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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 TRANSACTION: ACQUISITION OF 100% OF  
THE EQUITY INTEREST IN A PRC COMPANY WHICH OWNS A PIECE  
OF LAND IN HUANGPU DISTRICT OF SHANGHAI, PRC**

**THE ACQUISITION**

On 3 August 2022, (i) Purchaser (a wholly-owned subsidiary of the Company); (ii) the Vendor (a connected person of the Company); and (iii) the Target Company (a wholly-owned subsidiary of the Vendor and a connected person of the Company) entered into the SPA whereby the Vendor agreed to sell, and the Purchaser agreed to purchase, 100% of the equity interest in the Target Company at the cash consideration of RMB790,000,000.

The change of the registration of the ownership of the Target Equity from the Vendor to the Purchaser at the relevant PRC governmental department is subject to the fulfilment (or waiver, if applicable) of the conditions precedent provided under the SPA, including but not limited to the release of the Target Equity from an existing mortgage having been obtained and the Purchaser being satisfied with the results of the due diligence in respect of the Target Company.

The Target Company acquired the Target Land, being a piece of the land located at Yu Yuan (豫園), a prime area of the Huangpu District of Shanghai, the PRC in 2017. After the acquisition of the Target Land, the Target Land's plot ratio has been reduced. As a compensation, the reduced land development rights and interests may be transferred to another piece of land in other districts of Shanghai owned by the same owner (or ultimately owned by the same owner). Zhujiang Group (the group to which the Vendor belongs to) currently does not have land in Shanghai for the transfer of the Reduced Land Development Rights and Interests. However, the Company has lands in the Yangpu District (楊浦區) of Shanghai which may allow the transfer of the Reduced Land Development Rights and Interests.

The Target Land shall be used for residential purpose solely. The Company proposes to build 40 Chinese style villa over the Target Land, the target customers of which are those who look for properties of the highest quality, situated at prime locations and carry strong cultural connotation. As at the Announcement Date, it is expected that the construction work for the Development Project will commence in or about March 2023 and its pre-sale will commence in or about May 2024.

On the basis of the current market and the reasonable forecast of the Company and taking into account the transfer of the Reduced Land Development Rights and Interests to other lands of the Company in the Yangpu District (楊浦區) of Shanghai and the expected return of the Target Land, the Company is of the view that the Acquisition would produce satisfactory return and, accordingly, can enhance the net asset value of the Company.

## **LISTING RULES IMPLICATIONS**

The Acquisition does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules, however it constitutes a non-exempt connected transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the circular (including independent financial advice and shareholders' approval) requirement pursuant to rule 14A.76(2)(a) of the Listing Rules.

## **1. INTRODUCTION**

The Board announces that on 3 August 2022 (after trading hours), (i) the Purchaser (a wholly-owned subsidiary of the Company); (ii) the Vendor; and (iii) the Target Company entered into the SPA whereby the Vendor agreed to sell and the Purchaser agreed to purchase the Target Equity at the cash consideration of RMB790,000,000. Further information on, among other things, the Acquisition is set out below.

## **2. THE SPA**

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

### **2.1 Date**

3 August 2022 (after trading hours).

### **2.2 Parties**

The parties to the SPA are the Vendor, the Purchaser and the Target Company. Please refer to section 5.1 and section 5.2 of this announcement respectively for more information on the Purchaser and the Vendor. As to further information on the Target Company, please refer to section 3 of this announcement.

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

The assets to be acquired by the Group through the Purchaser is the Target Equity, being 100% of the equity interest in the Target Company. The Target Equity was acquired by the Vendor from a previous shareholder of the Target Company at the consideration of RMB80,000,000 in 2017.

Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company. Accordingly, 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 RMB790,000,000 payable in cash in two instalments as disclosed in section 2.6 below. As at the Announcement Date, it is expected that the Consideration will be financed by the internal resources of the Group (approximately RMB240,000,000) and bank loans (approximately RMB550,000,000).

The Consideration was determined through arm's length negotiations between the Vendor and the Purchaser. The Board has also taken into account, among other things, the prospects of the Development Project as disclosed in more details in sections 4.4 and 6 of this announcement, the remaining costs to complete the resumption of properties over the Target Land in the amount of approximately RMB144 million as disclosed in section 4.3 of this announcement and the valuation results of the Valuation Report set out below:

<b>Items</b>	<b>Value (Note 1)</b>
Loss in land development rights and interests (Note 2)	RMB1,673,000,000
100% of the net asset (liabilities) of the Target Company (Note 3)	<u>(RMB883,000,000)</u>
<b>Total</b>	<b><u><u>RMB790,000,000</u></u></b>

Notes:

1. The valuation date is 31 March 2022 and the valuer adopted the asset base approach.
2. Loss in land development rights and interests means the loss resulting from the reduction of the plot ratio of the Target Land from 4.15 to 1.3. Please refer to sections 4.1 and 4.2 of this announcement for more information in this regard.
3. According to the Valuation Report, the loss in land development rights and interests has not been included in the net asset value of the Target Company since such land development rights and interests will be compensated by the same being transferred to another entity under common control.

## **2.5 Adjustment to the Consideration**

In the event that (i) it is discovered that the Target Company has entered into contracts the contractual sum of which is more than RMB1,000,000 or the Target Company has debts in the amount of more than RMB1,000,000, in each case individually or more than RMB2,000,000 in aggregate in each case; (ii) the gearing ratio of the Target Company has a difference of more than 5% when compared with the financial information provided by the Vendor; or (iii) the Vendor has misrepresented to the Purchaser the amount of the costs of the resumption of the properties on the Target Land or has provided false or misleading information to the Purchaser in this regard, the Purchaser may elect to set-off against any instalment of the Consideration and the Vendor shall pay the shortfall to the Purchaser should any instalment of the Consideration be insufficient for the set-off.

## **2.6 Payment schedule of the Consideration**

The Consideration shall be paid to the Vendor in two instalments as disclosed below:

- (a) the first instalment in the amount of RMB240,000,000 shall be paid within 60 working days after the Purchaser has been registered as the holder of the Target Equity at the relevant governmental department and the new business licence has been issued to the Target Company; and
- (b) the second instalment in the amount of RMB550,000,000 shall be paid within one month after the payment of the first instalment.

## **2.7 Change of Ownership Registration Conditions**

The change of the registration of the ownership of the Target Equity from the Vendor to the Purchaser at the relevant PRC governmental department is subject to the fulfilment (or waiver, where applicable) of the conditions summarised below:

- (a) the exiting mortgage over the Target Equity made in favour of a PRC bank having been released;
- (b) the Purchaser having completed the due diligence in respect of the Target Company and the result of which is satisfactory to the Purchaser;
- (c) the warranties given by the Vendor are true, accurate and complete from the date of the SPA up to the Registration Occurrence Date;
- (d) the Vendor having performed those undertakings which are required to be performed before the Registration Occurrence Date, including but not limited to (i) procuring the Target Company to repay a debt in the amount of RMB54,338,216.20 owing to the Vendor and (ii) repaying a debt in the amount of RMB86,000,000 owing by a shareholder of the Vendor to the Target Company;

- (e) there being no adverse change to the Target Company, the Target Land or other assets of the Target Company between the date of the SPA up to the Registration Occurrence Date; and
- (f) the Acquisition having been approved by the independent Shareholders (if applicable).

The Change of Ownership Registration Conditions set in (a) and (f) above cannot be waived by any party to the SPA. The Purchaser may waive the Change of Ownership Registration Conditions set in (b), (c), (d) and/or (e) above.

The Change of Ownership Registration Conditions must be fulfilled (or waived, if applicable) within three months after the signing of the SPA or the SPA will lapse automatically upon expiry of the aforesaid period.

## **2.8 Timeline for the Occurrence of the Change of the Registration of the Ownership of the Target Equity**

The change of the registration of the ownership of the Target Equity shall occur within 10 working days after the fulfillment (or waiver, if applicable) of the Change of Ownership Registration Conditions.

## **2.9 Option to sell back the Target Equity to the Vendor**

If the Target Company has not obtained the Certificate of Ownership of Real Property\*\* (不動產權證) in respect of the Target Land within one year after completion of the change of the ownership registration in respect of the Target Equity in accordance with the SPA, the Purchaser has the option (but not the obligation) to sell back the Target Equity to the Vendor at the consideration of RMB790,000,000 plus an interest for the period commencing from the completion of the change of the ownership registration in respect of the Target Equity in accordance with the SPA up to the payment of the consideration by the Vendor at the one-year interest rate of the loan market of the People's Bank of China. The said option is granted to the Purchaser without consideration and may be exercised by the Purchaser serving a written notice to the Vendor within one month after expiry of one year after completion of the change of the ownership registration of the Target Equity in accordance with the SPA. Completion of the selling back of the Target Equity is subject to the Purchaser, the Vendor and/or their respective direct or indirect holding companies having complied with the applicable laws and regulations (including without limitation the listing rules of securities exchange).

### 3. INFORMATION ON THE TARGET COMPANY

#### 3.1 General information

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	:	RMB50,000,000
Paid up capital	:	RMB50,000,000
Scope of business	:	Includes, among other things, property development and operation, sales of metallic materials and construction materials and management of car parks
Operation period	:	4 February 2016 to 3 February 2066
Sole shareholder	:	Vendor

The Target Company acquired the Target Land pursuant to the 2017 Land Transfer Contract. Please refer to (i) section 4.1 of this announcement for more information on the Target Land and (ii) section 4.4 of this announcement for more information on the Development Project.

#### 3.2 Financial information

Set out below is the financial information on the Target Company in relation to the two financial years ended 31 December 2020 and 2021 respectively which were prepared in accordance with the PRC Accounting Standards:

	<b>For the twelve months ended 31 December 2020 (audited) RMB'000</b>	<b>For the twelve months ended 31 December 2021 (audited) RMB'000</b>
Loss before tax and extraordinary items	(324)	(731)
Loss after tax and extraordinary items	(324)	(731)
	<b>As at 31 December 2020 (audited) RMB'000</b>	<b>As at 31 December 2021 (audited) RMB'000</b>
Total assets	458,982	2,317,982
Total liabilities	456,868	1,774,599
Net assets	2,114	543,383

## 4. INFORMATION ON THE TARGET LAND AND THE DEVELOPMENT PROJECT

### 4.1 Target Land

The Target Land is a piece of land located in Yu Yuan (豫園) of Shanghai and was acquired by the Target Company pursuant to the 2017 Land Transfer Contract under which the purchase price of RMB6,545,010 had been waived. The Target Land has an area of approximately 7,523 square metres which shall be used for residential purpose solely. Under the 2017 Land Transfer Contract, the Target Land had a plot ratio of 4.15 and would have an above-ground building area of 31,200 square metres. According to the Mission of Control of Detailed Planning and Design\*\* (《控制性詳細規劃設計任務書》) issued by the Planning and Natural Resources Bureau of Shanghai\*\* (上海市規劃和自然資源局), the plot ratio of the Target Land has been reduced from 4.15 to 1.3 and the corresponding above-ground building area has also been reduced from 31,200 square metres to 10,582 square metres. According to the report issued by the appraisal company appointed by the Planning and Natural Resources Bureau of Yangpu District\*\* (楊浦區規劃和自然資源局) and The Old Area Transformation Command Office of Yangpu District\*\* (楊浦區舊區改造指揮部辦公室), the market value of the land use rights resulting from the reduction of the plot ratio is RMB1,604,140,000 (the “**Reduced Land Development Rights and Interests**”). As at the Announcement Date, it is expected that the Reduced Land Development Rights and Interests will be compensated by way of the Transfer Arrangement.

### 4.2 Transfer Arrangement

Under the Transfer Arrangement, the Reduced Land Development Rights and Interests may be transferred to another piece of land in other districts of Shanghai without additional land premium subject to, among other things:

- (a) the Target Land and the land to which the Reduced Land Development Rights and Interests is proposed to be transferred to (the “**Development Rights Transferee Land**”) must be ultimately owned by the Zhujiang Group (i.e. the ultimate owner of the Vendor) or the Company after completion of the Acquisition;
- (b) the transfer of the Reduced Land Development Rights and Interests having been approved by the relevant governmental departments;
- (c) a supplemental state-owned land transfer contract in respect of the Target Land has been entered into between the Target Company and the relevant government department which transferred the Target Land to the Target Company under which, among other things, the value of the interest on the portion of the Target Land to be transferred and the name of the Development Rights Transferee Land Owner will be specified; and

- (d) a supplemental state-owned land transfer contract in respect of the Development Rights Transferee Land has been entered between the Development Rights Transferee Land Owner and the relevant government department which transferred the Development Rights Transferee Land to the Development Rights Transferee Land Owner under which, among other things, the information of the Target Land (name of the land, the value of the land interest to be transferred) and the changes to the planning scheme applicable to the Development Rights Transferee Land will be specified.

### **4.3 Resumption of properties over the Target Land**

As at the Announcement Date and based on the Implementation of the Old Area Transformation in Huangpu District in 2021 (full year)\*\* (《黃浦區2021年舊區改造實施情況(全年)》) issued by the People's Government of Huangpu District, Shanghai, 99% of the resumption of properties over the Target Land has been completed. However, as the resumption of properties over the Target Land has not yet been fully completed, no construction work has been commenced on the Target Land and the Certificate of Ownership of Real Property\*\* (不動產權證) in respect of the Target Land has not yet been obtained. Pursuant to the Funding Plan of the Resumption of Properties on the Land located at No. 69 (Western Portion) of Fuxing Road, Hunagpu District\*\* (《黃浦區復興東路69號地塊(西塊)房屋徵收資金計劃》) entered into between the Target Company and the Construction and Administration Commission of Hunagpu District, Shanghai\*\* (上海市黃浦區建設和管理委員會), the estimated costs of the resumption of the properties on the Target Land is RMB2.28 billion. As at the Announcement Date, the Target Company had already paid an aggregate of RMB2.136 billion as resumption costs to the Construction and Administration Commission of Hunagpu District, Shanghai. It is expected that the balance of the costs of the resumption of the properties in the estimated amount of RMB144 million will be financed by the bank borrowings of the Target Company.

### **4.4 Development Project**

As at the Announcement Date, it is expected that the resumption of properties over the Target Land will be completed in the last quarter of 2022. The Company proposes to build 40 Chinese style villa over the Target Land, the target customers of which are those who look for properties of the highest quality, situated at prime locations and carry strong cultural connotation. As at the Announcement Date, it is expected that the construction work for the Development Project will commence in or about March 2023 and its pre-sale will commence in or about May 2024.



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

### **5.1 The Group and the Purchaser**

The Company is an investment holding company incorporated in Bermuda. The Group is mainly engaged in the development of residential properties, commercial properties investment, property management and infrastructure business in Mainland China, and investments business.

The Purchaser is a wholly-owned subsidiary of the Company established in PRC whose scope of business includes property development according to its business license.

### **5.2 The Vendor and the Target Company**

The Vendor is a company established in PRC whose PRC whose scope of business includes property development according to its business license.

The Vendor is ultimately controlled by Mr. WH Chu. Mr. WH Chu is the elder brother of a connected person of the Company, namely the Chairperson. As such, Mr. WH Chu is an associate of the Chairperson 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.

As the Target Company is a subsidiary of the Vendor, it is an associate of the Vendor and therefore also a connected person of the Company.

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

The Target Land is located in Yu Yuan (豫園), a well recognised central region of Shanghai and situated in one of the best locations in Shanghai for low density residential properties which is scarce in supply. Due to the scarcity of such kind of lands and the expansion of the wealthy class in Shanghai, the financial centre of the PRC, there is a steady demand for residential properties at the higher-end of the property market. On the basis of the above disclosures, the current market and the reasonable forecast of the Company and taking into account the transfer of the Reduced Land Development Rights and Interests to other lands of the Company in the Yangpu District (楊浦區) of Shanghai and the expected return of the Target Land, the Company is of the view that the Acquisition would bring satisfactory return both in terms of replenishing the land bank in important cities and the investment in the Target Land itself and, accordingly, can enhance the net asset value of the Company. The Zhujiang Group currently does not have land in Shanghai for the transfer of the Reduced Land Development Rights and Interests. However, the Company has lands in the Yangpu District (楊浦區) of Shanghai which may allow the transfer of the Reduced Land Development Rights and Interests. Further, the approval of the relevant governmental departments referred to in section 4.2(b) of the announcement have been obtained.

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 Acquisition and other transactions contemplated under the SPA are on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) the Acquisition and other transactions contemplated under the SPA 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 the Chairperson (namely, Mr. WH Chu) being materially interested in the Acquisition, Ms. Chu Kut Yung, an executive Director and the Chairperson, had not participated in the voting of the resolutions of the Board approving the SPA.

## **7. LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio in respect of the Acquisition is less than 5%, the Acquisition does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules and therefore is not subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As both the Vendor and the Target Company are the connected persons of the Company as disclosed in section 5.2 above, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since the Acquisition is conducted on normal commercial terms or better and the highest percentage ratio (other than the profits ratio) in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules which is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the circular (including independent financial advice and shareholders' approval) requirement pursuant to rule 14A.76(2)(a) of the Listing Rules.

In relation to the option disclosed in section 2.9 of the announcement, the Company will comply with the requirements of Rule 14.75(2) of the Listing Rules if such option is exercised, and the requirements of Rule 14.77 of the Listing Rules on, among other things, expiry of such option.

## **DEFINITIONS**

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

“2017 Land Transfer Contract”	the state-owned land transfer contract in respect of the Target Land entered into between the Target Company and Huangpu Land Administration Bureau in January 2017
“Acquisition”	the acquisition of the Target Equity by the Purchaser
“Announcement Date”	the date of this announcement, being 3 August 2022
“associate”	as defined under the Listing Rules

“Board”	the board of Directors
“Chairperson”	Ms. Chu Kut Yung, the chairperson of the Board and an executive Director
“Change of Ownership Registration Conditions”	the conditions for the change of the registration of the ownership of the Target Equity from the Vendor to the Purchaser at the relevant PRC governmental department
“Company”	Hopson Development Holdings Limited, a company incorporated in Bermuda and whose shares are listed on the Stock Exchange
“connected person”	as defined under the Listing Rules
“Consideration”	the consideration payable by the Purchaser for the Acquisition pursuant to the SPA
“Development Project”	the development project of the Target Land as summarised in section 4.4 of this announcement
“Development Rights Transferee Land”	as defined in section 4.2 of this announcement
“Development Rights Transferee Land Owner”	the owner of the Development Rights Transferee Land
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Huangpu Land Administration Bureau”	Planning and Land Administration Bureau of Huangpu District, Shanghai** (上海市黃浦區規劃和土地管理局)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. WH Chu”	Mr. Chu Wai Hong, the elder brother of the Chairperson
“percentage ratios “	as defined under the Rule 14.07 of the Listing Rules
“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 “	Shanghai Hebo Properties Consultancy Company Limited** (上海合博房地產諮詢有限公司), a company established in PRC and a wholly-owned subsidiary of the Company
“Reduced Land Development Rights and Interests”	as defined in section 4.1 of this announcement

“Registration Occurrence Date”	the date on which the Purchaser is registered as the holder of the Target Equity at the relevant PRC governmental department
“Shareholders”	holders of the shares of the Company
“SPA”	the sale and purchase agreement entered into among the Vendor, the Purchaser and the Target Company in relation to the Acquisition and dated 3 August 2022
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shanghai Bozheng Properties Company Limited** (上海博禎置業有限公司), a company established in PRC
“Target Equity”	100% of the equity interest in the Target Company
“Target Land”	the piece and parcel of land numbered 234A-01 of No. 69, Fuxing East Road (復興東路), Yu Yuan Jie Dao (豫園街道), Huangpu District (黃浦區), Shanghai
“Transfer Arrangement”	the compensation arrangement in relation to the Reduced Land Development Rights and Interests as summarised in section 4.2 of this announcement
“Valuation Report”	the valuation report in respect of the Target Equity and the loss in land development rights and interests issued by the valuer appointed by the Group
“Vendor”	Shanghai Zhujiang Investment Group Company Limited** (上海珠江投資集團有限公司), a company established in PRC

By order of the Board  
**Hopson Development Holdings Limited**  
**Chu Kut Yung**  
*Chairperson*

Hong Kong, 3 August 2022

*As at the Announcement Date, the Board comprises eight Directors. The executive Directors are Ms. Chu Kut Yung (Chairperson), Mr. Zhang Fan (Co-president), Mr. Au Wai Kin, Mr. Xie Bao Xin and Mr. Bao Wenge; and the independent non-executive Directors are Mr. Tan Leng Cheng, Aaron, Mr. Ching Yu Lung and Mr. Ip Wai Lun, William.*

\* *For identification purpose only*

\*\* *For ease of reference, the names of PRC established companies or entities (if any) and PRC laws and regulations (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.*

^ *Where the context so permits or requires, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.*