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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 IN RELATION TO THE CONNECTED TRANSACTIONS ANNOUNCED ON 4 FEBRUARY 2019**

This announcement is issued by Hopson Development Holdings Limited (“**Company**”) to supplement its announcement dated 4 February 2019 in relation to the SPA Transactions (“**First Announcement**”). Unless the context otherwise requires, capitalized terms defined in the First Announcement have the same meanings when used in this announcement.

The Board would like to provide additional information and clarification as set out below:

### **1. SHAREHOLDER’S LOAN TRANSACTION**

- (a) The shareholder’s loan in the amount of RMB163,000,000 to be provided by Purchaser A (“**Shareholder’s Loan**”) and the shareholder’s loan in the amount of RMB57,000,000 to be provided by Purchaser B to the Target Company were determined after arm’s length negotiations among the Parties with reference to the Target Company’s funding needs to pay the balance of the purchase price of the Target Lands in the amount of RMB331,267,620 after taking into consideration (i) the Target Company’s cash in hand and its registered capital of RMB100,000,000 to be paid up; (ii) the capped financial commitment of Purchaser B in the amount of RMB66,000,000; and (iii) the working capital available to each of the Purchasers.

- (b) The table below summarizes the shareholders' loans provided and to be provided by the Vendor and the Purchasers to the Target Company:

Shareholder	Amount of shareholder's loan (RMB)	Percentage of total shareholders' loans	Percentage of shareholding of the relevant shareholder
Vendor	331,267,620 (being half of the purchase price of the Target Lands already paid by the Target Company)	60.09%	40%
Purchaser A	163,000,000	29.57%	51%
Purchaser B	<u>57,000,000</u>	<u>10.34%</u>	<u>9%</u>
	<u>551,267,620</u>	<u>100%</u>	<u>100%</u>

The amount of RMB331,267,620 disclosed above is the total amount of the shareholder's loan already provided by the Vendor to the Target Company as at the date of this announcement.

- (c) The Shareholder's Loan, like all other shareholder's loans to the Target Company, has no specific term for repayment.

## 2. CONSIDERATION AND SHAREHOLDER'S LOAN

- (a) As disclosed in section 2.4 of the First Announcement, the Consideration was determined after 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 the First Announcement.
- (b) Having taken into account that (i) the proportion of the Shareholder's Loan to the total amount of the shareholders' loans as disclosed in section 1(b) of this announcement is lower than Purchaser A's proportional shareholding in the Target Company and therefore is better than normal commercial terms for Purchaser A and (ii) the Shareholder's Loan is interest-bearing and therefore can bring income to the Group, the Board is of the view that the total amount of RMB214,000,000 (comprising the Consideration and the Shareholder's Loan) payable by Purchaser A for the Acquisition is fair and reasonable and in the interest of the Shareholders and the Company as a whole.

### **3. SHAREHOLDER'S LOAN TO BE PROVIDED BY PURCHASER B AND THE LOSS (IF ANY) TO BE BORNE BY PURCHASER B**

- (a) The basis of determination of the shareholder's loan to be provided by Purchaser B to the Target Company is set out in section 1(a) of this announcement.
- (b) In view of the working capital available to Purchaser B as mentioned in section 1(a) of this announcement, the Parties agreed to cap the maximum investment amount of Purchaser B at RMB66,000,000. Accordingly, as disclosed in section 2.10(b) of the First Announcement, only the Vendor and Purchaser A will be responsible for providing financial support to the Target Company in the event that its future financial needs cannot be satisfied by third party financing.
- (c) Subject to Purchaser B bearing the aggregate loss in respect of the Development Project up to the maximum amount of RMB66,000,000, any loss in excess of RMB66,000,000 shall be borne by the Parties in proportion to their respective shareholdings in the Target Company as disclosed in section 2.9(b) of the First Announcement. The Board believes that such arrangement is better than normal commercial terms for Purchaser A since the loss of the Target Company up to the amount of RMB66,000,000 will be borne by Purchaser B solely instead of in proportion to the shareholdings of the shareholders of the Target Company. Further, having considered this arrangement in conjunction with other terms of the Acquisition, the Directors are of the view that the terms of the Acquisition taken as a whole are fair and reasonable and in the interest of the Shareholders and the Company as a whole.

### **4. FUTURE FINANCIAL SUPPORT FOR THE TARGET COMPANY**

- (a) Notwithstanding the aforesaid, Purchaser A does not have any future capital commitment under the SPA other than the Shareholder's Loan.
- (b) As between the Vendor and Purchaser A, any further financing for the total investment of the Development Project or other purposes will be provided by them in proportion to their respective shareholdings in the Target Company.

## 5. TOTAL ASSETS AND LIABILITIES OF THE TARGET COMPANY

To the best knowledge and belief of the Directors having made all reasonable enquiries, the total assets and liabilities of the Target Company as at 31 December 2018 as disclosed in the First Announcement comprised principally part of the purchase price of the Target Lands already paid (approximately RMB266,000,000) and the shareholder's loan owed by the Target Company to the Vendor (approximately RMB266,000,000), respectively. The Vendor provided a further shareholder's loan in the amount of approximately RMB57,026,620 to the Target Company after 31 December 2018.

## 6. TARGET LANDS

- (a) As at the date of this announcement, the Target Company intends to pay the balance of the purchase price of the Target Lands by using the shareholders' loans to be provided by Purchaser A and Purchaser B in the aggregate amount of RMB220,000,000, its registered capital up to RMB100,000,000 and the remaining amount by third party debt financing. As at the date of this announcement, the Target Company has not yet entered into negotiation with any third party with regard to the possible third party debt financing.
- (b) It has already been disclosed in section 3 of the First Announcement that the public bidding process in relation to the Target Lands was held by Yangshuo Land Resources Bureau from 6 December 2018 to 19 December 2018. According to the public notice published by Yangshuo Land Resources Bureau on 20 November 2018 (“**Public Notice**”):
  - (i) the public bidding of the Target Lands was approved by the People's Government of Yangshuo and was conducted in accordance with, among others, 中華人民共和國土地管理法 (Land Administration Law of PRC\*\*) and 招標拍賣掛牌出讓國有建設用地使用權規定 (Provisions on Granting State-Owned Construction Land Use Rights Through Tenders, Auction and Listing for Bidding\*\*);
  - (ii) participants of the bidding must pay a deposit of RMB266,000,000 on or before 17 December 2018;
  - (iii) the bidding was conducted through public submission of increased bids;
  - (iv) the bidder who offers the highest bidding price will be the successful bidder; and
  - (v) the successful bidder must pay 50% of the accepted bidding price within 30 days after closing of the bidding and the balance within 120 days of the closing.

To the best knowledge and belief of the Directors having made all reasonable enquiries, land use rights of the state-owned lands of PRC for industry, commerce, tourism, entertainment or commodity residential purposes, such as the Target Lands, must be transferred through tenders, auction or listing for bidding according to the Provisions on Granting State-Owned Construction Land Use Rights Through Tenders, Auction and Listing for Bidding and the

price must be determined in accordance with 招標拍賣掛牌出讓國有土地使用權規範(試行) (Criteria on Assignment of the State-owned Land Use Right Through Invitation for Tenders, Auction or Listing for Bidding (For Trial Implementation)\*\*) and 城鎮土地估價規程 (GB/T 18508-2014) (Criteria for Valuation on Urban Land (GB/T 18508-2014)\*\*). According to these regulations, the initial price will be determined after taking into account the result of land valuation, industrial policies relevant to the use of the lands and the current land market.

- (c) To the best knowledge and belief of the Directors having made all reasonable enquiries, the Target Company was the only party which had bid for the Target Lands. Based on the initial bidding price per square metre stipulated in the Public Notice, the total purchase price of the Target Lands in the amount of RMB662,535,241 represents the initial bidding price prescribed by Yangshuo Land Resources Bureau, and such initial bidding price was determined after taking into account the factors disclosed in the last statement in section 6(b) above, including land valuation.
- (d) The Company has not conducted any independent valuation on the Target Lands. Its decision not to do so was based on the following factors:
  - (i) the Target Company acquired the Target Lands in public bidding in accordance with the prescribed legal procedures and at the initial price set by Yangshuo Land Resources Bureau;
  - (ii) there had been no material adverse change in the local property market in the short span of time between the public bidding of the Target Lands held in December 2018 and the entry into the SPA on 4 February 2019; and
  - (iii) it would not be in the interest of the Shareholders for the Company to incur costs for an independent valuation of the Target Lands when it was apparent that the purchase price paid by the Target Company was fair and still current.

- (e) As disclosed in section 3 of the First Announcement, the net asset value of the Target Company was zero as at 31 December 2018. The zero net asset value reflected, on the one hand, the assets of the Target Company, being principally the partial purchase price paid for the Target Lands in the amount of RMB266,000,000 and, on the other hand, the liabilities of the Target Company, being principally the shareholder's loan provided by the Vendor in the amount of RMB266,000,000 for paying such purchase price. The zero net asset value of the Target Company as at 31 December 2018 is not a reflection that the Development Project is of no value. Accordingly, the Directors are of the view that the total investment of RMB214,000,000 is fair and reasonable.

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

Hong Kong, 22 February 2019

*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. 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*