to the Acquisition, the Shareholder’s Loan Transaction and the Minority Transfer and dated 4 February 2019
“SPA Transactions”	collectively, the Acquisition and the Shareholder’s Loan Transaction
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	桂林鳳凰文投置業有限公司 (Guilin Feng Huang Wen Tou Properties Company Limited**), a company established in PRC
“Target Equity”	51% of the equity interest in the Target Company
“Target Lands”	four pieces of parcels of lands Nos. R201801, R201802, R201803 and R201804 located at the south of Shan Shui Road (山水大道), Xincheng District (新城區), Yangshuo
“Transition Period”	the period from the date of the SPA up to the registration of the Purchasers as the shareholders of the Target Company

“Vendor”	北京鳳凰文投置業有限公司 (Beijing Feng Huang Wen Tou Properties Company Limited**), a company established in PRC
“Yangshuo”	Yangshuo County (陽朔縣), Guilin City (桂林市), Guangxi, PRC
“Yangshuo Land Resources Bureau”	the Land Resources Bureau of Yangshuo County** (陽朔縣國土資源局)

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

Hong Kong, 4 February 2019

*As at the Announcement Date, the Board comprises nine Directors. The executive Directors are Mr. Chu Mang Yee (Chairman), Ms. Chu Kut Yung (Deputy Chairman), Mr. Xi Ronggui (Chief Executive Officer), Mr. Au Wai Kin, 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 purpose only*

\*\* *For ease of reference, the names of PRC established companies or entities (if any) and PRC laws, regulations and organisations (if any) have generally been included in this announcement in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail*