



# 合生創展集團有限公司

## HOPSON DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2002

#### FINANCIAL HIGHLIGHTS

(for the six months ended 30th June 2002)

- Turnover recorded a remarkable result of HK\$1,052,211,000, an increase of 166%
- Profit attributable to shareholders was HK\$143,597,000, representing a growth of 172%
  - Earnings per share were HK14 cents
- An interim dividend of HK2 cents per share was declared

#### BUSINESS REVIEW

##### Market Overview

In the first half of 2002:

- mainland China's economy continued to maintain rapid growth, with a GDP growth rate of 7.8%, well exceeded market expectation;
- real estate investments attained an expansion of over 32% reflecting an increase of more than 20% in completed floor spaces and sales areas;
- in Guangzhou, pre-sale approvals in terms of floor areas reached 4 million sq.m., representing a rise of 18%, while sales achieved an increase of 11% to a total of 4.27 million sq.m; and
- in Beijing, both real estate investments and transactions recorded marked increases; with the growth of local economy and household incomes, a great demand potential for quality properties exists in the middle and upper-middle markets.

##### Group's Sales Performance

During the period under review, the Group:

- secured much of its sales from those sizeable developments located in Guangzhou as launched late last year, namely, Gallopade Park – South Court, Huanan New City, Pleasant View Garden, Fairview South Court and Huajing New City Phase 6C, along with Regal Riviera;
- successfully sold 2,283 residential units, representing approximately 280,697 sq.m. in aggregate;
- received encouraging market responses to the pre-sale preparation of its projects in Beijing, and
- was elected one of the "Top 10 Publicly-Listed Property Companies in China".

##### Project Development Progress

- First phases of Huanan New City, Pleasant View Garden and Regal Riviera together with Huajing New City Phase 6C were in occupancy by end of June this year. The total GFA completed was approximately 394,000 sq.m.
- As at 30th June 2002, the total areas under construction by the Group was about 1,700,000 sq.m., pitching a new record in the Group's development history.

##### Land Replenishment

- In January 2002, the Group added sites situated in Beijing and Tianjin with approximately 3.03 million sq.m. to its existing landbank, paving the way for business expansion in other metropolis of mainland China. The Group's existing landbank, in terms of GFA, is sufficient for development of various kinds of projects over the next six more years.

#### PROSPECTS

- Benefited by China's domestic economic growth, and boosted by the proactive monetary policies prevalent and the increasing disposable income of residents, a steady property market expansion is envisaged.
- Recent statistics in Guangzhou were illustrative of the pooling of market resources to strongholds with market orientation, scale economy and brand-name effect becoming increasingly important in the property development industry in mainland China.
- Against the background of continuing growth in China's economy and with more quality development projects available for sale in different geographical areas, the prospect of the Group's overall performance looks promising and its national profile is expected to be further strengthened.

#### INTERIM RESULTS

The Board of Directors of Hopson Development Holdings Limited (the "Company") is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June 2002 together with comparative figures for the corresponding previous period as follows:

	Note	2002 HK\$'000 (unaudited)	2001 HK\$'000 (unaudited)
Turnover	1&5	1,052,211	394,925
Cost of sales		(677,460)	(233,124)
Gross profit		374,751	161,801
Selling and marketing expenses		(106,808)	(46,272)
General and administrative expenses		(33,117)	(22,753)
Profit from operations	5	234,826	92,776
Interest income		1,240	2,080
Interest expense	6	(7,158)	(3,492)
Share of profit of a jointly controlled entity		46,651	–
Profit before taxation	2	275,559	91,364
Taxation	3	(104,739)	(39,192)
Profit after taxation but before minority interest		170,820	52,172
Minority interest		(27,223)	585
Profit attributable to shareholders		143,597	52,757
Retained profit, beginning of period		718,706	635,133
Transfer to general reserve fund		–	(7,342)
Dividends		(20,040)	(10,010)
Retained profit, end of period		842,263	670,538
Earnings per share	4		
– Basic		HK 14 cents	HK 5 cents
– Diluted		HK 14 cents	HK 5 cents

Notes:

#### (1) Turnover

Turnover (net of applicable business tax) comprised (1) pre-sale of properties under development for sale under legally-binding agreements which is recognised by reference to the stage of completion of properties, with the profit recognised restricted to the amount of instalments received; (2) sale of completed properties held for sale which is recognized when a legally-binding agreement has been executed, with the profit recognised restricted to the amount of instalments received; (3) rental income which is recognized on a straight-line basis over the period of the relevant leases and (4) advertising income from the publication of advertisements on the newsletters to flat-owners which is recognised when the advertisement is published and (5) property management fee and garden design service fee which are recognised when the relevant services are rendered.

#### (2) Profit before taxation

Profit before taxation was determined after charging the following items:

	2002 HK\$'000	2001 HK\$'000
Depreciation of property and equipment	2,148	1,169
Amortization of goodwill	823	–

#### (3) Taxation

Taxation consisted of:

	2002 HK\$'000	2001 HK\$'000
<i>Company and subsidiaries</i>		
Current taxation –		
– Mainland China enterprise income tax	38,446	34,853
– Mainland China land appreciation tax	11,044	4,222
Deferred taxation –		
– Mainland China enterprise income tax	39,129	117
	88,619	39,192
<i>Jointly controlled entity</i>		
Current taxation –		
– Mainland China enterprise income tax	7,430	–
– Mainland China land appreciation tax	1,083	–
Deferred taxation –		
– Mainland China enterprise income tax	7,607	–
	104,739	39,192

Mainland China enterprise income tax is provided at a rate of 33% (2001 – 33%). Mainland China land appreciation tax is provided at a rate of 1% on the sales of related properties.

#### (4) Earnings per share

The calculation of basic earnings per share was based on the unaudited interim consolidated profit attributable to shareholders of approximately HK\$143,597,000 (2001: HK\$52,757,000) and the weighted average number of approximately 1,002,000,000 shares (2001: 1,000,181,000 shares) in issue during the period.

The calculation of diluted earnings per share was based on the unaudited interim consolidated profit attributable to shareholders of approximately HK\$143,597,000 (2001: HK\$52,757,000), and the diluted weighted average number of approximately 1,002,288,000 shares (2001: 1,000,688,000 shares) in issue after adjusting for the effect of all dilutive potential shares.

#### (5) Segment information

The entire turnover of the Group was derived from one principal market, namely, mainland China and in three main business segments, the property development segment, the property investment segment, and the property management segment. An analysis of the Group's results by business segment is as follows:

	Turnover		Contribution to operating profit	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Property development	1,019,235	384,046	237,309	115,305
Property investment	6,466	2,063	5,606	1,702
Property management	14,155	8,816	1,803	(3,459)
Others	12,355	–	(9,892)	(20,772)
	1,052,211	394,925	234,826	92,776

No segment information by geographical location is presented since substantially all of the Group's activities are carried out in mainland China.

#### (6) Interest expense

	2002 HK\$'000	2001 HK\$'000
Interest on loans wholly repayable within five years	51,002	32,545
Less:		
– Interest capitalized as part of the cost of properties under development	(43,844)	(29,053)
	7,158	3,492

#### (7) Adoption of Statement of Standard Accounting Practice (SSAP)

The accounting policies and methods of computation used in the preparation of the unaudited interim consolidated accounts for the six months ended 30th June 2002 are consistent with those

used in the annual accounts for the year ended 31st December 2001, except for the adoption of the following new/revised SSAPs issued by the Hong Kong Society of Accountants:

SSAP 1 (Revised)	: Presentation of financial statements
SSAP11 (Revised)	: Foreign currency translation
SSAP15 (Revised)	: Cash flow statements
SSAP25 (Revised)	: Interim financial reporting
SSAP34	: Employee benefits

Except for certain presentational changes which have been made upon the adoption of SSAP 1 (Revised) – Presentation of financial statements and SSAP 15 (Revised) – Cash flow statements, the adoption of the above new/revised SSAPs has no material effect on the unaudited interim consolidated accounts.

#### (8) Consolidated statement of changes in equity for the six months ended

	2002 HK\$'000							2001 HK\$'000	
	Share capital	Share premium	General reserve	Investment property revaluation reserve	Cumulative translation adjustments	Retained profit	Proposed dividends	Total	Total
Beginning of period	100,200	618,849	30,724	758,866	6,499	718,706	20,040	2,253,884	2,155,249
Issue of shares	–	–	–	–	–	–	–	–	610
Profit for the period	–	–	–	–	–	143,597	–	143,597	52,757
Proposed dividends	–	–	–	–	–	(20,040)	20,040	–	–
Dividends paid	–	–	–	–	–	–	(20,040)	(20,040)	(30,000)
Translation adjustments	–	–	–	–	(1,744)	–	–	(1,744)	6,477
End of period	100,200	618,849	30,724	758,866	4,755	842,263	20,040	2,375,697	2,185,093

#### DIVIDEND

The Board of Directors has declared an interim dividend of HK2 cents (2001: 1 cent) per share for 2002 payable on Thursday, 28th November 2002 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 23rd October 2002.

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### Financial Review

##### Performance

The Group achieved good operating results for the six months ended 30th June 2002 amidst a very competitive environment with large supplies of property developments in the market. Profit attributable to shareholders of HK\$143,597,000 was 172% higher than that of the first six months in 2001. Earnings per share grew by 180% to HK14 cents (2001: HK5 cents) for the period under review.

The favourable response of buyers to the Group's new projects of residential units put up for sale, particularly in respect of Gallopade Park-South Court and Pleasant View Garden, was encouraging. A record high level of turnover of HK\$1,052.2 million was attained in the first half of 2002 (2001: HK\$394.9 million). This reckoning, however, took no account of the turnover amounting to HK\$257.1 million from Regal Riviera, a popular project operated by a jointly controlled entity in which the Group has a 40% interest.

##### Operating Expenses

Faced with challenging market conditions and following the rapid progress of the Group's development projects, the Group continued to actively promote market expansion. Total selling and marketing expenses rose to HK\$106.8 million (2001: HK\$46.2 million) largely on account of substantial advertising and sales-related marketing costs incurred for new projects.

The establishment of offices and management teams in Beijing and Shanghai was completed at the beginning of 2002. Total general and administrative expenses increased by 46% to HK\$33.1 million (2001: HK\$22.7 million) primarily attributable to a higher staff number located in mainland China and other office expenditures.

With a significant rise in sales volume, the management considers that the total operating expenses representing about 13.3% of the Group's turnover (2001: 17.5%) were properly and effectively expended.

## Financial Position

Assets, liabilities and shareholders' equity of the Group were as follows:

	As at 30th June 2002 HK\$'000	As at 31st December 2001 HK\$'000	Changes %
Total assets			
Current assets	3,517,514	3,039,595	15.7
Non-current assets	2,911,898	2,586,934	12.5
Total liabilities			
Current liabilities	2,402,420	1,852,925	29.6
Non-current liabilities	1,434,731	1,339,910	7.1
Minority interests	216,564	179,810	20.4
Net assets	2,375,697	2,253,884	5.4
Shareholders' equity	2,375,697	2,253,884	5.4
Share capital	100,200	100,200	0.0
Reserves	1,413,194	1,414,938	0.0
Retained profit	842,263	718,706	17.2
Proposed dividends	20,040	20,040	0.0

The Group had a current ratio of 1.46 compared to that of 1.64 at last year end date, representing a drop of 11%. However, both its net assets and shareholders' equity recorded an increase of HK\$ 121.8 million.

## Liquidity and Financial Resources

For the period, the principal sources of the Group's funding had been cashflow generated from its sales activities, borrowings provided by banks and financing arrangements obtained from related companies. The funding was primarily used for working capital and investments in development projects.

As at 30th June 2002, the Group had cash and bank deposits totalling HK\$488.3 million, of which HK\$196.1 million was pledged as collateral for the Group's banking facilities and bank loans borrowed by a jointly controlled entity.

During the period, the Group continued to obtain financings from banks which were secured and denominated in Renminbi. Together with bank loans of HK\$1,780.9 million, the Group's total borrowings at 30th June 2002 were HK\$2,288.8 million, representing an increase of HK\$705.5 million or 45% from last year end date. The repayment profile of bank loans is shown below:

HK\$ million	As at 30th June 2002		As at 31st December 2001	
Within 1 year	1,188.4	(66.7%)	915.8	(65.5%)
After 1 year but within 2 years	244.2	(13.7%)	311.2	(22.3%)
After 2 years but within 3 years	348.3	(19.6%)	171.4	(12.2%)
Total bank borrowings	1,780.9		1,398.4	
Less: Bank deposits and cash	488.3		474.0	
Net bank borrowings	1,292.6		924.4	

Gearing ratios as at 30th June 2002, measured as a percentage of net total borrowings and of net bank borrowings to shareholders' equity were 75.8% and 54.4% respectively as compared with 49.2% and 41.0% respectively as at 31st December 2001.

Interest coverage, expressed as a multiple of profit before interest and taxation and net interest expenses before capitalization was 4.7 times for the period under review, as compared with 3.0 times for the corresponding period previous year and 3.0 times for the full year ended 31st December 2001. Bank borrowings bore interest at 5.45% to 6.83%.

## Charges on Assets

As at 30th June 2002, certain assets of the Group with an aggregate carrying value of HK\$2,054 million (31st December 2001: HK\$2,044 million) were pledged to secure bank loan facilities used by subsidiaries, a jointly controlled entity and a related company.

## Contingent Liabilities

The Group provided guarantees to banks for:

HK\$ million	As at 30th June 2002	As at 31st December 2001
– mortgage facilities granted to buyers of the Group's properties	802.4	287.8
– loans borrowed by a jointly controlled entity	75.5	56.6
– loans borrowed by related companies	94.3	18.8
– loans borrowed by an associate	9.6	10.0

In addition, the Group had contingent liabilities of approximately HK\$61.6 million (31st December 2001: HK\$37.6 million) in respect of its obligation to mainland China land appreciation tax.

## FOREIGN EXCHANGE FLUCTUATIONS

The Group earns revenue and incurs costs and expenses mainly in Renminbi. The Group experienced no significant foreign exchange movement and the directors do not anticipate any significant foreign exchange loss as a result of changes in exchange rate between Hong Kong dollars and Renminbi in the foreseeable future.

## EMPLOYEES

As at 30th June 2002 the Group, excluding its associates and jointly controlled entity, employed a total of 1,930 (2001: 1,199) staff, the great majority of which representing 1,897 in number were based in mainland China. Employees' costs (including directors' emoluments) amounted to HK\$37.3 million (2001: HK\$20.6 million).

The Group continued to structure remuneration packages for employees with reference to pay trends, market conditions and individual performances. Training and development programmes were provided on an ongoing basis. A share option scheme was established by the Company and since its adoption on 4th April 1998, six million options shares were granted.

## CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") at any time during the six months ended 30th June 2002, except that the independent non-executive directors of the Company are not appointed for specific terms. However, all directors except the Chairman and the Managing Director are subject to retirement by rotation at annual general meetings of the Company in accordance with the Company's bye-laws. In the opinion of the directors, this meets the objective of the Code.

## PURCHASE, REDEMPTION AND SALE OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the period.

## AUDIT COMMITTEE

The Company's audit committee consisted of all independent non-executive directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim consolidated accounts for the six months ended 30th June 2002 with the directors.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 21st October 2002 to Wednesday, 23rd October 2002, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 18th October 2002.

## PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT

A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on The Stock Exchange of Hong Kong Limited's website in due course.

By Order of the Board  
Chu Mang Yee  
Chairman