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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)**

## **CONTINUING CONNECTED TRANSACTIONS**

### **BACKGROUND**

On 29 May 2006, the Group obtained approval from the Independent Shareholders in respect of the Framework Agreement and the continuing connected transactions of the Group contemplated under the Framework Agreement as disclosed in the announcement of the Company dated 13 April 2006 and the circular of the Company dated 13 May 2006. The Independent Shareholders' approval of the Framework Agreement and annual caps for the three financial years ended 31 December 2008 of each of the continuing connected transactions contemplated thereunder expired on 31 December 2008. The Directors wish to continue some of the continuing connected transactions contemplated under the Framework Agreement. In compliance with the requirements under Chapter 14A of the Listing Rules, the Company has entered into the New Framework Agreement with Hanjiang for the purpose of governing the Continuing Connected Transactions.

### **CONNECTION BETWEEN THE PARTIES**

Hanjiang, a company owned by the brother of Mr. Chu as to 90 percent. and the brother-in-law of Mr. Chu as to 10 percent., is a connected person of the Company under the Listing Rules. Accordingly, the Continuing Connected Transactions contemplated under the New Framework Agreement constitute continuing connected transactions under the Listing Rules.

## **CONTINUING CONNECTED TRANSACTIONS**

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 2.5%, the Continuing Connected Transactions constitute non-exempt continuing connected transactions of the Company and are subject to reporting, announcement and independent shareholders' approval 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 2011 at the SGM. Sounda and its associates will abstain from voting at the SGM and the votes of the Independent Shareholders at the SGM will be taken by poll.

The Directors consider that the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and the terms of the New Framework Agreement are on normal commercial terms which are fair and reasonable in so far as the interests of the Company and the shareholders of the Company as a whole are concerned.

### **GENERAL**

The Independent Board Committee will be formed to advise the Independent Shareholders and an independent financial adviser will be appointed 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 for the three financial years ending 31 December 2011.

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 2011, the letter from the independent financial adviser, the recommendation of the Independent Board Committee and a notice convening the SGM will be despatched to the shareholders of the Company as soon as practicable in accordance with the Listing Rules.

## **A. BACKGROUND**

Reference is made to the announcement of the Company dated 13 April 2006 and the circular of the Company dated 13 May 2006 in respect of the Framework Agreement and the continuing connected transactions of the Group contemplated under the Framework Agreement.

At a special general meeting of the Company held on 29 May 2006, the Independent Shareholders approved, confirmed and ratified the Framework Agreement and approved the annual caps of each of the continuing connected transactions contemplated under the Framework Agreement for the three years ended 31 December 2008.

The Group intends to continue the Continuing Connected Transactions 1 to 5 and 8 to 9 and the intelligent building installation works component of the Continuing Connected Transaction 6 (which were covered by the approval granted by the Independent Shareholders at the special general meeting of the Company held on 29 May 2006). The Group also intends to enter into the Continuing Connected Transactions 6, 7 and 10. Particulars of the Continuing Connected Transactions are set out below:-

**A1. Services/Leased Premises to be Provided by Hanjiang Group to the Group:**

- *Continuing Connected Transaction 1 — Construction:*

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

- *Continuing Connected Transaction 2 — Property Management:*

The appointment of Hanjiang Group by the Group to manage certain properties developed by the Group in Shanghai (“Continuing Connected Transaction 2”).

- *Continuing Connected Transaction 3 — Design:*

The appointment of Hanjiang Group by the Group to carry out design works for certain property projects of the Group (“Continuing Connected Transaction 3”).

- *Continuing Connected Transaction 4 — Installation and Decoration:*

The appointment of Hanjiang Group by the Group to carry out installation and decoration works for certain property projects of the Group (“Continuing Connected Transaction 4”).

- *Continuing Connected Transaction 5 — Office Lease:*

The provision of leased premises in Guangzhou by Hanjiang Group to the Group for use as offices (“Continuing Connected Transaction 5”).

- *Continuing Connected Transaction 6 — Electrical Power Installation, Intelligent Building Installation Works, Budgeting and Cost Control Consultation:*

The appointment of Hanjiang Group by the Group to carry out electrical power installation and intelligent building installation works for certain property projects of the Group and to provide budgeting and construction cost control consultation services to the Group (“Continuing Connected Transaction 6”).

- *Continuing Connected Transaction 7 — Construction Supervision:*

The appointment of Hanjiang Group by the Group to supervise the construction of certain property development projects of the Group (“Continuing Connected Transaction 7”).

## **A2. Services/Leased Premises to be Provided by the Group to Hanjiang Group**

- *Continuing Connected Transaction 8 — Shop Lease to Hanjiang Group:*

The provision of leased premises in Guangzhou, Beijing and Tianjin by the Group to Hanjiang Group for use as shops (“Continuing Connected Transaction 8”).

- *Continuing Connected Transaction 9 — Vacant Property Management:*

The appointment of the Group by Hanjiang Group to manage certain vacant properties developed by Hanjiang Group in Guangzhou, Beijing and Xi’an (“Continuing Connected Transaction 9”).

- *Continuing Connected Transaction 10 — Design:*

The appointment of the Group by Hanjiang Group to carry out building design works for certain property projects of Hanjiang Group (“Continuing Connected Transaction 10”).

## **B. PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT**

On 30 April 2009, the Company and Hanjiang entered into the New Framework Agreement, setting out the principal terms of, among other things, the Continuing Connected Transactions as follows:

Date: 30 April 2009

Parties: the Company; and  
Hanjiang

Scope:	<p>1. Services/leased premises to be provided by Hanjiang Group to the Group:</p> <p>Hanjiang shall procure the relevant member(s) of Hanjiang Group to carry out construction works, construction supervision, property management, property design, installation and decoration works, intelligent building installation works and electrical power installation works for certain property projects of the Group and to provide consultation services in relation to budgeting and construction cost control for the property projects. Hanjiang shall also procure the relevant member(s) of Hanjiang Group to lease to the Group certain premises for use as the Group's office.</p>
	<p>2. Services/leased premises to be provided by the Group to Hanjiang Group:</p> <p>The Company shall procure the relevant member(s) of the Group to manage certain vacant properties developed by Hanjiang Group, to lease to Hanjiang Group certain premises for use as Hanjiang Group's shops and to carry out design works for certain property projects of Hanjiang Group.</p>
Term:	<p>The New Framework Agreement shall be for a term commencing on the date when it becomes effective and ending on 31 December 2011.</p>
Condition precedent:	<p>The New Framework Agreement is conditional, and will become effective, upon the approval of the Independent Shareholders voting at the SGM.</p>

## C. CONTINUING CONNECTED TRANSACTIONS AND PROPOSED ANNUAL CAPS

**C1.** Set out below are the Annual Caps proposed by the Directors for the three financial years ending 31 December 2011 in respect of each of the Continuing Connected Transactions:

TRANSACTION	2009	2010	2011
	<u>Annual Cap</u>	<u>Annual Cap</u>	<u>Annual Cap</u>
	Approx. Amount (RMB '000)	Approx. Amount (RMB '000)	Approx. Amount (RMB '000)
<i>Services/Leased premises to be provided by Hanjiang Group to the Group:</i>			
1. Continuing Connected Transaction 1 — Construction	2,331,600	2,198,000	2,020,600
2. Continuing Connected Transaction 2 — Property Management	2,000	1,700	800
3. Continuing Connected Transaction 3 — Design	25,000	20,000	20,000
4. Continuing Connected Transaction 4 — Installation and Decoration (Note 1)	174,900	138,800	113,100
5. Continuing Connected Transaction 5 — Office Lease	2,300	2,300	2,300
6. Continuing Connected Transaction 6 — Electrical Power Installation, Intelligent Building Installation Works, Budgeting and Cost Control Consultation (Note 2)	624,700	594,700	584,900
7. Continuing Connected Transaction 7 — Construction Supervision	25,000	25,900	25,500
<i>Services/Leased premises to be provided by the Group to Hanjiang Group</i>			
8. Continuing Connected Transaction 8 — Shop Lease to Hanjiang Group	6,100	4,400	4,300
9. Continuing Connected Transaction 9 — Vacant Property Management (Note 3)	17,200	16,800	16,400
10. Continuing Connected Transaction 10 — Design	120,500	26,000	11,000
	<u>3,329,300</u>	<u>3,028,600</u>	<u>2,798,900</u>

**C2.** Set out below are the particulars of the Continuing Connected Transactions and the relevant pricing bases contemplated under the New Framework Agreement and the basis of determining the proposed Annual Caps:

1. *Continuing Connected Transaction 1 — Construction*

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

Pricing basis: The construction fees payable by the Group to 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 similar construction projects 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 properties in Beijing, 廣東省各專業工程計價辦法 (2006年) (Basis for Calculating Professional Construction Works, Guangdong Province (2006)) and 廣東省各專業綜合定額 (Comprehensive Calculation of Construction Works, Guangdong Province (2006)) published by 廣東省建設廳 (Construction Department of Guangdong Province) in 2006 for properties in Guangzhou.

Basis of determining the Annual Caps: The 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 figures of the Continuing Connected Transaction 1 for the three years ended 31 December 2008 as set out paragraph D below, and (iii) 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 Hanjiang Group for the relevant years. Such estimation of the aggregate gross floor area to be constructed is derived from the number of property projects to be developed by the Group for the relevant years based on the growing potential in the PRC's economic and the market trends in the property market in the major cities in the PRC.

## 2. *Continuing Connected Transaction 2 — Property Management*

- Scope: Pursuant to the New Framework Agreement, the Group agrees to appoint Hanjiang Group to manage certain properties developed by the Group in Shanghai.
- Pricing Basis: The amount of management fees payable by the Group to Hanjiang Group for providing management services to certain properties developed by the Group in Shanghai shall be determined by the parties by reference to the prevailing market rates charged by independent third parties for providing similar property management services in similar locations, which shall conform with the stipulated standards prescribed by 房屋土地管理局 (Housing and Land Administration Bureau) of where the particular property is located, such as 上海市住宅物業服務分等收費管理暫行辦法 (Shanghai Provisional Administrative Measures on Classification of Fees for Residential Property Services) published by 上海市物價局 (Shanghai Municipal Price Bureau) and 上海市房屋土地資源管理局 (Shanghai Municipal Housing, Land and Resources Administration Bureau) in 2005 for properties in Shanghai.
- Basis of determining the Annual Caps: The 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 figures of the Continuing Connected Transaction 2 for the three years ended 31 December 2008 as set out in paragraph D below, (iii) the aggregate areas of the Group's property projects in Shanghai that are expected to be managed by Hanjiang Group, and (iv) the scope of management services required for each of such properties.

## 3. *Continuing Connected Transaction 3 — Design*

- Scope: Pursuant to the New Framework Agreement, the Group agrees to appoint Hanjiang Group to carry out design works for certain property development projects of the Group.
- Pricing Basis: The amount of design fees payable by the Group to Hanjiang Group for carrying out the design works for various property projects of the Group shall be determined by the parties by reference to, and shall not be higher than, the prevailing market rates charged by independent third parties for similar design projects and the standards or guidelines prescribed by the relevant governmental authority on the fees chargeable for the provision of similar services (if any).



Basis of determining the Annual Caps:	The 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 figures of the Continuing Connected Transaction 3 for the three years ended 31 December 2008 as set out in paragraph D below and (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 that require design works to be carried out by Hanjiang Group for the relevant year. Such estimation of the aggregate gross floor area is derived from the number of property projects to be developed by the Group based on the growing potential in the PRC's economic and the market trends in the property market in the major cities in the PRC.
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4. *Continuing Connected Transaction 4 — Installation and Decoration*

Scope:	Pursuant to the New Framework Agreement, the Group agrees to appoint Hanjiang Group to carry out installation and decoration works for certain property development projects of the Group.
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Pricing Basis:	The installation and decoration fees payable by the Group to Hanjiang Group for carrying out installation and decoration works for various property projects of the Group in the PRC will be determined by the parties by reference to, and shall not be higher than, the prevailing market rates charged by independent third parties for similar installation and decoration works and the standards prescribed by the relevant governmental authorities of where the particular 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) for properties located in Beijing, 廣東省各專業工程計價辦法 (2006年) (Basis for Calculating Professional Construction Works, Guangdong Province (2006)) and 廣東省各專業綜合定額 (2006年) (Comprehensive Calculation of Construction Works, Guangdong Province (2006)) for properties located in Guangzhou.
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Basis of determining the Annual Caps:	The 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 figures of the Continuing Connected Transaction 4 for the three years ended 31 December 2008 as set out in paragraph D below, and (iii) the Directors' estimated aggregate gross floor area of the property projects to be completed by the Group in Guangzhou, Beijing, Shanghai, Tianjin and Huizhou that require installation and decoration works to be carried out by Hanjiang Group for the relevant years. Such estimation of the aggregate gross floor area is derived from the number of property projects to be developed by the Group based on the growing potential in the PRC's economic and the market trends in the property market in the major cities in the PRC.
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5. *Continuing Connected Transaction 5 — Office Lease*

Scope:	Pursuant to the New Framework Agreement, Hanjiang Group agrees to lease certain premises located in Shanghai to the Group for use as offices.
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Pricing Basis:	The rent payable by the Group to Hanjiang Group will be determined by reference to the prevailing market rents charged by independent third parties for the leasing of similar properties in the vicinity.
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Basis of determining the Annual Caps:	The 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 location and size of a leased premises of approximately 1,755 square metres in Guangzhou.
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6. *Continuing Connected Transaction 6 — Electrical Power Installation, Intelligent Building Installation Works, Budgeting and Cost Control Consultation*

Scope:	Pursuant to the New Framework Agreement, the Group agrees to appoint Hanjiang Group to carry out electrical power installation and intelligent building installation works for certain property development projects of the Group and to provide consultation services to the Group in relation to budgeting and construction cost control including, to evaluate and formulate the base price for a particular project that the Group intends to put up for public tender, to compile invitations to tender and to assist in the evaluation of the bidders, to formulate the budget for a particular project and to formulate cost control plans for a particular construction project.
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Pricing Basis: The amount of fees payable by the Group to Hanjiang Group for carrying out electrical power installation works for the property projects of the Group will be determined by reference to, and shall not be higher than, the prevailing market rates charged by independent third parties for similar works and the standards prescribed by the relevant governmental authorities of where the property is located.

The amount of fees payable by the Group to 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, and shall not be higher than, the prevailing market rates charged by independent third parties for similar works and the standards prescribed by the relevant governmental authorities of where the property is located.

The amount of fees payable by the Group to Hanjiang Group for the provision of budgeting and construction cost control consultation services to the Group will be determined by reference to, and shall not be higher than, 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 the relevant department of 建設部 (Ministry of Construction) now known as 住房和城鄉建設部 (Ministry of Housing and Urban-Rural Development) in respect of the provision of budgeting services.

Basis of determining the Annual Caps: The proposed Annual Caps, which represent the aggregate of the fees payable for the electrical power installation works, intelligent building installation works and budgeting and construction cost control consultation services, 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 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 Hanjiang Group to carry out electrical power installation works or intelligent building installation works or provide consultation services in relation to budgeting and construction cost control for the relevant year. Such estimation of the aggregate gross floor area is derived from the number of property projects to be developed by the Group based on the growing potential in the PRC's economic and the market trends in the property market in the major cities in the PRC.

7. *Continuing Connected Transaction 7 — Construction Supervision*

Scope:	Pursuant to the New Framework Agreement, the Group agrees to appoint Hanjiang Group to supervise the construction of certain property development projects of the Group.
Pricing basis:	The amount of construction supervising fees payable by the Group to 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 rate charged by independent third parties for the provision of similar construction supervision works 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 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 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 supervised by Hanjiang Group. Such estimation of the aggregate gross floor area to be constructed is derived from the number of property projects to be developed by the Group for the relevant years based on the growing potential in the PRC's economic and the market trends in the property market in the major cities in the PRC.

8. *Continuing Connected Transaction 8 — Shop Lease to Hanjiang Group*

Scope:	Pursuant to the New Framework Agreement, the Group agrees to lease certain premises located in Guangzhou, Beijing and Tianjin to Hanjiang Group for use as shops.
Pricing Basis:	The rent receivable by the Group from Hanjiang Group will be determined by reference to the market rents for the leasing of the same or similar properties to independent third parties in the vicinity.
Basis of determining the Annual Caps:	The 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, Beijing and Tianjin and the respective terms of such leases.

9. *Continuing Connected Transaction 9 — Vacant Property Management*

Scope:	Pursuant to the New Framework Agreement, Hanjiang Group agrees to appoint the Group to manage certain vacant properties of Hanjiang Group located in Guangzhou, Beijing and Xi'an.
Pricing Basis:	The amount of management fees receivable by the Group from Hanjiang Group will be determined by the parties by reference to the standards on property management fees and related costs prescribed by the Guangdong Provincial, Beijing Municipal and Xi'an local authorities and the property pricing guidelines given by the local government.
Basis of determining the Annual Caps:	The 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 aggregate sizes, types and locations of certain properties of Hanjiang Group to be managed by the Group in Guangzhou, Beijing and Xi'an.

10. *Continuing Connected Transaction 10 — Design*

Scope:	Pursuant to the New Framework Agreement, Hanjiang Group agrees to appoint the Group to carry out design works for certain property projects of Hanjiang Group.
Pricing Basis:	The amount of design fees receivable by the Group from 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 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 aggregate sizes and types of the building projects of Hanjiang Group.

**D. HISTORICAL FIGURES OF THE CONTINUING CONNECTED TRANSACTIONS 1 TO 5, 6 (ONLY IN RESPECT OF THE INTELLIGENT BUILDING INSTALLATION WORKS) AND 8 TO 9**

The Group had carried out continuing connected transactions on similar basis as the Continuing Connected Transactions 1 to 5 and 8 to 9 and the intelligent building installation works component of the Continuing Connected Transaction 6 in the last three financial years. The annual caps approved by the Independent Shareholders under the Framework Agreement in respect of each of the said continuing connected transactions for the three financial years ended 31 December 2008 are set out below:

Transaction	Year ended 31 December 2006		Year ended 31 December 2007		Year ended 31 December 2008	
	Approx. Amount (RMB '000)		Approx. Amount (RMB '000)		Approx. Amount (RMB '000)	
	2006 Annual	Historical	2007 Annual	Historical	2008 Annual	Historical
	Caps	Figures	Caps	Figures	Caps	Figures
Continuing Connected Transaction 1 — Construction	2,550,000	1,505,385	3,092,000	2,790,535	3,246,000	1,996,835
Continuing Connected Transaction 2 — Property Management	1,040	50	2,830	2,622	2,690	1,783
Continuing Connected Transaction 3 — Design	35,000	30,411	37,000	23,691	35,000	24,743
Continuing Connected Transaction 4 — Installation and Decoration (Note 1)	29,000	25,160	65,000	27,754	84,000	60,450
Continuing Connected Transaction 5 — Office Lease	6,500	5,073	6,700	5,218	7,300	3,228
Continuing Connected Transaction 6 — Intelligent Building Installation Works (Note 2)	63,000	11,384	65,000	18,252	49,000	15,214
Continuing Connected Transaction 8 — Shop Lease to Hanjiang Group	2,800	706	3,300	—	3,300	—
Continuing Connected Transaction 9 — Vacant Property Management (Note 3)	5,000	4,746	5,000	1,890	5,000	2,121

*Notes:*

1. With respect to the Continuing Connected Transaction 4, the 2008 historical figure represents the amount of fees paid to Hanjiang Group for the installation and decoration works carried out for the Group's property projects located in Guangzhou, Beijing, Shanghai and Tianjin. The 2009 Annual Caps (i.e. approximately RMB174,900,000) increase by approximately 2.9 times of the 2008 historical figure. Such increase represents (i) the estimated increase in the aggregate gross floor area of the property projects in Guangzhou, Beijing, Shanghai, Tianjin and Huizhou that require installation and decoration works to be carried out, (ii) the Group's increase in the decoration standard for its properties, hence the costs and (iii) the estimated increase in the amount of works required from Hanjiang Group.
2. With respect to the Continuing Connected Transaction 6, the 2009 Annual Caps (i.e. approximately RMB624,700,000) represents the aggregate of (i) the estimated Annual Caps in the amount of approximately RMB533,100,000 for the electrical power installation works and the budgeting and cost control consultation and (ii) the estimated Annual Caps in the amount of approximately RMB91,600,000 for the intelligent building installation works.

The 2009 Annual Caps in respect of the intelligent building installation works increase by approximately 6 times of the 2008 historical figure. Such increase represents (i) the estimated increase in the aggregate gross floor area of the property projects in Guangzhou, Beijing, Shanghai, Tianjin and Huizhou that require intelligent building installation works to be carried out, (ii) the Group's increase in the standard for its properties, hence the costs and (iii) the estimated increase in the amount of works required from Hanjiang Group.

3. With respect to the Continuing Connected Transaction 9, the 2008 historical figure represents the management fees received by the Group from Hanjiang Group for managing certain various types of vacant properties of Hanjiang Group located in Guangzhou and Beijing. The 2009 Annual Caps (i.e. approximately RMB17,200,000) increase by approximately 8 times of the 2008 historical figure. Such increase represents (i) the estimated increase in the aggregate size of the vacant properties of Hanjiang Group to be managed by the Group in Guangzhou, Beijing and Xi'an, (ii) the increase in proportion and number of higher end properties of Hanjiang Group to be managed by the Group and (iii) the expected increase in the standards on property management fees and related costs prescribed by the Guangdong Provincial, Beijing Municipal and Xi'an local authorities.

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

The Group is principally engaged in properties development in various cities in the PRC including Guangzhou, 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 Contractors) by the relevant government authority in the PRC. First class 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 obtained the ISO 9000 certification for its quality management systems, using



top grade quality in its safety, construction, cost management and controls. Hanjiang has a strong reputation in the industry and was involved in the construction of numerous highly rated large scale 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 with the prevailing market rates. Hanjiang has a proven track record and possesses relevant technical capabilities and expertise in handling large scale construction projects. The Continuing Connected Transaction 1 has taken place since 2003 and Hanjiang Group has completed various property development projects for the Group since then. The Group and Hanjiang Group have built up a close and good working relationship since then. The Group is of the view that the appointment of top-quality construction companies such as Hanjiang is essential in ensuring the quality of its property projects and the continuance of the Continuing Connected Transaction 1 is in the best interests of the Company and its shareholders as a whole.

Hanjiang Group is also engaged in the business of property management in the PRC, has a proven track record and possesses relevant experience and technical expertise in managing property projects in Shanghai. The Continuing Connected Transaction 2 has taken place since 2004. The Group is of the view that the continuance of the Continuing Connected Transaction 2 is in the best interests of the Company and its shareholders as a whole as it would enable the Group to have a better control of the cost and quality of management services so as to maintain a high level of after sales services to the buyers of the properties developed by the Group in Shanghai.

Certain members of Hanjiang Group are engaged in the businesses of building design and installation and decoration works (as the case may be) for property development in the PRC. Each of such members of Hanjiang Group has a proven track record in its area of expertise and possesses technical capabilities and expertise in carrying out large scale property design projects and installation and decoration projects (as the case may be) in the PRC. The Continuing Connected Transactions 3 to 4 have taken place since 2006. The Group is of the view that the appointment of companies with proven track records is of paramount importance in terms of the quality control of its projects and that the continuing appointment of Hanjiang Group to carry out the Continuing Connected Transactions 3 to 4 is in the best interests of the Company and its shareholders as a whole.

The Continuing Connected Transactions 5 and 8 have taken place since 2006. In view of the good and reliable long-term working relationship between the Group and Hanjiang Group, the Group is of the view that the Continuing Connected Transactions 5 and 8, which are entered into in the ordinary and usual business course of the respective businesses of the Group and Hanjiang Group on normal commercial terms, are in the best interests of the Company and its shareholders as a whole.

The intelligent building installation works component of the Continuing Connected Transaction 6 was carried out between the Group and Hanjiang Group in the last three financial years. Hanjiang Group has a proven track record and possesses the necessary



capabilities, resources and experience in handling intelligent building installation works for property development projects in the PRC. Hanjiang Group has completed the intelligent building installation works for various property development projects of the Group since 2006. The Group is of the view that the continuing appointment of Hanjiang Group to carry out the intelligent building installation works component of the Continuing Connected Transaction 6 is in the best interests of the Company and its shareholders as a whole in view of the good and long-term working relationship between the Group and Hanjiang Group.

A certain member of Hanjiang Group, which is engaged in the business of electrical power installation for property development in the PRC, holds the qualification of 工程專業承包三級資格 (Professional Construction Contractor Third Class Qualification). Such member of Hanjiang Group has a proven track record and possesses relevant technical capabilities and expertise in carrying out electrical power installation for large scale property projects. It has completed the electrical power installation works for various large scale property projects in the PRC. Such member of Hanjiang Group has a strong reputation in the industry. The Group has conducted market research and is of the view that the pricing offered by Hanjiang Group is highly competitive with the prevailing market rates. The Group is of the view it is in the best interests of the Company and its shareholders as a whole to appoint Hanjiang Group to carry out the electrical power installation works component of the Continuing Connected Transaction 6 is in view of its close long-term and reliable working relationship with Hanjiang Group, the proven track record of Hanjiang Group, its expertise and experience in the industry.

A certain member of Hanjiang Group is engaged in the business of provision of consultation services in relation to budgeting and construction cost control. Such member of Hanjiang Group possesses the resources as required by the Group and the expertise in evaluating, formulating and preparing budgets and cost control plans for property development projects in the PRC. Such member also has the expertise in assisting property developers in the tender process, including the formulation of a base price for projects that are intended to be put up for public tender and the evaluation of bidders. Such member has a strong reputation in the industry. The Group has conducted market research and is of the view that the pricing offered by Hanjiang Group for the provision of the said service is highly competitive with the prevailing market rates. The Group considers that the Continuing Connected Transaction 6 will assist the Group to achieve a higher standard of quality and cost control and overall management of the Group's tender process and to have a better control of its overall construction costs. Accordingly, the Group is of the view that it is in the best interests of the Company and its shareholders as a whole to appoint Hanjiang Group to provide the consulting services component of the Continuing Connected Transaction 6.

A certain member of Hanjiang Group is engaged in the business of construction supervision in the PRC. Such member of Hanjiang Group has a proven track record and possesses the necessary expertise in carrying out construction supervision on large scale property projects in the PRC. It has supervised construction works for various large scale property projects in

the PRC. Such member of Hanjiang Group has a strong reputation in the industry. The Group has conducted market research and is of the view that the pricing offered by Hanjiang Group is highly competitive with the prevailing market rates. The Group is of the view that it is in the best interests of the Company and its shareholders as a whole to appoint Hanjiang Group to carry out the Continuing Connected Transaction 7 in view of its close long-term and reliable working relationship with Hanjiang Group and the proven track record of Hanjiang Group, its expertise and experience in the industry.

Property management is part of the normal and usual business of the Group. The Continuing Connected Transaction 9 has taken place since 2006. In view of the long-term and reliable working relationship between the Group and Hanjiang Group, the Group is of the view that the continuance of the Continuing Connected Transaction 9, which is entered into by the Group and Hanjiang Group on normal commercial terms, is in the best interests of the Company and its shareholders as a whole.

Certain members of the Group are engaged in building design and possess proven track records regarding their technical expertise and experience within the industry. Such members of the Group are rated as top class design firms and have the necessary quality, resources, technical capabilities and size to undertake building design projects of such scale as required by Hanjiang Group. In light of the long-term and reliable working relationship between the Group and Hanjiang Group, the Group is of the view that the Continuing Connected Transaction 10, which is entered into the ordinary and usual business course of the respective businesses of the Group and Hanjiang Group on normal commercial terms is in the best interests of the Company and its shareholders as a whole.

The Directors are of the view that the New Framework Agreement and the Continuing Connected Transactions are fair and reasonable in so far as the interests of the Company and its shareholders as a whole are concerned and in the ordinary and usual course of business of the Company. The Directors consider that the terms of the New Framework Agreement are on normal commercial terms.

## **F. CONNECTION BETWEEN THE PARTIES AND THE CONTINUING CONNECTED TRANSACTIONS**

Hanjiang, a company owned by the brother of Mr. Chu as to 90 percent. and the brother-in-law of Mr. Chu as to 10 percent., is a connected person of the Company under the Listing Rules. Accordingly, the Continuing Connected Transactions contemplated under the New Framework Agreement constitute continuing connected transactions under the Listing Rules.

## **G. SPECIAL GENERAL MEETING**

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 2.5%, the Continuing Connected Transactions in aggregate constitute

non-exempt continuing connected transactions and are subject to reporting, announcement and approval of the Independent Shareholders, pursuant to Rule 14A.17 of the Listing Rules. The SGM will be convened as soon as practicable at which ordinary resolutions will be proposed to approve the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2011. In view of its relationship with Hanjiang, Sounda, a company wholly-owned by Mr. Chu and the controlling shareholder of the Company and interested in approximately 62.18 percent. of the entire issued share capital of the Company, and its associates (as defined in the Listing Rules) will abstain from voting in respect of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2011 at the SGM.

## **H. GENERAL**

The Independent Board Committee will be formed to advise the shareholders of the Company in respect of the New Framework Agreement, the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2011. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transactions and the Annual Caps for the three financial years ending 31 December 2011. A circular containing, inter alia, further details of the New Framework Agreement, the Continuing Connected Transactions, the Annual Caps for the three financial years ending 31 December 2011 and the notice convening the SGM, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee will be dispatched to the shareholders of the Company as soon as practicable.

## **I. DIRECTORS**

As at the date hereof, the executive Directors are CHU Mang Yee (Chairman), XIANG Bin, CHEN Chang Ying, AU Wai Kin, XUE Hu and ZHAO Mingfeng, and the independent non-executive Directors are YUEN Pak Yiu, Philip, LEE Tsung Hei, David and WONG Shing Kay, Oliver.

## **J. TERMS USED IN THIS ANNOUNCEMENT**

“Annual Caps”	the maximum aggregate annual value of each of the Continuing Connected Transactions for the relevant financial year
“associate”	the meaning given to that term in the Listing Rules
“Board”	board of Directors
“Company”	Hopson Development Holdings Limited
“Continuing Connected Transactions”	Continuing Connected Transactions 1 to 10
“Directors”	directors of the Company
“Framework Agreement”	the agreement dated 13 April 2006 entered into between the Company and Hanjiang
“Group”	the Company and its subsidiaries
“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
“Hanjiang Group”	Hanjiang, its subsidiaries and its associates
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising Messrs. Yuen Pak Yiu, Philip, Lee Tsung Hei, David and Wong Shing Kay, Oliver, 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 2011
“Independent Shareholders”	the shareholders of the Company other than Sounda and its associates
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chu”	Mr. Chu Mang Yee, the chairman of the Board
“New Framework Agreement”	the conditional framework agreement dated 30 April 2009 entered into among the Company and Hanjiang in respect of the Continuing Connected Transactions

“PRC”	the People’s Republic of China
“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 for the three financial years ending 31 December 2011
“Sounda”	Sounda Properties Limited, a company incorporated in the British Virgin Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board  
**Chu Mang Yee**  
*Chairman*

Hong Kong, 30 April 2009

\* *For identification purpose only*