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合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 754)

website: <http://www.irasia.com/listco/hk/hopson>

CONTINUING CONNECTED TRANSACTIONS

BACKGROUND

Reference is made to the announcement of the Company dated 22 April 2015 and circular dated 12 May 2015, both relating to, among other things, the 2015 Framework Agreement and the transactions contemplated thereunder.

As at the date of the 2015 Framework Agreement, Hanjiang was a connected person of the Company under the Listing Rules, and the transactions between the Hanjiang Group and the Group as contemplated under the 2015 Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Hanjiang subsequently undergone restructuring on 14 October 2016 and as a result, the Previous Contracting Parties became either directly or indirectly held by Mr. Y.H. Chu or Mr. W.H. Chu.

The 2015 Framework Agreement expired on 31 December 2017. Since the Group expects to continue certain recurring transactions contemplated under the 2015 Framework Agreement and to enter into certain new recurring transactions with Chu's Controlled Entities (including the Previous Contracting Parties) in the three financial years ending 31 December 2020, the Company entered into the 2018 Framework Agreement with Mr. Y.H. Chu and Mr. W.H. Chu to govern the Transactions on 26 April 2018.

LISTING RULES IMPLICATIONS

Both Mr. Y.H. Chu and Mr. W.H. Chu are the sons of Mr. Chu and the brothers of Ms. Chu. In addition, Mr. Y.H. Chu also indirectly owned approximately 17.76% of the shares of the Company. Accordingly, both Mr. Y.H. Chu and Mr. W.H. Chu are connected persons of the Company under the Listing Rules and the 2018 Framework Agreement and the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) as defined under Rule 14.07 of the Listing Rules of the Payable Annual Caps for the year ending 31 December 2020 (being the largest among the Annual Caps) exceed 5%, the 2018 Framework Agreement and the Transactions constitute non-exempt continuing connected transactions of the Company and are subject to reporting, announcement, circular, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Company proposes to seek the Independent Shareholders' approval of the 2018 Framework Agreement, the Transactions and the Annual Caps for the three financial years ending 31 December 2020 at the SGM. Each of Sounda, Hopson Education Funds and Farrich will abstain from voting at the SGM.

GENERAL

The Independent Board Committee has been formed to advise the Independent Shareholders and Pelican Financial has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the 2018 Framework Agreement, the Transactions and the Annual Caps.

A circular containing, *inter alia*, details of the 2018 Framework Agreement, the Transactions and the Annual Caps, the letter from Pelican Financial, the recommendation of the Independent Board Committee and a notice convening the SGM is expected to be despatched to the Shareholders on or before 17 May 2018.

A. BACKGROUND

The 2015 Framework Agreement expired on 31 December 2017. Since the Group expects to continue certain recurring transactions contemplated under the 2015 Framework Agreement and to enter into certain new recurring transactions with Chu's Controlled Entities (including the Previous Contracting Parties) in the three

financial years ending 31 December 2020, the Company entered into the 2018 Framework Agreement with Mr. Y.H. Chu and Mr. W.H. Chu to govern the Transactions on 26 April 2018.

B. THE TRANSACTIONS

1. Services to be provided/premises to be leased by Chu's Controlled Entities to the Group pursuant to the 2018 Framework Agreement:

Construction:

The appointment of Chu's Controlled Entities by the Group to carry out construction work for certain property development projects of the Group ("**Transaction 1**").

Electrical installation, low voltage system and intelligent building system installation and consultancy service on cost control for construction work:

The appointment of Chu's Controlled Entities by the Group to carry out electrical installation and low voltage system and intelligent building system installation for certain property development projects of the Group and to provide the Group with consultancy service on cost control for its construction work ("**Transaction 2**").

Office lease:

The lease of certain commercial premises in Guangzhou and Shanghai by Chu's Controlled Entities to the Group for office use ("**Transaction 3**").

Information technology related services:

The appointment of Chu's Controlled Entities by the Group to provide services in connection with the maintenance of the intranet and servers of the Group, and to supply information technology or computer system related products and facilities to the Group ("**Transaction 4**").

Marketing services:

The appointment of Chu's Controlled Entities by the Group to provide property sales service, sales agency service and marketing service for the Group. ("**Transaction 5**").

2. Services to be provided/premises to be leased by the Group to Chu's Controlled Entities pursuant to the 2018 Framework Agreement:

Building design:

The appointment of the Group by Chu's Controlled Entities to carry out construction and building design works for certain property development projects of the Chu's Controlled Entities (“**Transaction 6**”).

Management of vacant properties and delivery of sold property units to purchasers:

The appointment of the Group by Chu's Controlled Entities to manage certain vacant properties developed by Chu's Controlled Entities and to handle the delivery of sold property units of Chu's Controlled Entities in Guangdong Province, Beijing, Xi'an and Shanghai to purchasers (“**Transaction 7**”).

Heating service:

The appointment of the Group by Chu's Controlled Entities to provide heating service to certain properties of the Chu's Controlled Entities (“**Transaction 8**”).

Hotel management:

The appointment of the Group by Chu's Controlled Entities to provide hotel management service for certain hotels of the Chu's Controlled Entities (“**Transaction 9**”).

Shop and office lease:

The lease of certain shops and office premises in Guangzhou, Beijing and Shanghai by the Group to the Chu's Controlled Entities (“**Transaction 10**”).

Commercial real estate management:

The appointment of the Group by Chu's Controlled Entities to provide commercial real estate management service for certain commercial real estate projects of the Chu's Controlled Entities (“**Transaction 11**”).

C. PRINCIPAL TERMS OF THE 2018 FRAMEWORK AGREEMENT

On 26 April 2018, the Company, Mr. Y.H. Chu and Mr. W.H. Chu entered into the 2018 Framework Agreement, which set out, among other things, the principal terms of the Transactions as follows:

- Date: 26 April 2018
- Parties: (1) the Company
(2) Mr. Y.H. Chu
(3) Mr. W.H. Chu
- Scope of services: 1. Mr. Y.H. Chu and Mr. W.H. Chu shall procure the relevant member(s) of Chu's Controlled Entities or their respective sub-contractors to perform the services (other than office lease) set out in paragraph 1 of Section B of this announcement and shall procure the relevant member(s) of Chu's Controlled Entities to lease certain office premises to the Group.
2. The Company shall procure the relevant member(s) of the Group or their respective sub-contractors to perform the services (other than shop and office lease) set out in paragraph 2 of Section B of this announcement and shall procure the relevant member(s) of the Group to lease certain shop and office premises to Chu's Controlled Entities.
- Term: For a term commencing from the date when it becomes unconditional and ending on 31 December 2020.
- Condition precedent: The 2018 Framework Agreement is conditional upon the Company having obtained the approval of the Independent Shareholders at a general meeting of the Company.

Specific terms for the Transactions:

Each of the Company, Mr. Y.H. Chu and Mr. W.H. Chu will procure the relevant members of the Group and Chu's Controlled Entities to enter into a separate sales contract or agreement for each of the engagements/orders/leases in respect of each of the Transactions. The sales contracts or agreements will contain specific terms of the engagements/orders/leases which are consistent with the terms and principles set forth in the 2018 Framework Agreement. In general, the terms of the engagements/orders/leases in respect of the Transactions must be fair and reasonable so far as the Group is concerned and each individual sales contract or agreement that the Group and Chu's Controlled Entities will enter into must pass through the Group's internal approval procedures in order to ensure that each of the engagements/orders/leases in respect of each of the Transactions will be conducted on normal commercial terms offered by Independent Third Parties or better so far as the Group is concerned.

D. DETAILS OF THE TRANSACTIONS

Set out below are particulars of the Transactions and the relevant pricing bases set out in the 2018 Framework Agreement:

1. Transaction 1 — Construction

Scope: The Group agrees to appoint Chu's Controlled Entities to carry out construction work for certain property development projects of the Group.

Bases for determining price and other terms: The construction fees payable by the Group to Chu's Controlled Entities and the other terms for carrying out construction work of the property development projects of the Group in the PRC shall be determined by the parties with reference to the terms offered by Independent Third Parties for providing similar services and the latest stipulated standards and guidelines prescribed by 建設委員會 (Construction Committee) of where the project is located, such as 北京市建設工程計價依據—預算定額 (Costing Basis of Construction and Installation Works, Beijing Municipal — Base Price Budgeting) published by 北京市建設委員會 (Construction Committee of Beijing Municipal) in 2012 for property projects in Beijing, 廣東省建設工程計價依據 (2010年) (Costing Basis of Construction and Installation Works, Guangdong Province (2010)) published by 廣東省建設廳 (Construction Department of Guangdong Province) in 2010 for property projects in Guangzhou.

2. Transaction 2 — Electrical installation, low voltage system and intelligent building system installation and consultancy service on cost control for construction work:

Scope: The Group agrees to appoint Chu's Controlled Entities to carry out electrical installation, low voltage system and intelligent building system installation work for certain property development projects of the Group and to provide the Group with consultancy service on cost control for its construction work.

Low voltage system and intelligent building system installation works include installation of visual walkie-talkie system, CCTV system, music broadcast system, security system, car park automatic management system, telephone system, mobile signal coverage system, internet system and television antenna system and procurement and installation of the related facilities.

Consultancy service on cost control for construction work include the preparation of project settlement based on completion data such as built drawings, and to issue completion accounts.

Bases for determining price and other terms:

The fees payable by the Group to Chu's Controlled Entities and the other terms for carrying out electrical installation works for the property development projects of the Group will be determined with reference to the terms offered by Independent Third Parties for providing similar services and the latest standards and guidelines prescribed by the relevant governmental authorities of where the project is located, such as 廣東省建設工程計價依據 (2010年) (Costing Basis of Construction and Installation Works, Guangdong Province (2010)) published by 廣東省建設廳 (Construction Department of Guangdong Province) in 2010.

The fees payable by the Group to Chu's Controlled Entities and the other terms for carrying out low voltage system and intelligent building system installation works for the property development projects of the Group in the PRC will be determined with reference to the terms offered by Independent Third Parties for providing similar services and the latest standards and guidelines prescribed by the relevant governmental authorities of where the project is located, such as 北京市建設工程計價依據—預算定額 (Costing Basis of Construction and Installation Works, Beijing Municipal — Base Price Budgeting) and 通信建設工程預算定額 (2008年) (Basis for Fee Calculation for Communication Construction Project (2008)) published by 北京市建設委員會 (Construction Committee of Beijing Municipal) in 2012 and 2008, respectively, for projects in Beijing, and 廣東省建設工程計價依據 (2010年) (Costing Basis of Construction and Installation Works, Guangdong Province (2010) and 廣州地區建設工程常用材料綜合價格 (2014年) (Comprehensive Pricing for Commonly Used Materials for Construction Projects in Guangzhou (2014)) published by 廣東省建設廳 (Construction Department of Guangdong Province) in 2010 and 2014, respectively, for projects in Guangdong Province.

For procurement of equipment for the low voltage system and intelligent building system, a mark-up of 1%–3% on the price of the equipment procured will be charged.

The fees payable by the Group to Chu's Controlled Entities for the consultancy service on cost control for construction work will be determined with reference to the latest standards and guidelines prescribed by the relevant governmental authorities of where the project is located, such as 關於調整我省建設工程造價諮詢服務收費的覆函 (Letter Relating to Adjustment to Service Fee for the Provision of Consultation Service in Relation to Construction and Installation Costs in this Province) issued by the 廣東省物價局 (Price Control Administrative Bureau of Guangdong Provincial).

3. Transaction 3 — Office lease

Scope:	Chu's Controlled Entities agrees to lease certain commercial premises in Guangzhou and Shanghai to the Group for office use.
Bases for determining rental and other terms:	The rent payable by the Group to Chu's Controlled Entities and the other terms will be determined with reference to the prevailing market rents paid by and the other terms available to lessees who are Independent Third Parties for leasing the premises in the same building (or in the event that no such lease is available in the same building, reference should be made to the lease of comparable sizes and types and comparable grading in the same region).

4. Transaction 4 — Information technology related services

Scope: The Group agrees to appoint Chu's Controlled Entities to maintain the intranet and servers of the Group, and to supply information technology or computer system related products and facilities to the Group.

Bases for determining price and other terms: The fees payable by the Group to Chu's Controlled Entities for the maintenance of the intranet and servers of the Group, and provision of information technology or computer systems related products and facilities to the Group and the other terms will be determined with reference to the terms offered by independent third parties for providing similar services/products.

5. Transaction 5 — Marketing services

Scope: The Group agrees to appoint Chu's Controlled Entities to provide sales service, sales agency service and marketing service for the Group.

Bases for determining price and other terms: The fees payable by the Group to Chu's Controlled Entities for the provision of sales service, sales agency service and marketing service for the Group and the other terms will be determined with reference to the terms offered by Independent Third Parties for providing similar services.

6. Transaction 6 — Building design

Scope: Chu's Controlled Entities agrees to appoint the Group to provide construction and building design service for certain property development projects of Chu's Controlled Entities.

Bases for determining price and other terms: The fees payable by Chu's Controlled Entities to the Group and the other terms will be determined by the parties with reference to the terms offered by Independent Third Parties for undertaking similar design projects and the latest standards and guidelines prescribed by the relevant local authority on the fees and other terms for providing similar services (if any).

7. Transaction 7 — Management of vacant properties and delivery of sold property units to purchasers

Scope: Chu's Controlled Entities agrees to appoint the Group to manage certain vacant properties developed by Chu's Controlled Entities and to handle the delivery of sold property units of Chu's Controlled Entities in Guangdong Province, Beijing, Xi'an and Shanghai to purchasers.

Bases for determining price and other terms:

The management fees payable Chu's Controlled Entities to the Group and the other terms will be determined by the parties with reference to related costs of the Group, the prevailing market rates charged and the other terms offered by Independent Third Parties for providing similar services for properties of similar grading in the same region and the latest standards on property management and the property pricing guidelines prescribed by the local government of where the particular property is located, such as 關於物業服務收費管理辦法 (Measures on the Administration of Property Service Charges) issued by the 廣東省物價局 (Price Control Administrative Bureau of Guangdong Provincial) and 廣東省住房城鄉建設廳 (Department of Housing and Urban-rural Development of Guangdong Province) in 2010, 北京市物業服務收費管理辦法 (Measures on the Administration of Property Service Charges, Beijing Municipal) issued by 發展和改革委員會 (Development and Reform Commission) in 2005, 陝西省住宅小區物業服務指導標準 (Guiding Standard for Property Services in Small Residential Communities, Shaanxi Province) issued by 陝西省住房和城鄉建設廳 (Department of Housing and Urban-rural Development of Shaanxi Province) in 2011, 陝西省物業服務收費管理辦法 (Measures on the Administration of Property Service Charges, Shaanxi Province) jointly issued by 陝西省物價局 (Price Control Administration Bureau of Shaanxi Province) and 陝西省住房和城鄉建設廳 (Department of Housing and Urban-rural Development of Shaanxi Province) in 2011, 上海市住宅物業服務分等收費標準 (Charging Standard by Grades for Residential Property Service Charges, Shanghai Municipal) and 上海市住宅物業服務分等收費管理暫行辦法 (Temporary Measures on the Administration of Residential Property Service Charges by Grading, Shanghai Municipal) jointly issued by 上海市物價局 (Price Control Administrative Bureau of Shanghai Municipal) and 上海市房屋土地資源管理局 (Land Resources & Housing Administrative Bureau of Shanghai Municipal) in 2005.

8. Transaction 8 — Heating services

Scope: Chu's Controlled Entities agrees to appoint the Group to provide heating service to certain properties of Chu's Controlled Entities.

Bases for determining price and other terms: The fee payable by Chu's Controlled Entities to the Group and the other terms will be determined by the parties with reference to the terms offered by Independent Third Parties for providing similar services and the latest standards and guidelines prescribed by the relevant local authority on the fees and other terms for providing similar services such as the 關於調整民用供熱價格和熱電廠熱力出廠價格的通知 (Notice Relating to Adjustment to Pricing on Heating Services for Civilian Use and Pricing on Heating Supply by Power Plants) issued by 北京市物價局 (Price Control Administration Bureau of Beijing) in 2001 and 關於調整本市非居民供熱價格的通知 (Notice Relating to Adjustment to Pricing on Non-residential use of Heating Supply) issued by 北京市發展和改革委員會 (Beijing Municipal Commission of Development & Reform) in 2015.

9. Transaction 9 — Hotel management

Scope: Chu's Controlled Entities agrees to appoint the Group to provide hotel management service for certain hotels of Chu's Controlled Entities.

Bases for determining price and other terms: The hotel management services payable by Chu's Controlled Entities to the Group and the other terms will be determined by the parties with reference to the terms offered by Independent Third Parties for providing similar services.

10. Transaction 10 — Shop and office lease

Scope: The Group agrees to lease certain premises located in Guangzhou, Beijing and Shanghai to Chu's Controlled Entities for use as shops and offices.

Bases for determining rental and other terms:	The rent payable by Chu's Controlled Entities to the Group and the other terms will be determined with reference to the market rents charged and the other terms offered by the Group to lessees who are Independent Third Parties for leasing premises in the same building (or in the event that no such lease is available in the same building, reference should be made to the lease of premises of comparable sizes and types and comparable grading in the same region).
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11. Transaction 11 — Commercial real estate management

Scope:	Chu's Controlled Entities agrees to appoint the Group to provide commercial real estate management service for certain commercial real estate projects of Chu's Controlled Entities.
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Bases for determining price and other terms:	The office and shop management services fee payable by Chu's Controlled Entities to the Group and the other terms will be determined by the parties with reference to the terms offered by Independent Third Parties for providing similar services.
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E. INTERNAL CONTROL MEASURES

To ensure that the terms of the individual sales contract or agreement in respect of the Transactions proposed to be entered into by the Group are fair and reasonable and are normal commercial terms or better so far as the Group is concerned, the cost centre of the Group will, before the Group enters into any individual sales contract or agreement in respect of the Transactions with Chu's Controlled Entities, first obtain quotations and terms for providing goods/services/leases of similar level and types from at least two Independent Third Parties for reference. The relevant operational team of the Group will then review and evaluate the terms proposed to be offered by/to Chu's Controlled Entities to/by our Group and compare such terms with that obtained from the Independent Third Parties. The head of such operational team will be responsible for approving the individual sales contract or agreement in respect of the Transactions that the Group enters into with Chu's Controlled Entities in order to ensure that each of the engagements/orders/leases in respect of each of the Transactions will be conducted on normal commercial terms offered by Independent Third Parties or better so far as the Group is concerned.

In addition, the cost centre of the Group will regularly collect and keep the relevant operational team informed of the latest standards and guidelines published by the relevant governmental authorities in the PRC that are relevant to the Transactions.

The Directors are of the view that the internal approval procedure and internal control measures adopted by the Group set out in the above are effective in ensuring that the Transactions will be conducted on normal commercial terms or better which are fair and reasonable to the Company and the Shareholders as a whole.

F. PROPOSED ANNUAL CAPS

(I) Set out below are the Annual Caps proposed by the Directors for each of the three financial years ending 31 December 2020 in respect of the Transactions and the relevant breakdowns:

A. *Services to be provided/premises to be leased by Chu's Controlled Entities to the Group pursuant to the 2018 Framework Agreement:*

Transactions	2018 Annual Cap	2019 Annual Cap	2020 Annual Cap
1. Transaction 1 — Construction	RMB483,493,000 (equivalent to approximately HK\$604,366,000)	RMB422,388,000 (equivalent to approximately HK\$527,985,000)	RMB449,632,000 (equivalent to approximately HK\$562,040,000)
2. Transaction 2 — Electrical installation, low voltage system and intelligent building system installation and consultancy service on cost control for construction work	RMB83,077,000 (equivalent to approximately HK\$103,846,000)	RMB72,471,000 (equivalent to approximately HK\$90,589,000)	RMB79,114,000 (equivalent to approximately HK\$98,893,000)
3. Transaction 3 — Office lease	RMB8,860,000 (equivalent to approximately HK\$11,075,000)	RMB8,964,000 (equivalent to approximately HK\$11,205,000)	RMB9,153,000 (equivalent to approximately HK\$11,441,000)
4. Transaction 4 — Information technology related services	RMB57,345,000 (equivalent to approximately HK\$71,681,000)	RMB60,645,000 (equivalent to approximately HK\$75,806,000)	RMB65,645,000 (equivalent to approximately HK\$82,056,000)
5. Transaction 5 — Marketing services	RMB200,440,000 (equivalent to approximately HK\$250,550,000)	RMB250,065,000 (equivalent to approximately HK\$312,581,000)	RMB300,213,000 (equivalent to approximately HK\$375,266,000)
Total (“Payable Annual Caps”):	RMB833,215,000 (equivalent to approximately HK\$1,041,519,000)	RMB814,533,000 (equivalent to approximately HK\$1,018,166,000)	RMB903,757,000 (equivalent to approximately HK\$1,129,696,000)

B. Services to be provided/premises to be leased by the Group to Chu's Controlled Entities pursuant to the 2018 Framework Agreement:

Transactions	2018 Annual Cap	2019 Annual Cap	2020 Annual Cap
1. Transaction 6 — Building design	RMB40,820,000 (equivalent to approximately HK\$51,025,000)	RMB39,715,000 (equivalent to approximately HK\$49,644,000)	RMB14,017,000 (equivalent to approximately HK\$17,521,000)
2. Transaction 7 — Management of vacant properties and delivery of sold property units	RMB29,113,000 (equivalent to approximately HK\$36,391,000)	RMB32,024,000 (equivalent to approximately HK\$40,030,000)	RMB35,227,000 (equivalent to approximately HK\$44,034,000)
3. Transaction 8 — Heating services	RMB0 (equivalent to approximately HK\$0)	RMB2,710,000 (equivalent to approximately HK\$3,388,000)	RMB2,540,000 (equivalent to approximately HK\$3,175,000)
4. Transaction 9 — Hotel management	RMB7,039,000 (equivalent to approximately HK\$8,799,000)	RMB7,048,000 (equivalent to approximately HK\$8,810,000)	RMB8,519,000 (equivalent to approximately HK\$10,649,000)
5. Transaction 10 — Shop and office lease	RMB35,675,000 (equivalent to approximately HK\$44,594,000)	RMB37,058,000 (equivalent to approximately HK\$46,323,000)	RMB37,746,000 (equivalent to approximately HK\$47,183,000)
6. Transaction 11 — Commercial real estate management	RMB153,901,000 (equivalent to approximately HK\$192,376,000)	RMB205,433,000 (equivalent to approximately HK\$256,791,000)	RMB228,791,000 (equivalent to approximately HK\$285,989,000)
Total (“Receivable Annual Caps”):	<u>RMB266,548,000</u> (equivalent to approximately <u>HK\$333,185,000</u>)	<u>RMB323,988,000</u> (equivalent to approximately <u>HK\$404,985,000</u>)	<u>RMB326,840,000</u> (equivalent to approximately <u>HK\$408,550,000</u>)

- (II) The management determined the proposed Annual Caps based on the estimated annual transaction amounts for each of the three financial years ending 31 December 2020 in respect of each of the Transactions. Set out below are the bases upon which such annual transaction amounts are estimated:**

Transaction 1 — Construction

The relevant estimated transaction amounts were assessed based on (i) the relevant pricing basis under the 2018 Framework Agreement; (ii) the Directors' estimation of the aggregate gross floor area of the property units in Guangzhou, Beijing and other Eastern areas of the PRC, the construction of which are expected to be carried out by Chu's Controlled Entities for the relevant years; and (iii) the historical data relating to Chu's Controlled Entities (namely the Previous Contracting Parties) carrying out construction work for the Group.

Transaction 2 — Electrical installation, low voltage system and intelligent building system installation and consultancy service on cost control for construction work

The relevant estimated transaction amounts, which combine the aggregate estimated fees payable for the electrical installation, low voltage system and intelligent building system installation and the consultancy service on cost control for the Group's construction work, were assessed based on (i) the relevant pricing bases under the 2018 Framework Agreement; (ii) the Directors' estimated aggregate gross floor area of the property development projects in Guangzhou, Beijing, Shanghai, Tianjin, and other Eastern areas of the PRC that the Group expects to complete and for which the Group proposes to appoint the Chu's Controlled Entities to carry out the electrical installation and intelligent building system installation work and to provide consultancy service on cost control for construction work for the relevant year; and (iii) the historical data relating to the provision of the same services by the Chu's Controlled Entities (namely the Previous Contracting Parties) to the Group.

Transaction 3 — Office lease

The relevant estimated transaction amounts were assessed based on i) the proposed leased premises identified and the aggregate size thereof; and (ii) the relevant pricing basis under the 2018 Framework Agreement and (iii) the latest prevailing market rents of the proposed leased premises identified or other comparable premises.

Transaction 4 — Information technology related services

The relevant estimated transaction amounts were assessed based on (i) the relevant pricing basis under the 2018 Framework Agreement; (ii) the scope and extent of services, products and facilities to be provided by Chu's Controlled Entities to the Group based on the Group's business plans; (iii) the historical data for the provision of information technology related services by Chu's Controlled Entities (namely the Previous Contracting Parties) to the Group; and (iv) a ratio of turnover to expenses on information technology to be adopted by the Group based on the Group's knowledge of such ratio generally adopted within the property development industry in the PRC.

Transaction 5 — Marketing services

The relevant estimated transaction amounts were assessed based on (i) the relevant pricing basis under the 2018 Framework Agreement; and (ii) the scope and extent of services required by the Group based on the Group's business plan; and (iii) the latest market price and terms offered by independent third parties for providing similar services of similar scope and scale.

Transaction 6 — Building design

The relevant estimated transaction amounts were assessed based on (i) the relevant pricing basis under the 2018 Framework Agreement; (ii) the Directors' estimation of the aggregate sizes and types of the building projects of Chu's Controlled Entities for which the design work is proposed to be assigned to the Group in the relevant year; and (iii) the historical data relating to the Group carrying out design works for Chu's Controlled Entities (namely the Previous Contracting Parties).

Transaction 7 — Management of vacant properties and delivery of the sold property units to purchasers

The relevant estimated transaction amounts were assessed based on (i) the relevant pricing basis under the 2018 Framework Agreement; (ii) the Directors' estimation of the aggregate gross floor area of the property development projects of Chu's Controlled Entities for which Chu's Controlled Entities proposes to engage the Group to provide the management service and the number property units available for sale in the relevant year; and (iii) the historical data relating to the Group's provision of management service to Chu's Controlled Entities (namely the Previous Contracting Parties) for its vacant properties and handling delivery of sold property units of Chu's Controlled Entities.

Transaction 8 — Heating services

The relevant estimated transaction amounts were assessed based on (i) the relevant pricing basis under the 2018 Framework Agreement and (ii) the Director's estimation of the number and aggregate gross floor area of the properties of Chu's Controlled Entities which require the Group's services; and (iii) the market price and terms charged by the Independent Third Parties for providing similar services of similar scope and scale.

Transaction 9 — Hotel management

The relevant estimated transaction amounts were assessed based on (i) the relevant pricing basis under the 2018 Framework Agreement; and (ii) the Directors' estimation of the number and size of the hotels of Chu's Controlled Entities which require the Group's services.

Transaction 10 — Shop and office lease

The relevant estimated transaction amounts were assessed based on (i) the proposed leased premises identified and the aggregate size thereof; and (ii) the relevant pricing basis under the 2018 Framework Agreement; and (iii) the latest prevailing market rents charged by the Group for the proposed leased premises identified or other comparable premises.

Transaction 11 — Commercial real estate management

The relevant estimated transaction amounts were assessed based on (i) the relevant pricing basis under the 2018 Framework Agreement; and (ii) the Directors' estimation of the number and size of the commercial real estate projects of Chu's Controlled Entities which require the Group's services.

G. HISTORICAL TRANSACTION AMOUNTS OF THE TRANSACTIONS

Set out below are the annual caps and the actual transaction amounts of the transactions which were also carried out between the Group and Hanjiang Group under the 2015 Framework Agreement for the three financial years ended 31 December 2017:

Transactions	Year ended 31 December 2015		Year ended 31 December 2016		Year ended 31 December 2017	
	Annual caps	Approximate transaction amount	Annual caps	Approximate transaction amount	Annual caps	Approximate transaction amount
1. Construction (i.e. Transaction 1)	RMB424,027,000 (equivalent to approximately HK\$530,034,000)	RMB75,353,000 (equivalent to approximately HK\$94,191,000)	RMB430,017,000 (equivalent to approximately HK\$537,521,000)	RMB343,616,000 (equivalent to approximately HK\$429,520,000)	RMB415,985,000 (equivalent to approximately HK\$519,981,000)	RMB78,136,000 (equivalent to approximately HK\$97,670,000)
2. Construction supervision	RMB12,291,000 (equivalent to approximately HK\$15,364,000)	RMB3,965,000 (equivalent to approximately HK\$4,956,000)	RMB8,005,000 (equivalent to approximately HK\$10,006,000)	RMB438,000 (equivalent to approximately HK\$548,000)	RMB5,341,000 (equivalent to approximately HK\$6,676,000)	RMB1,010,000 (equivalent to approximately HK\$1,263,000)
3. Electricity installation, low voltage system and intelligent building system installation, consultancy service for budgeting and cost control in for construction work (i.e. Transaction 2)	RMB179,950,000 (equivalent to approximately HK\$224,938,000)	RMB38,075,000 (equivalent to approximately HK\$47,594,000)	RMB125,068,000 (equivalent to approximately HK\$156,335,000)	RMB31,872,000 (equivalent to approximately HK\$39,840,000)	RMB114,296,000 (equivalent to approximately HK\$142,870,000)	RMB5,486,000 (equivalent to approximately HK\$6,858,000)
4. Office lease (i.e. Transaction 3)	RMB9,296,000 (equivalent to approximately HK\$11,620,000)	RMB8,070,000 (equivalent to approximately HK\$10,088,000)	RMB9,296,000 (equivalent to approximately HK\$11,620,000)	RMB6,677,000 (equivalent to approximately HK\$8,346,000)	RMB10,052,000 (equivalent to approximately HK\$12,565,000)	RMB5,732,000 (equivalent to approximately HK\$7,165,000)
5. Informatization or computerization related services (i.e. Transaction 4)	RMB60,402,000 (equivalent to approximately HK\$75,503,000)	RMB10,475,000 (equivalent to approximately HK\$13,094,000)	RMB63,422,000 (equivalent to approximately HK\$79,278,000)	RMB1,625,000 (equivalent to approximately HK\$2,031,000)	RMB66,592,000 (equivalent to approximately HK\$83,240,000)	RMB34,924,000 (equivalent to approximately HK\$43,655,000)
6. Building design (i.e. Transaction 6)	RMB8,852,000 (equivalent to approximately HK\$11,065,000)	RMB751,000 (equivalent to approximately HK\$939,000)	RMB7,009,000 (equivalent to approximately HK\$8,761,000)	RMB86,000 (equivalent to approximately HK\$108,000)	RMB6,742,000 (equivalent to approximately HK\$8,428,000)	RMB110,000 (equivalent to approximately HK\$138,000)
7. Management of vacant properties and delivery of the sold properties to purchasers (i.e. Transaction 7)	RMB18,910,000 (equivalent to approximately HK\$23,638,000)	RMB4,632,000 (equivalent to approximately HK\$5,790,000)	RMB18,310,000 (equivalent to approximately HK\$22,888,000)	RMB5,029,000 (equivalent to approximately HK\$6,286,000)	RMB17,710,000 (equivalent to approximately HK\$22,138,000)	RMB17,090,000 (equivalent to approximately HK\$21,363,000)
8. Shop and office lease (i.e. Transaction 10)	RMB2,606,000 (equivalent to approximately HK\$3,258,000)	RMB1,163,000 (equivalent to approximately HK\$1,454,000)	RMB2,443,000 (equivalent to approximately HK\$3,054,000)	RMB1,649,000 (equivalent to approximately HK\$2,061,000)	RMB2,524,000 (equivalent to approximately HK\$3,155,000)	RMB1,732,000 (equivalent to approximately HK\$2,165,000)

H. INFORMATION OF THE GROUP AND CHU'S CONTROLLED ENTITIES

The Group is principally engaged in the development of residential properties in the mainland China. The Group is also involved in property investment, hotel operations and property management. The Transactions will be carried out in the Group's ordinary and usual course of business.

The Chu's Controlled Entities are engaged in the construction of properties, public utilities and power transmission and transformation in the PRC. Chu's Controlled Entities invest in various projects including infrastructure, land, energy and resources, electronics and telecommunications. They are also engaged in the sale and purchase of equipment for metallurgy, forging, mining and hydropower and the sale and purchase of other minerals, metals and construction materials.

A member of Chu's Controlled Entities, namely, Guangdong Hanjiang is classified as 房屋建築工程總承包壹級 (Property Construction First Class Main Contractor) by the relevant government authority in the PRC. First class main contractors is qualified to undertake larger scale projects than non-first class contractors. Guangdong Hanjiang offers a comprehensive range of services, employing over 350 industry experts, of which 100 are mid to senior level. Guangdong Hanjiang has also obtained the ISO 9000 certification for its quality management systems, using top grade quality in its safety, construction, cost management and controls. Guangdong Hanjiang is a reputable contractor in the industry, has a proven track record and possesses the relevant technical capabilities and expertise in handling large scale construction projects including numerous highly rated commercial buildings in the PRC. The Group has conducted market research and is of the view that the pricing offered by Chu's Controlled Entities are highly competitive.

I. REASONS FOR, AND BENEFITS OF, ENTERING INTO THE 2018 FRAMEWORK AGREEMENT

The purpose of entering into the 2018 Framework Agreement is to regulate the Transactions which are recurrent, regular and continuing in nature between the Group and the Chu's Controlled Entities (including the Previous Contracting Parties). The Group has been transacting with the Previous Contracting Parties since 2003. Over the years, the Group and the Previous Contracting Parties have built up a close and good working relationship. Given the Previous Contracting Parties' proven track record, qualification, expertise, reputation, experience and highly competitive pricing, the Group is of the view that the continued appointment of Chu's Controlled Entities for the provision of services under Transaction 1, Transaction 2 and Transaction 4, the continued leasing of office premises from Chu's Controlled Entities under Transaction 3 and the new appointment of the Chu's Controlled Entities for the provision of services under Transaction 5 are in the interests of the Company and its shareholders as a whole.

In view of the long-term and good working relationship between the Group and the Previous Contracting Parties and the good payment records of the Previous Contracting Parties, the Group considers that the provision of services under Transaction 6 to Transaction 9 and Transaction 11 and the leasing of shop and office premises under Transaction 10 to the Chu's Controlled Entities on normal commercial terms or better would generate a steady income source to the Group and are in the interests of the Company and its shareholders as a whole.

The entering into of the 2018 Framework Agreement will provide a single basis on which the Company will comply with the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules, thereby reducing the Company's administrative burden and costs for complying with such requirements in relation to the execution of separate sales contract or agreement for each of the engagements/orders/leases under each of the Transactions.

The Directors (other than the independent non-executive Directors who will form their view after having received the advice of Pelican Financial) consider that the Transactions will be carried out in the ordinary and usual course of business of the Group and on normal commercial terms or better so far as the Group is concerned. The Directors (other than the independent non-executive Directors who will form their view after having received the advice of Pelican Financial), having considered the bases and principles for determining the pricing and other terms of the individual contracts or agreements for the Transactions, consider the terms of the 2018 Framework Agreement, the Transactions and the Annual Caps to be fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

J. LISTING RULES IMPLICATIONS

Both Mr. Y.H. Chu and Mr. W.H. Chu are the sons of Mr. Chu and the brothers of Ms. Chu. In addition, Mr. Y.H. Chu also indirectly owned approximately 17.76% of the shares of the Company. Accordingly, both Mr. Y.H. Chu and Mr. W.H. Chu are connected persons of the Company under the Listing Rules and the 2018 Framework Agreement and the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) as defined under Rule 14.07 of the Listing Rules of the Payable Annual Caps for the year ending 31 December 2020 (being the largest among the Annual Caps) exceed 5%, the 2018 Framework Agreement and the Transactions constitute non-exempt continuing connected transactions of the Company and are subject to reporting, announcement, circular, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Company proposes to seek the Independent Shareholders' approval of the 2018 Framework Agreement, the Transactions and the Annual Caps for the three financial years ending 31 December 2020 at the SGM. Each of Sounda, Hopson Education Funds and Farrich will abstain from voting at the SGM.

Since the 2018 Framework Agreement and the Transactions constitute continuing connected transactions for the Company due to the connection between Mr. Y.H. Chu and Mr. W.H. Chu and each of Mr. Chu and Ms. Chu, each of Mr. Chu and Ms. Chu abstained from voting on the resolutions of the Board approving the 2018 Framework Agreement, the Transactions and the Annual Caps.

K. GENERAL

The Independent Board Committee has been formed to advise the Independent Shareholders and Pelican Financial has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the 2018 Framework Agreement, the Transactions and the Annual Caps.

A circular containing, *inter alia*, details of the 2018 Framework Agreement, the Transactions and the Annual Caps, the letter from Beijing Securities, the recommendation of the Independent Board Committee and a notice convening the SGM is expected to be despatched to the Shareholders on or before 17 May 2018.

L. TERMS USED IN THIS ANNOUNCEMENT

“Annual Caps”	the maximum aggregate annual transaction amount for the Transactions collectively under the 2018 Framework Agreement for each of the three financial years ending 31 December 2020
“associate(s)”	the meaning given to that term in the Listing Rules
“Board”	board of Directors
“Chu’s Controlled Entities”	companies which are associates of either Mr. Y.H. Chu or Mr. W.H. Chu
“Company”	Hopson Development Holdings Limited
“connected person”	the meaning given to that term in the Listing Rules
“controlling shareholder”	the meaning given to that term in the Listing Rules

“Directors”	directors of the Company
“Farrich”	Farrich Investments Limited, a company incorporated in the British Virgin Islands and whose entire issued share capital is owned by Mr. Y.H. Chu, a son of Mr. Chu and a brother of Ms. Chu. It is the holder of 395,246,625 Shares, representing approximately 17.76% of the issued share capital of the Company as at the date of this announcement
“Group”	the Company and its subsidiaries
“Guangdong Hanjiang”	廣東韓江工程總承包有限公司 (Guangdong Hanjiang Engineering Construction Limited), one of the Previous Contracting Parties and a member of the Chu’s Controlled Entities
“Hanjiang”	廣東韓江建築安裝工程有限公司 (Guangdong Hanjiang Construction Installation Project Limited), a connected person of the Company as at the date of the 2015 Framework Agreement
“Hanjiang Group”	Hanjiang, its subsidiaries, its associated companies and its associates
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hopson Education Funds”	Hopson Education Charitable Funds Limited, a company incorporated in Hong Kong and whose entire issued share capital is owned by Mr. Chu. It is the holder of 68,640,000 Shares, representing approximately 3.08% of the issued share capital of the Company, as at the date of this announcement

“Independent Board Committee”	an independent committee of the Board comprising Mr. Lee Tsung Hei, David, Mr. Tan Leng Cheng, Aaron and Mr. Ching Yu Lung, all independent non-executive Directors, established to advise the Independent Shareholders in respect of the 2018 Framework Agreement, the Transactions and the Annual Caps
“Independent Shareholders”	Shareholders who are independent of Mr. Y.H. Chu and Mr. W.H. Chu and their respective associates including Sounda, Hopson Education Funds and Farrich
“Independent Third Parties”	persons who are not connected persons of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chu”	Mr. Chu Mang Yee, the controlling shareholder of the Company, an executive Director and the Chairman of the Board
“Mr. Y.H. Chu”	Mr. Chu Yat Hong, the son of Mr. Chu and a brother of Ms. Chu
“Mr. W.H. Chu”	Mr. Chu Wai Hong, the son of Mr. Chu and a brother of Ms. Chu
“Ms. Chu”	Ms. Chu Kut Yung, an executive Director, the Deputy Chairman of the Board and daughter of Mr. Chu
“Payable Annual Caps”	the maximum aggregate annual transaction amount payable by the Group for services/leases to be provided/leased by Chu’s Controlled Entities to the Group under the 2018 Framework Agreement for each of the three financial years ending 31 December 2020

“Pelican Financial”	Pelican Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, being the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2018 Framework Agreement, the Transactions and the Annual Caps
“PRC”	the People’s Republic of China
“Previous Contracting Parties”	members of Hanjiang Group that entered into transactions with the Group under the 2015 Framework Agreement, which have become members of the Chu’s Controlled Entities as a result of the restructuring of Hanjiang
“Receivable Annual Caps”	the maximum aggregate annual transaction amount receivable by the Group for services/leases to be provided/leased to Chu’s Controlled Entities by the Group under the 2018 Framework Agreement for each of the three financial years ending 31 December 2020
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	a special general meeting of the Company to be convened to approve, among other things, the 2018 Framework Agreement, the Transactions and the Annual Caps
“Shareholders”	holders of Shares
“Shares”	the ordinary shares of HK\$0.10 each in the share capital of the Company
“Sounda”	Sounda Properties Limited, a company incorporated in the British Virgin Islands and whose entire issued share capital is owned by Mr. Chu. It is the holder of 1,160,363,809 Shares, representing approximately 52.14% of the issued share capital of the Company as at the date of this announcement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the Transaction 1 to the Transaction 11 as described in the section headed ‘The Transactions’ of this announcement proposed to be entered into between the Group and the Chu’s Controlled Entities pursuant to the 2018 Framework Agreement
“2015 Framework Agreement”	the conditional framework agreement dated 22 April 2015 entered into between the Company and Hanjiang in relation to the certain recurrent transactions which expired on 31 December 2017
“2018 Framework Agreement”	the conditional framework agreement dated 26 April 2018 entered into between the Company, Mr. Y.H. Chu and Mr. W.H. Chu in relation to the Transactions

In this announcement, the conversion of RMB into HK\$ has been made at the rate of RMB1.00:HK\$1.25. Such conversion rate is included in this announcement for indicative purpose only and should not be construed as a representation that any amount has been, could have been or may be, exchanged at this or any other rate.

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

Hong Kong, 26 April 2018

As at the date of this announcement, the Board comprises eight Directors. The executive Directors are Mr. Chu Mang Yee (Chairman), Ms. Chu Kut Yung (Deputy Chairman), Mr. Au Wai Kin, Mr. Xie Bao Xin and Mr. Bao Wenge; and the independent non-executive Directors are Mr. Lee Tsung Hei, David, Mr. Tan Leng Cheng, Aaron, and Mr. Ching Yu Lung.

* *For identification purposes only*