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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)

ANNOUNCEMENT

DISCLOSEABLE AND CONNECTED TRANSACTIONS

AND

CONNECTED TRANSACTIONS

THE PANYU AGREEMENT

On 2 November 2009, the Group, through Hopson, a wholly-owned subsidiary of the Company, entered into the Panyu Agreement with Hanjiang. Pursuant to the Panyu Agreement, Hanjiang has conditionally agreed to transfer and procure the transfer to Hopson and/or its nominee(s) the entire equity capital in Panyu Zhujiang for the Acquisition Consideration; and the Group has conditionally agreed to transfer and procure the transfer to Hanjiang the Cheerocean Share for the Cheerocean Consideration. The Balance, being the difference between the Acquisition Consideration and the Cheerocean Consideration, payable by the Group for the Acquisition will be settled by means of the Share Issue in favour of Mr. Chu. Pursuant to the Panyu Agreement, subject to the maximum liability of RMB3,600,000,000 (equivalent to approximately HK\$4,083,809,000), Mr. Chu has agreed to guarantee the due and punctual performance by Hanjiang of its obligations in relation to the JV Lands under the Panyu Agreement.

Hanjiang, a company owned by the brother of Mr. Chu as to 90% and the brother-in-law of Mr. Chu as to 10%, is a connected person of the Company under the Listing Rules. Mr. Chu, being the controlling Shareholder (through Sounda) and the chairman of the Board, is a connected person of the Company. Accordingly, the Acquisition, the Cheerocean Share Disposal and the Share Issue constitute connected transactions under the Listing Rules and are subject to the approval of the Independent Shareholders of the Company at the SGM under the Listing Rules. Sounda and its associates will abstain from voting at the SGM in respect of the proposed resolution(s) to approve the Acquisition, the Cheerocean Share Disposal and the Share Issue. As one or more of the applicable percentage ratios to the Acquisition under the Listing Rules are more than 5% but less than 25%, the Acquisition and the Cheerocean Share Disposal also constitute discloseable transactions of the Company under the Listing Rules.

THE DISPOSAL AGREEMENT

On 2 November 2009, the Group, through Hopeson, entered into the Disposal Agreement with Jumbo Advance to dispose of 51% of the entire issued share capital in NFGP, a non-wholly owned subsidiary of the Company, at a consideration of RMB254,902,000 (equivalent to approximately HK\$289,159,000).

Jumbo Advance, which is indirectly wholly-owned by the sister of Mr. Chu, is a connected person of the Company under the Listing Rules. Accordingly, the Disposal contemplated under the Disposal Agreement constitutes a connected transaction under the Listing Rules and is subject to the reporting and announcement requirements set out in the Listing Rules.

GENERAL

The Panyu Agreement and the Disposal Agreement are two separate and independent contracts and are not inter-conditional.

The Company will dispatch to the Shareholders a circular containing, among others, (i) further information on the Acquisition, the Cheerocean Share Disposal and the Share Issue; (ii) valuation reports of the JV Lands, the 60mu Land, the Lejing Land and the 1% equity interest of the Joint Venture Company; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company in relation to the Acquisition, the Cheerocean Share Disposal and the Share Issue; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders of the Company in relation to the Acquisition, the Cheerocean Share Disposal and the Share Issue; and (v) a notice of the SGM, as soon as practicable in accordance with the Listing Rules.

THE PANYU AGREEMENT

1. Background

Reference is made to the Company's 1999 Announcement and 2004 Announcement in relation to the formation of the Joint Venture Company with Panyu Zhujiang and the acquisition of, among others, 39% equity interest in the Joint Venture Company from Panyu Zhujiang by the Group respectively.

The Joint Venture Company was formed in February 2000 as a sino-foreign co-operative joint venture in the PRC for the development and construction of commodity property on the Lands. The Joint Venture Company was initially owned as to 60% equity interest by the Group, through Archibald, a wholly-owned subsidiary of the Company, and as to the remaining 40% equity interest by Panyu Zhujiang.

As disclosed in the 2004 Announcement, in September 2004, Panyu Zhujiang transferred to Hopeson, a wholly owned subsidiary of the Company, its 39% equity interest in the Joint Venture Company at a consideration of RMB113,685,300. As a result of such equity transfer, the Group, through Hopeson and Archibald, and Panyu Zhujiang own 99% and 1% equity interest in the Joint Venture Company respectively.

Pursuant to certain Permits issued in favour of Panyu Zhujiang in respect of the Lands, Panyu Town Planning Bureau had granted Panyu Zhujiang the development rights over the Lands for economic housing purpose. Under the Joint Venture Agreement, Panyu Zhujiang would be responsible for transferring or procuring the transfer of the land use rights in respect of the Lands to the Joint Venture Company; and the Joint Venture Company would be responsible for paying the Costs and Compensation in respect of the Lands. The Group has thus far, through the Joint Venture Company, paid a total sum of approximately RMB463,926,000 for the Costs and Compensation in respect of Land-1 and Land-2.

In 2000, the permitted land use purpose of Land-1 and Land-2 was approved to be changed from economic housing to commodity residential/commercial housing.

Pursuant to certain government approvals obtained in 2002, the Joint Venture Company obtained the Permit in respect of Land-2.

In 2002, the Joint Venture Company was granted the land use right certificate in respect of Land-3, which is now being developed into the Huanan New City with a total saleable gross floor area of approximately 782,281 square meters.

Due to a change in land policies in 2004, notwithstanding the fact that the Joint Venture Company had obtained the Permit in respect of Land-2 since 2002, in August 2004, Panyu Zhujiang, pursuant to the instruction of the Guangzhou Land Bureau, entered into the Land Grant Contract in respect of Land-2A. Under the Land Grant Contract, Panyu Zhujiang was granted the land use right in respect of Land-2A.

In March 2007, Guangzhou Town Planning Bureau issued the Decision which revoked the approvals previously granted for changing the permitted land use purpose of Land-1 and Land-2B and the Permit in respect of Land-2 granted to the Joint Venture Company. As a result, since 2007, the permitted land use purpose of Land-1 and Land-2B has been changed back from commodity residential/commercial housing to economic housing; and the Permit in respect of Land-2 was reverted to Panyu Zhujiang. The Permit in respect of Land-1 has at all times been issued to Panyu Zhujiang, no transfer thereof to the Joint Venture Company has ever been effected.

As at the date of this announcement, only the land use right of Land-3 has been granted to the Joint Venture Company pursuant to the Joint Venture Agreement. The Permits in respect of the JV Lands (i.e. Land-1 and Land-2B), and the land use right of Land-2A, remain vested in Panyu Zhujiang. Land-2A is still vacant and no construction or development works have been carried out thereon.

It has been Panyu Zhujiang's contention that under the prevailing land policies and the laws and regulations of the PRC, the transfer of the Permits in respect of the JV Lands from Panyu Zhujiang to the Joint Venture Company is no longer permissible, and hence, Panyu Zhujiang is relieved of the relevant obligations under the Joint Venture Agreement by the force majeure provisions thereof. The argument that force majeure is an available defence to Panyu Zhujiang is shared by one of the independent PRC law firms engaged by the Company to advise on the matter.

On the other hand, according to the legal advice obtained by the Company from another independent PRC law firm, under the prevailing land policies and laws and regulations of the PRC, the Joint Venture Company cannot seek specific performance for the transfer of the JV Lands by Panyu Zhujiang to the Joint Venture Company, and the Joint Venture Agreement cannot be performed any further. Notwithstanding this, the Company's independent PRC law firm advised that, Panyu Zhujiang's failure to transfer or procure the transfer of the land use right in respect of Land-1 and Land-2 to the Joint Venture Company ("Default") constituted a breach of the Joint Venture Agreement. Yet, the Company was further advised that it was arguable if the change in government land policies in 2004 was foreseeable by Panyu Zhujiang at the time the Joint Venture Agreement was entered into in September 2004, hence Panyu Zhujiang's contention that such change was a force majeure event which could relieve it from any liability owed to Hopeson and Archibald as a result of the Default is not wholly without merit.

Thus, on the one hand, the legal opinion with regard to the liability of Panyu Zhujiang for the Default diverged, while on the other hand, it was the common advice of both independent PRC law firms engaged by the Company that transfer of the Permits in respect of the JV Lands to the Joint Venture Company pursuant to the Joint Venture Agreement is no longer permissible under the prevailing government policies in the PRC.

The JV Lands are located in the prime area of Panyu District, Guangdong Province with superb scenery which are rarely available in the district nowadays. Although the JV Lands are now designated for economic housing purpose, the Group was informed by Hanjiang that Panyu Zhujiang has applied to the government for re-designating part of the JV Lands for commodity residential/commercial housing purpose. The land supply in the prime area of Panyu District has been scarce, and both the demand and property prices are on the rise. Given the large land size and the superb scenery, the JV Lands would offer great development potential and are suitable for large scale development. In view of the high market demand and the rising property prices, the profitability potential of the JV Lands would be very impressive. Hence, if the Group could maintain its interests in the JV Lands, they would bring forth substantial development and profitability opportunity to the Group.

In view of the different legal opinion received by the Company with regard to the liability of Panyu Zhujiang for the Default, and the fact that transfer of the Permits in respect of the JV Lands to the Joint Venture Company is no longer permissible under the prevailing government policies in the PRC, it is uncertain if the Group could succeed in any claim against Panyu Zhujiang for the Default, and even if it did, it would be unlikely that the Group would be awarded of any interests in the JV Lands. The Board therefore considers that it may not be in the best interest of the Group to resolve the dispute in relation to Land-1 and Land-2 through legal proceedings, which are likely to be protracted and expensive. With a view to amicably resolving the said dispute relating to Land-1 and Land-2, the Group and Hanjiang entered into the Panyu Agreement on 2 November 2009 in relation to the Acquisition and the Cheerocean Share Disposal. By entering into the Panyu Agreement, the Group would be able to indirectly secure the interests in the JV Lands through the Acquisition.

2. Principal terms of the Panyu Agreement

Date: 2 November 2009

Parties:

- (1) Hopeson;
- (2) Hanjiang, being a company owned by the brother of Mr. Chu as to 90% and the brother-in-law of Mr. Chu as to 10%, is a connected person of the Company under the Listing Rules; and
- (3) Mr. Chu, as guarantor for the due performance by Hanjiang of its obligations under the Panyu Agreement in relation to the JV Lands. Mr. Chu, being the controlling Shareholder of the Company (through Sounda) and the chairman of the Board, is a connected person of the Company under the Listing Rules.

Settlement agreement:	For so long as Hanjiang has duly observed its obligations under the Panyu Agreement, including the Completion of the Acquisition and the due performance of its obligations mentioned under the paragraph headed “Other Obligations of Hanjiang” in this section, the Group shall withhold taking any legal actions against Hanjiang or Panyu Zhujiang in relation to the Default.
Asset to be acquired:	The entire equity capital in Panyu Zhujiang. At the time of Completion of the Acquisition, the assets of Panyu Zhujiang shall consist of the JV Lands (subject to the due and punctual performance by Hanjiang of its obligations mentioned under the paragraph headed “Other Obligations of Hanjiang” in this section), 1% equity interest in the Joint Venture Company and the 60mu Land. Hanjiang will be responsible for settling and discharging all the debts and liabilities of Panyu Zhujiang which exist on or before the date of Completion. Land-2A will be retained by Hanjiang and will not be transferred to the Group under the Panyu Agreement.
Asset to be disposed of:	Cheerocean Share, representing the entire issued share capital of Cheerocean, an indirect wholly-owned subsidiary of the Company. The sole asset of Cheerocean is the entire equity capital in Taijing which, in turn, holds the Lejing Land.
Consideration:	<p>For the settlement of the parties’ dispute in relation to Land-1 and Land-2, Hanjiang has agreed to repay the Costs and Compensation that the Group had paid through the Joint Venture Company in respect of Land-1 and Land-2, together with interests accrued thereon at the rate of 6.29%, being the average of the effective borrowing rates of the Group from 2000 to 2009, in the aggregate sum of RMB689,683,000 (equivalent to approximately HK\$782,370,000) (the “Refund”).</p> <p>Subject to the adjustment mechanism as stated below, the Acquisition Consideration for the Acquisition is RMB3,346,073,000 (equivalent to approximately HK\$3,795,756,000), which was determined after arm’s length negotiations between the Group and Hanjiang with reference to: (a) the fair value of the 1% interest in the Joint Venture Company of RMB35,756,000 (equivalent to approximately HK\$40,561,000) as appraised as at 30 September 2009 by an independent valuer appointed by the Company using the purchase method with reference to the fair value of the assets and liabilities of the Joint Venture Company; (b) the fair value of the 60mu Land of RMB400,000,000 (equivalent to approximately HK\$453,757,000) as appraised by an independent valuer appointed by the Company as at 30 September 2009; and (c) RMB2,910,317,000 (equivalent to approximately HK\$3,301,438,000) being the difference between (i) the negotiated price of the JV Lands of RMB3,600,000,000 (equivalent to approximately HK\$4,083,809,000) and (ii) the Refund.</p>

The Cheerocean Consideration for the sale of the Cheerocean Share is RMB960,000,000 (equivalent to approximately HK\$1,089,016,000) representing the fair value of the Lejing Land, as appraised by an independent valuer appointed by the Company, as at 30 September 2009. The Cheerocean Consideration is not subject to any adjustment mechanism.

The Balance, being the difference between the Acquisition Consideration and the Cheerocean Consideration, in the sum of RMB2,386,073,000 (equivalent to approximately HK\$2,706,741,000) shall be settled by means of the Share Issue in favour of Mr. Chu, who, in return, has undertaken to the Group to pay the Balance to Hanjiang on or before Completion.

The Acquisition Consideration is subject to the following adjustment mechanism. The current plot ratio of the 60mu Land which has been approved by the relevant PRC authority (“approved plot ratio”) is 1.4. The fair value of RMB400,000,000 of the 60mu Land was appraised based upon such approved plot ratio of 1.4. Panyu Zhujiang has applied for the increase in the plot ratio of the 60mu Land. If such application is successful and the approved plot ratio is higher than 1.4, the Acquisition Consideration shall be adjusted upward by 50% of the increase in the fair value of the 60mu Land. If the adjusted amount can be ascertained before Completion, it would be included as part of the Acquisition Consideration, otherwise, the Group shall pay to Hanjiang the adjusted amount within 7 working days after such amount is being ascertained. The fair value of the 60mu Land with different approved plot ratios are agreed by the parties as follows:

Approved plot ratio	Fair Value (RMB)
1.4	400,000,000
2.24	640,000,000
3.0	820,000,000
3.2	850,000,000
3.5 or above	910,000,000

The adjustment to the Acquisition Consideration that may be made pursuant to this adjustment mechanism will not exceed RMB255,000,000 (equivalent to approximately HK\$289,270,000). All the land transfer price and tax payable to the government for the increase in the approved plot ratio shall be shared by the Group and Hanjiang in equal shares.

Share Issue: Conditional upon the fulfillment of all the conditions set forth under the section headed “Conditions”, for payment of the Balance pursuant to the Panyu Agreement, the Company shall issue the Consideration Shares to Mr. Chu or his nominee at an issue price equivalent to the average closing price of the Share quoted on the Stock Exchange for the 10 consecutive trading days immediately before the date of the Panyu Agreement, being HK\$14.62 per Consideration Share. The issue price was arrived at after arm’s length negotiation between the Group and Mr. Chu. Using this Share Issue to pay the Balance will help reduce the cash outlay that may be required for the Acquisition. The Directors consider that the issue price is fair and reasonable as far as the Company is concerned and the Share Issue is in the interests of the Company and its Shareholders as a whole.

The issue price of HK\$14.62 represents:

- a premium of approximately 3.10% to the closing price of HK\$14.18 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- a premium of approximately 4.28% over the average closing price of approximately HK\$14.02 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day.

Up to 204,925,468 Shares (taking into account the adjustment mechanism set forth in the paragraphs headed “Consideration”), representing approximately 12.87% of the existing issued share capital of the Company of 1,592,368,346 Shares, will be issued to Mr. Chu under the Share Issue. The Consideration Shares will, upon issue and allotment, rank pari passu with the existing Shares in issue. There is no restriction on the subsequent disposal of the Consideration Shares by Mr. Chu.

The Share Issue will take place simultaneously with the Completion of the Acquisition and the Cheerocean Share Disposal.

The Directors proposed to seek approval from the Shareholders at the SGM to issue the Consideration Shares. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions: Completion shall be conditional upon the fulfillment of all of the following conditions:

- (a) Hanjiang having obtained all necessary approvals or consents which may be required for the Acquisition, including but without limitation, the waiver by Nan Cun Zhen Company of its pre-emption right over Hanjiang's 99% equity interest in Panyu Zhujiang, and its consent for selling and transferring its 1% equity interest in Panyu Zhujiang to Hopeson in the manner (including the time of completion of the transfer) as Hopeson shall direct. Hanjiang shall be responsible for paying the price for acquiring Nan Cun Zhen Company's 1% interest in Panyu Zhujiang;
- (b) Hopeson being satisfied with its due diligence review and investigation in respect of Panyu Zhujiang;
- (c) the Independent Shareholders of the Company having passed all necessary resolution(s) at the SGM approving the Panyu Agreement and the transactions contemplated thereunder;
- (d) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, all of the Consideration Shares, which approval not having been revoked prior to the issue and delivery of the Consideration Shares to Mr. Chu;
- (e) Hopeson having obtained the valuation reports on each of the Lejing Land, the JV Lands, the 60mu Land and the 1% interest in the Joint Venture Company, issued by an independent valuer acceptable to Hopeson;
- (f) Hanjiang and Panyu Zhujiang having obtained all necessary approvals and completed all necessary filings and registrations for the Acquisition and presented to Hopeson proofs of such approvals, filings and registrations;
- (g) the shareholders of Panyu Zhujiang having approved the Acquisition and provided to Hopeson a certified copy of the resolutions approving the sale by Hanjiang and Nan Cun Zhen Company of their respective equity interests in Panyu Zhujiang to Hopeson or its nominee and any consequential change to the constitutional documents of Panyu Zhujiang;

- (h) Panyu Zhujiang having obtained all necessary approvals and completed all necessary filings and registrations for the changes in the directors and managing director of Panyu Zhujiang in accordance with the Group's directions;
- (i) the representations, warranties and undertakings given by Hanjiang under the Panyu Agreement being true and accurate in all material respects as of the date of Completion;
- (j) the representations, warranties and undertakings given by Hopeson under the Panyu Agreement being true and accurate in all material respects as of the date of Completion;
- (k) all other approvals or consents necessary or appropriate for or in connection with the transactions contemplated under the Panyu Agreement having been obtained by the Group and Hanjiang;
- (l) the Group and Hanjiang having complied with their respective obligations under the Panyu Agreement;
- (m) there being no material adverse change in the circumstances of each of Panyu Zhujiang, Cheerocean and Taijing;
- (n) Hanjiang having obtained all necessary approvals and completed all necessary filings and registrations for the Cheerocean Share Disposal, if necessary under PRC laws; and
- (o) Hopeson having obtained a legal opinion issued by a firm of PRC lawyers appointed by or acceptable to Hopeson confirming the legality of the transactions contemplated under the Panyu Agreement under PRC laws and regulations.

The Panyu Agreement shall be terminated automatically and none of the parties to the Panyu Agreement shall have any claim against the other party save in respect of any antecedent breaches if any of the above conditions is not satisfied (unless waived as to the above conditions (b), (e) and (h) to (n) by the Group) within 6 months after the date of the Panyu Agreement or such other date as the parties to the Panyu Agreement may agree.

Other Obligations of Hanjiang:	Hanjiang has undertaken to the Group to perform and complete all necessary prophase construction and preparation works and administrative formalities in relation to the JV Lands within a period of 1 year after the signing of the Panyu Agreement to the intent that Panyu Zhujiang would be granted the land use right in respect of the JV Lands for the permitted land use purpose of economic housing within the said time period. Hanjiang shall bear all the costs and expenses for completing the aforementioned works and formalities. Any additional land transfer fees or premium or taxes payable to the government for re-designating the permitted land use purpose of the whole or part of the JV Lands to commodity residential/commercial housing purpose shall be paid by the Group.
Guarantee:	Subject to the maximum liability of RMB3,600,000,000, Mr. Chu has agreed to guarantee the due and punctual performance by Hanjiang of its obligations in relation to the JV Lands under the Panyu Agreement.
Completion:	Completion shall take place within 5 working days following satisfaction (or waiver) of all the conditions precedent to the Panyu Agreement except that transfer of Nan Cun Zhen Company's 1% equity interest in Panyu Zhujiang shall take place at such time as Hopeson shall direct. The Acquisition, the Cheerocean Share Disposal and the Share Issue will take place simultaneously on the date of Completion.

3. Information on Panyu Zhujiang, Cheerocean and Taijing

Panyu Zhujiang is principally engaged in property development and management. Based on the unaudited management accounts of Panyu Zhujiang, its net asset value as at 30 September 2009 was approximately HK\$15,028,482. As the development of the 60mu Land and the JV Lands have not yet completed, Panyu Zhujiang recorded a loss before and after taxation of approximately HK\$2.9 million and HK\$4.7 million respectively for the financial year ended 31 December 2007, and a loss before and after taxation of approximately HK\$1.3 million and HK\$1.7 million respectively for the financial year ended 31 December 2008.

Upon Completion of the Acquisition, the assets of Panyu Zhujiang will consist of the JV Lands (subject to the due and punctual performance by Hanjiang of its obligations mentioned under the paragraph headed "Other Obligations of Hanjiang" in this section), 1% equity interest in the Joint Venture Company and the 60mu Land.

The JV Lands are of a total site area of approximately 1,500 Chinese acres (equivalent to approximately 1,000,000 square meters) and the 60mu Land is of a total site area of approximately 60 Chinese acres (equivalent to approximately 40,000 square meters). Both are located in the prime area of Panyu, Guangdong Province and are suitable for large scale development.

The 60mu Land was acquired by Panyu Zhujiang from Panyu District Land Bureau in 2002 and the land transfer price was approximately RMB1,716,000 (equivalent to approximately HK\$1,947,000). The 60mu Land is designated for commodity residential/commercial housing purpose and as appraised by an independent valuer appointed by the Company, has a fair value of RMB400,000,000 (equivalent to approximately HK\$453,757,000) as at 30 September 2009.

The JV Lands were granted to Panyu Zhujiang for developing economic housing pursuant to certain Permits. Panyu Zhujiang is in the course of completing the formalities for obtaining the land use right in respect of the JV Lands. Although the JV Lands are now approved for economic housing purpose, the Group was informed by Hanjiang that Panyu Zhujiang has applied to the government for re-designating part of the JV Lands for commodity residential/commercial housing purpose. The JV Lands, as appraised by an independent valuer appointed by the Company, has a fair value of RMB6,500,000,000 (equivalent to approximately HK\$7,373,544,000) as at 30 September 2009.

The fair value as at 30 September 2009 attributable to the 1% equity interest in the Joint Venture Company owned by Panyu Zhujiang, as appraised by an independent valuer appointed by the Company based on purchase method (with reference to the fair value of the Joint Venture Company's assets and liabilities) is RMB35,756,000.

Cheerocean is principally engaged in the holding of the entire equity interest in Taijing, which in turn, is principally engaged in the holding of the Lejing Land. The Lejing Land, as appraised by an independent valuer appointed by the Company, has a fair value of RMB960,000,000 (equivalent to approximately HK\$1,089,016,000) as at 30 September 2009.

Based on the unaudited consolidated management accounts of Cheerocean, its net liabilities as at 30 September 2009 were approximately HK\$2,076,537. As the development of the Lejing Land has not yet completed, Cheerocean has not yet generated any revenue. For each the two financial years ended 31 December 2008, Cheerocean did not have any profit or loss reported in its profits and loss account.

Upon Completion, Cheerocean will cease to be a subsidiary of the Company; Panyu Zhujiang and the Joint Venture Company will become indirect wholly-owned subsidiaries of the Company.

4. Reasons for the Acquisition

The Group is principally engaged in property development in various cities in the PRC including Guangzhou, Beijing, Shanghai and Tianjin.

Hanjiang is principally engaged in the business of property construction in the PRC.

The Joint Venture Company was formed for the development and construction of commodity property on the Lands. Under the Joint Venture Agreement, Panyu Zhujiang would be responsible for transferring or procuring the transfer of the land use rights in respect of the Lands to the Joint Venture Company.

As at the date of this announcement, only the land use right of Land-3 has been granted to the Joint Venture Company pursuant to the Joint Venture Agreement. The Permits in respect of the JV Lands and the land use right of Land-2A remain vested in Panyu Zhujiang. For detailed background in relation to the Joint Venture Company and the Lands, please refer to the paragraphs headed “Background” under this section.

It has been Panyu Zhujiang’s contention that under the prevailing land policies and the laws and regulations of the PRC, the transfer of the Permits in respect of the JV Lands from Panyu Zhujiang to the Joint Venture Company is no longer permissible, and hence, Panyu Zhujiang is relieved of the relevant obligations under the Joint Venture Agreement by the force majeure provisions thereof. The argument that force majeure is an available defence to Panyu Zhujiang is shared by one of the independent PRC law firms engaged by the Company to advise on the matter.

On the other hand, according to the legal advice obtained by the Company from another independent PRC law firm, under the prevailing land policies and laws and regulations of the PRC, the Joint Venture Company cannot seek specific performance for the transfer of the JV Lands by Panyu Zhujiang to the Joint Venture Company, and the Joint Venture Agreement cannot be performed any further. Notwithstanding this, the Company’s independent PRC law firm advised that, Panyu Zhujiang’s Default constituted a breach of the Joint Venture Agreement. Yet, the Company was further advised that it was arguable if the change in government land policies in 2004 was foreseeable by Panyu Zhujiang at the time the Joint Venture Agreement was entered into in September 2004, hence Panyu Zhujiang’s contention that such change was a force majeure event which could relieve it from any liability owed to Hopeson and Archibald as a result of the Default is not wholly without merit.

Thus, on the one hand, the legal opinion with regard to the liability of Panyu Zhujiang for the Default diverged, while on the other hand, it was the common advice of both independent PRC law firms engaged by the Company that transfer of the Permits in respect of the JV Lands to the Joint Venture Company pursuant to the Joint Venture Agreement is no longer permissible under the prevailing government policies in the PRC.

In view of the different legal opinion received by the Company with regard to the liability of Panyu Zhujiang for the Default, and the fact that transfer of the Permits in respect of the JV Lands to the Joint Venture Company is no longer permissible under the prevailing government policies in the PRC, it is uncertain if the Group could succeed in any claim against Panyu Zhujiang for the Default, and even if it did, it would be unlikely that the Group would be awarded of any interests in the JV Lands. The Board therefore considers that it may not be in the best interest of the Group to resolve the dispute in relation to Land-1 and Land-2 through legal proceedings, which are likely to be protracted and expensive.

The JV Lands and the 60mu Land are both located in the prime area of Panyu District, Guangdong Province with superb scenery which are rarely available in the district nowadays. Although the JV Lands are now designated for economic housing purpose, the Group was informed by Hanjiang that Panyu Zhujiang has applied to the government for re-designating part of the JV Lands for commodity residential/commercial housing purpose. The land supply in the prime area of Panyu has been scarce, and both the demand and property prices are on the rise. Given the large land size and the superb scenery, the JV Lands and the 60mu Land would offer great development potential and are suitable for large scale development. In view of the high market demand and the rising property prices, the profitability potential of the JV Lands and the 60mu Land would be very impressive. The Acquisition would allow the Group to maintain its interests in the JV Lands and hence its land bank in the district, which would bring forth substantial development and profitability opportunity to the Group.

The payment of the Refund would allow the Group to recoup in full the Costs and Compensation that it had paid in respect of Land-1 and Land-2 pursuant to the Joint Venture Agreement together with interest thereon.

In the premises, the Panyu Agreement would allow the Group to maintain a substantial part of the interest and business opportunity which the Group would have enjoyed had Panyu Zhujiang duly observed and performed its obligations under the Joint Venture Agreement in respect of the Lands, without incurring any possible future costs and any inherent litigation risks if formal legal proceedings were to be instituted against Panyu Zhujiang for breach of the Joint Venture Agreement. The Directors (excluding the independent non-executive Directors who will render their opinion upon the receipt of the advice of the independent financial adviser) therefore consider that the entry into the Panyu Agreement is in the interests of the Company and its Shareholders as a whole.

On the other hand, the Lejing Land is located in the Western part of Haizhu District and is surrounded by wholesale markets and villages. This busy commercial district has a relatively poor environment with high volume of pedestrian flow and traffic noise. The land is relatively small in size. The Lejing Land is therefore only suitable for mid range residential properties and is of limited development potential.

The Cheerocean Share Disposal and the Share Issue, as means of payment of the Acquisition Consideration, will help reduce the cash outlay that may be required for the Acquisition.

The terms and conditions of the Panyu Agreement were arrived at after arm's length negotiation between the Group and Hanjiang. The Directors (excluding the independent non-executive Directors who will render their opinion upon the receipt of the advice of the independent financial adviser) consider that the terms of the Panyu Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

5. Financial effect of the transaction

Upon Completion, Panyu Zhujiang will become a wholly owned subsidiary of the Group. Accordingly, the financial results and the financial position of Panyu Zhujiang will be consolidated into the financial accounts of the Group. It is presently estimated that, Completion will result in an estimated net gain before expenses of approximately RMB713,000,000 (equivalent to approximately HK\$808,000,000) to the Group. The estimated net gain is calculated based on the difference between the Cheerocean Consideration and the consolidated net asset of Cheerocean. No gain or loss is expected to be arising from the Acquisition because there shall be no difference between the Acquisition Consideration and the net asset value of Panyu Zhujiang.

6. Fund raising activities in the past twelve months

The Company conducted a placing on 3 June 2009 for 120,000,000 Shares at an issue price of HK\$13.3 per Share raising net proceeds of approximately HK\$1,579,900,000 for general working capital purpose.

7. Effects of the Share Issue on shareholding structure

The existing and enlarged shareholding structure of the Company immediately before and after the completion of the Share Issue is set out below:

	As at the date of this announcement		Immediately after completion of the Share Issue	
	<i>No. of Shares</i>	<i>Approx. percentage</i>	<i>No. of Shares</i>	<i>Approx. percentage</i>
Sounda Properties Limited (<i>Note</i>)	915,542,346	57.5%	1,120,467,814	62.34%
Public Shareholders	<u>676,826,000</u>	<u>42.5%</u>	<u>676,826,000</u>	<u>37.66%</u>
	<u>1,592,368,346</u>	<u>100%</u>	<u>1,797,293,814</u>	<u>100%</u>

Note: Sounda Properties Limited is owned by Mr. Chu

8. Listing Rules Implication

Hanjiang, a company owned by the brother of Mr. Chu as to 90% and the brother-in-law of Mr. Chu as to 10%, is a connected person of the Company under the Listing Rules. Mr. Chu, being the controlling Shareholder (through Sounda) and the chairman of the Board, is a connected person of the Company. Accordingly, the Acquisition, the Cheerocean Share Disposal and the Share Issue constitute connected transactions under the Listing Rules and are subject to the approval of the Independent Shareholders of the Company at the SGM under the Listing Rules. Sounda and its associates will abstain from voting at the SGM in respect of the proposed resolution(s) to approve the Acquisition, the Cheerocean Share Disposal and the Share Issue. As one or more of the

applicable percentage ratios to the Acquisition under the Listing Rules are more than 5% but less than 25%, the Acquisition and the Cheerocean Share Disposal also constitute discloseable transactions of the Company under the Listing Rules.

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Acquisition, the Cheerocean Share Disposal and the Share Issue.

Somerley Limited, an independent financial adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Acquisition, the Cheerocean Share Disposal and the Share Issue under the Panyu Agreement.

The Company will dispatch to the Shareholders a circular containing, among others, (i) further information on the Acquisition, the Cheerocean Share Disposal and the Share Issue; (ii) valuation reports of the JV Lands, the 60mu Land, the Lejing Land and the 1% equity interest in the Joint Venture Company; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company in relation to the Acquisition, the Cheerocean Share Disposal and the Share Issue; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders of the Company in relation to the Acquisition, the Cheerocean Share Disposal and the Share Issue; and (v) a notice of the SGM, as soon as practicable in accordance with the Listing Rules.

THE DISPOSAL AGREEMENT

1. Principal terms of the agreement

Date: 2 November 2009

Parties: 1. Hopeson; and

2. Jumbo Advance, being a company indirectly wholly-owned by the sister of Mr. Chu, is a connected person of the Company under the Listing Rules

Asset to be disposed of: 51% of the entire issued share capital of NFGP, being all the equity interest owned by the Group in NFGP. The sole asset of NFGP is the entire equity capital in the Project Company which, in turn, holds Top Royal View.

Consideration and terms of payment: The consideration for the Disposal is RMB254,902,000 (equivalent to approximately HK\$289,159,000) which payment terms are as follows:

- (a) a sum of RMB80,000,000 (equivalent to approximately HK\$90,751,000) has been paid upon the signing of the Disposal Agreement; and
- (b) the remaining balance of RMB174,902,000 (equivalent to approximately HK\$198,408,000) shall be paid within 90 days after the signing of the Disposal Agreement.

The consideration for the Disposal was arrived at after arm's length negotiations between the parties to the Disposal Agreement with reference to the fair value of the Project Company amounting to approximately RMB351,647,000 (equivalent to approximately HK\$398,905,000) as appraised by an independent valuer appointed by the Company as at 30 September 2009 based on purchase method (with reference to the fair value of the Project Company's assets and liabilities). The Directors consider that the consideration and the terms of the Disposal are fair and reasonable and in the interests of the Shareholders as a whole as far as the Company and the Shareholders are concerned.

Conditions: Completion of the Disposal is conditional upon the fulfillment of the following conditions:

- (a) all the approvals or consents necessary or appropriate for or in connection with the transactions contemplated under the Disposal Agreement having been obtained by the Group and Jumbo Advance;
- (b) the representations, warranties and undertakings respectively given by the parties under the Disposal Agreement being true and accurate in all material respects as of the date of completion; and
- (c) there being no material adverse change in the circumstances of each of NFGP and the Project Company.

If the conditions set out above are not fulfilled within 3 months after the date of the Disposal Agreement or such other date as the parties may agree, the Disposal Agreement will cease to be of any further effect and none of the parties of the Disposal Agreement shall have any claims against the other (save for any antecedent breach).

Completion: Completion of the Disposal will take place within 5 working days after the above conditions are fulfilled, or on such other date as the parties may agree.

2. Information on NFGP

NFGP is a joint venture company incorporated in the British Virgin Islands and is owned as to 51% by Hopeson and as to 49% by Jumbo Advance. NFGP is principally engaged in the holding of the entire equity interest in the Project Company, which in turn, is principally engaged in the development of Top Royal View. Top Royal View is a real estate development with a total saleable floor area of approximately 244,745 square meters situated at Yuexiu District of Guangzhou. The Project Company, as appraised by an independent valuer appointed by the Company based on purchase method (with reference to the fair value of the Project Company's assets and liabilities), has a fair value of RMB351,647,000 (equivalent to approximately HK\$398,905,000) as at 30 September 2009.

Based on the unaudited consolidated management accounts of NFGP, its net asset value as at 30 September 2009 was approximately HK\$270,074,796. NFGP recorded a gain (both before and after taxation) of approximately HK\$240,000,000 for the financial year ended 31 December 2007 arising out of the fair value gain resulted from the acquisition of NFGP by the Group in 2007. As the development of the Top Royal View has not yet completed, NFGP recorded a loss before and after taxation of approximately HK\$11,000,000 and HK\$8,000,000 respectively for the financial year ended 31 December 2008. Upon completion of the Disposal, NFGP will cease to be a subsidiary of the Company.

3. Reasons for the Disposal

The Group is principally engaged in property development in various cities in the PRC including Guangzhou, Beijing, Shanghai and Tianjin.

Jumbo Advance is principally engaged in property development.

The sole asset of NFGP is the entire equity capital in the Project Company which, in turn, holds Top Royal View. Top Royal View is a real estate development with a total saleable floor area of approximately 244,745 square meters situated at Yuexiu District of Guangzhou. The property has been approved for pre-sale, and the project is now in its final stage of development.

The Disposal is made after arm's length negotiations between the parties pursuant to Jumbo Advance's right of first refusal to any transfer of shares in NFGP. The Disposal involves in effect the disposal of real properties which is in the ordinary and usual course of business of the Group. Given that the consideration for the Disposal would be 42.13% higher than the appraised fair value of the Project Company as at 30 September 2009 (51% of the fair value of the Company being approximately RMB179,340,000), and that the Disposal would allow the Group to have an early return of its investment, the Directors (including the independent non-executive Directors) consider that the Disposal would be a good opportunity for the Group to realize its investment.

Upon completion, the Group is expected to record a net gain before expenses of approximately RMB137,000,000 (equivalent to approximately HK\$155,000,000) representing the difference between the consideration for the Disposal and the consolidated net asset value of NFGP. It is the intention of the Group that the net proceeds from the Disposal would be used to partly redeem the Company's 3-year zero coupon convertible bonds with an aggregate principal amount of RMB1,830,400,000 which are due to be mature in February 2010.

In the premises, the Directors consider that the Disposal would strengthen the Group's liquidity and cash flow position and bring a positive effect to the financial position of the Group; and that the Disposal would be in the interest of the Company and the Shareholders and the terms of the Disposal Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

4. Listing Rules Implication

Jumbo Advance, which is indirectly wholly-owned by the sister of Mr. Chu, is a connected person of the Company under the Listing Rules. Accordingly, the Disposal contemplated under the Disposal Agreement constitutes a connected transaction under the Listing Rules and is subject to the reporting and announcement requirements set out in the Listing Rules.

DIRECTORS

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

TERMS USED IN THIS ANNOUNCEMENT

“Acquisition”	acquisition of the entire equity capital in Panyu Zhujiang pursuant to the terms of the Panyu Agreement
“Acquisition Consideration”	consideration for the Acquisition
“Archibald”	Archibald Properties Limited (愛寶置業有限公司), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“associate”	the meaning given to that term in the Listing Rules
“Balance”	the difference between the Acquisition Consideration and the Cheerocean Consideration
“Board”	the board of Directors

“Cheerocean”	Cheerocean Investments Limited (超洋投資有限公司), a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Cheerocean Consideration”	consideration for the Cheerocean Share
“Cheerocean Share”	one (1) share in the issued share capital of Cheerocean
“Cheerocean Share Disposal”	the transfer and sale of the Cheerocean Share by the Group to Hanjiang pursuant to the Panyu Agreement
“Company”	Hopson Development Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition and the Cheerocean Share Disposal
“Consideration Shares”	an aggregate of up to 204,925,468 new Shares to be allotted and issued to Mr. Chu pursuant to the terms and conditions of the Panyu Agreement
“Costs and Compensation”	collectively, the costs and compensation for the clearance and settlement of the Lands, the initial development costs of the Lands, the land transfer price and all other costs and expenses required for obtaining the land use right of the Lands or any part thereof
“Decision”	關於撤銷《建設用地規劃許可證》的決定 (Decision in relation to the revocation of “Planning Permit for Construction Land”) issued by Guangzhou Town Planning Bureau on 28 March 2007
“Directors”	the directors of the Company
“Disposal”	sale of the Group’s 51% of the entire issued share capital of NFGP pursuant to the Disposal Agreement
“Disposal Agreement”	the share transfer agreement dated 2 November 2009 made between Hopson and Jumbo Advance in relation to the Disposal
“Group”	the Company and its subsidiaries
“Guangzhou Land Bureau”	廣州市國土資源和房產管理局 (Guangzhou City State Land Resources and Real Estate Management Bureau)
“Guangzhou Town Planning Bureau”	廣州市規劃局 (Guangzhou Town Planning Bureau)

“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
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hopeson”	Hopeson Holdings Limited (合生集團有限公司), a company incorporated in Hong Kong and a wholly owned subsidiary of the Company
“Independent Board Committee”	an independent board committee, comprising Mr. Yuen Pak Yiu, Philip, Mr. Lee Tsung Hei, David and Mr. Wong Shing Kay, Oliver, all being the independent non-executive Directors, to advise the Independent Shareholders of the Company in respect of the Panyu Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than Sounda and its associates
“Joint Venture Agreement”	中外合作廣東華南新城房地產有限公司合同（修訂） (Sino-Foreign Co-operative Contract in relation to the Joint Venture Company (Revised)) dated 23 September 2004 made between Hopeson, Archibald and Panyu Zhujiang
“Joint Venture Company”	廣東華南新城房地產有限公司 (Guangdong Huanan New City Real Estate Limited), a sino-foreign co-operative joint venture established under the laws of the PRC between Hopeson, Archibald and Panyu Zhujiang
“JV Lands”	Land-1 and Land-2B
“Jumbo Advance”	Jumbo Advance Investment Limited (鉅偉投資有限公司), a company incorporated in Hong Kong
“Land-1”	the land with a site area of approximately 981 Chinese acres (equivalent to approximately 653,358.5 square meters) which was approved to Panyu Zhujiang pursuant to Permit No. 033341
“Land-2”	the land with a site area of approximately 1,027 Chinese acres (equivalent to approximately 684,663 square meters) which was approved to Panyu Zhujiang pursuant to Permit No. 033342

“Land-2A”	such part of Land-2 with a site area of approximately 497 Chinese acres (equivalent to approximately 331,291 square meters) in respect of which Guangzhou Land Bureau has agreed to transfer its land use right to Panyu Zhujiang pursuant to the Land Grant Contract
“Land-2B”	such part of Land-2 excluding Land-2A, with a site area of approximately 530 Chinese acres (equivalent to approximately 353,372 square meters)
“Land-3”	the land with a site area of approximately 997 Chinese acres (equivalent to approximately 664,699.9 square meters) which was approved to Panyu Zhujiang pursuant to Permit No. 033343
“Lands”	collectively Land-1, Land-2 and Land-3, which are located adjacent to each other between the south side of Zhujiang River bank of Nan Village Town and the north side of South Road in Panyu of Guangdong Province
“Last Trading Day”	2 November 2009, being the last trading day for the Shares before the date of this announcement
“Land Grant Contract”	國有土地使用權出讓合同 (Agreement for the transfer of the land use right of state-owned land) in respect of Land-2A dated 31 August 2004 and made between Panyu Zhujiang and Guangzhou Land Bureau
“Lejing Land”	the land with a site area of approximately 92 Chinese acres (equivalent to approximately 61,500 square meters) located in 海珠區廣州大道以西，康樂西圍新村以南 (on the west side of the Guangzhou Main Road, and the south to Kang Le Xi Wei New Village, Haizhu District)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Chu”	Mr. Chu Mang Yee, the chairman of the Board
“Nan Cun Zhen Company”	廣州市番禺區南村鎮經濟發展總公司 (Guangzhou City Panyu District Nan Cun Zhen Economic Development Holding Company), an independent third party
“NFGP”	Nam Fong Guangzhou Plaza Limited (南方越秀廣場有限公司), a company incorporated in the British Virgin Islands

“Panyu Agreement”	the share transfer agreement dated 2 November 2009 made between Hopeson, Hanjiang and Mr. Chu in relation to the Acquisition and the Cheerocean Share Disposal
“Panyu District Land Bureau”	廣州市番禺區國土資源和房屋管理局 (Guangzhou City Panyu District State Land Resources and Real Estate Management Bureau)
“Panyu Town Planning Bureau”	番禺市規劃局 (Panyu Town Planning Bureau)
“Panyu Zhujiang”	番禺珠江房地產有限公司 (Panyu Zhujiang Real Estate Limited) a limited liability company established in the PRC, whose equity capital is owned as to 99% by Hanjiang and as to 1% by Nan Cun Zhen Company
“Permit”	建設用地規劃許可證 (Planning Permit for Construction Land)
“PRC”	the People’s Republic of China
“Project Company”	廣州市秀南房地產開發有限公司 (Guangzhou City Xiu Nan Real Estate Development Co. Limited), a limited liability company established in the PRC and a wholly-owned subsidiary of NFGP
“Refund”	Costs and Compensation paid by the Group in respect of Land-1 and Land-2 together with interests accrued thereon
“RMB”	Renminbi
“SGM”	a special general meeting of the Company to be convened to approve, among other things, the Acquisition, the Cheerocean Share Disposal and the Share Issue
“Shares”	the ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	Holders of the Shares
“Share Issue”	the allotment and issue of the Consideration Shares to Mr. Chu pursuant to the terms of the Panyu Agreement
“Sounda”	Sounda Properties Limited, a company incorporated in the British Virgin Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Taijing”	廣東合生泰景房地產有限公司 (Guangdong He Sheng Taijing Real Estate Company Limited), a limited liability company established in the PRC, and a wholly-owned subsidiary of Cheerocean
“Top Royal View”	the property development situated at 198, Xiaobei Road, Yuexiu District, Guangzhou, the PRC
“1999 Announcement”	the announcement issued by the Company on 7 December 1999 in relation to, among others, the formation of the Joint Venture Company
“2004 Announcement”	The announcement issued by the Company on 23 June 2004 in relation to, among others, the acquisition by the Group of Panyu Zhujiang’s 39% equity interest in the Joint Venture Company
“60mu Land”	the land with a site area of approximately 60 Chinese acres (equivalent to approximately 40,000 square meters) located at 廣東番禺南村鎮陳邊村 (Nan Village Town Chen Bian Village, Panyu, Guangdong)

For illustrative purpose of this announcement, RMB0.88153 = HK\$1.

By Order of the Board
Chu Mang Yee
Chairman

Hong Kong, 2 November 2009

* *For identification purposes only*