



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>

## **INTERIM RESULTS**

**FOR THE SIX MONTHS ENDED 30TH JUNE 2005**

### **FINANCIAL HIGHLIGHTS**

*(for the six months ended 30th June 2005)*

- **Turnover was HK\$1,587,374,000**
- **Profit attributable to shareholders amounted to HK\$397,088,000, representing a significant growth of 194%**
- **Basic earnings per share were HK40 cents per share**
- **Interim dividends were HK9.75 cents per share**

### **BUSINESS REVIEW**

#### **Industry Overview**

In the first half of 2005:

- The economy of the PRC maintained a high growth rate of 9.5% in its Gross Domestic Product (“GDP”).
- Despite the austerity measures adopted by the People’s Republic of China (“PRC”) government, growth in demand for real estate remains healthy and steady. Transaction areas of commodity properties in major cities, namely Guangzhou, Beijing, Shanghai and Tianjin saw a rise of 0.4%, 35.8%, 4.9% and 10.3%, respectively when compared to those of the first half in 2004.
- Austerity measures, adopted by the PRC government including tighter controls on credit and land supply together with measures to curb speculation, begin to have differing effects on the properties markets of various major cities in the PRC. Guangzhou was less affected while sales of properties in Shanghai were slowed down significantly. Nonetheless, the overall PRC property markets are heading towards the right direction.

## **Sales performance**

During the period under review, in terms of properties sold under sale and pre-sale contracts:

- Sales of properties in Gaungzhou were satisfactory. Inclusive of Regal Riviera, a total of 247,723 square meters (of which 209,759 square meters were attributable to the Group) of properties with value of HK\$1,469 million were sold. The Group's major projects were benefited by the construction of infrastructure facilities and transportation networks nearby.
- The sustained economic growth and the hosting of the 2008 Olympic Games continued to have positive impact on the sales performance of the Group's project developments in Beijing. A total of 102,732 square meters of properties with value amounted to HK\$728 million were sold. The Group's brand was further reinforced by the successful completion of properties delivered to buyers.
- The Group performed satisfactorily in Shanghai and Tianjin. A total of 69,531 square meters of properties (of which 52,149 square meters were attributable to the Group) with value amounted to HK\$358 million were sold. However, the austerity measures introduced by the PRC government since March 2005 have created a grave hesitant atmosphere in the Shanghai property market.
- As at 30th June 2005, areas of properties for which the Group has entered into sale and pre-sale contracts but not yet delivered to buyers amounted to 599,300 square meters. Following the delivery of such properties, the sale and pre-sale amount will be booked into the Group's accounts in the second half of 2005 and in 2006 respectively.

## **Project development progress**

- All existing project developments of the Group made satisfactory progress during the first half of 2005.

The construction work for new development projects, such as Huizhou Regal Riviera Bay and Yunshan Xijing is already underway and that for Beijing Hopson International Garden is expected to commence in the second half of 2005.

## **Landbank replenishment**

On 8th March 2005, the Group acquired two land sites located in Beijing with a gross floor area ("GFA") of approximately 202,700 square meters for an aggregate consideration of approximately RMB511 million (equivalent to approximately HK\$482 million) in order to enrich the Group's landbank thereof.

## **Prospects**

- Despite the austerity measures, the sustained economic growth and urbanization will continue to fuel the demand for high quality properties in the PRC. On the other hand, the austerity measures will accelerate the consolidation of the real estate sector.
- With the well established brand name and strong financial backing, the Group has already set a strong foothold in the PRC real estate industry. With new project developments such as Huizhou Regal Riviera Bay and Beijing Hopson International Garden coming on the market in the second half of 2005, the Group is well positioned to face the challenge ahead.

The Board of Directors of Hopson Development Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June 2005 together with the restated comparative figures for the corresponding previous period.

The 2005 interim financial report of the Company has not been audited but has been reviewed by the Audit Committee and the Board of Directors of the Company.

In 2005, the Group adopted the new/revised Hong Kong Financial Reporting Standards (the “HKFRSs”) and Hong Kong Accounting Standards (the “HKASs”). The 2004 comparatives have been restated in accordance with the new HKFRSs.

## CONDENSED CONSOLIDATED INCOME STATEMENT

		For six months ended 30th June	
	<i>Notes</i>	2005 <i>HK\$'000</i> (Unaudited)	2004 <i>HK\$'000</i> (As restated)
Sales	3&4	1,587,374	1,519,508
Cost of sales		<u>(986,349)</u>	<u>(1,162,327)</u>
Gross profit		601,025	357,181
Other gains – net	5	131,363	2,168
Selling and marketing costs		(80,162)	(63,645)
General and administrative expenses		<u>(94,131)</u>	<u>(87,027)</u>
Operating profit	6	558,095	208,677
Finance costs	7	(6,971)	(6,527)
Share of profit/(loss) of an associate		435	(325)
Share of profit of a jointly controlled entity		<u>24,997</u>	<u>30,561</u>
Profit before taxation		576,556	232,386
Taxation	8	<u>(190,536)</u>	<u>(81,330)</u>
Profit for the period		<u><b>386,020</b></u>	<u><b>151,056</b></u>
Attributable to:			
Equity holders of the Company		397,088	134,934
Minority interest		<u>(11,068)</u>	<u>16,122</u>
		<u><b>386,020</b></u>	<u><b>151,056</b></u>
Earnings per share for profit attributable to the equity holders of the Company during the period (in HK\$ per Share) – basic and diluted	9	<u><b>0.40</b></u>	<u><b>0.13</b></u>
Dividends	10	<u><b>117,351</b></u>	<u><b>30,090</b></u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		30th June 2005	31st December 2004
		(Unaudited)	(As Restated)
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Properties and equipment		728,101	709,777
Investment properties		2,799,302	2,835,469
Leasehold land and land use rights		692,691	1,043,114
Properties under development for long-term investment		245,309	338,586
Intangible assets		9,044	(155,846)
Interest in an associate		471	36
Interest in a jointly controlled entity		739,218	256,761
Deferred tax assets		44,742	47,272
		5,258,878	5,075,169
		5,258,878	5,075,169
<b>Current assets</b>			
Land use rights		4,828,341	4,104,162
Properties under development for sale		3,296,971	2,785,382
Completed properties for sale		1,614,389	1,177,729
Accounts receivable	<i>11</i>	58,838	80,789
Due from related companies		1,753	2,170
Prepayment, deposits and other current assets		155,169	137,973
Pledged/charged bank deposits		287,396	258,650
Cash and cash equivalents		458,099	477,959
		10,700,956	9,024,814
		10,700,956	9,024,814

		As at 30th June 2005 (Unaudited) HK\$'000	31st December 2004 (As Restated) HK\$'000
<b>Current liabilities</b>			
Borrowings		2,090,213	1,957,752
Accounts payable	12	490,570	662,854
Land cost payables		1,237,794	828,128
Deferred revenue		3,998,639	3,408,938
Accruals and other payables		448,033	451,049
Due to an associate		1,182	1,192
Due to directors		2,376	5,667
Due to related companies		518,336	479,818
Due to a jointly controlled entity		499,031	391,006
Current tax liabilities		282,113	353,051
		<u>9,568,287</u>	<u>8,539,455</u>
Net current assets		<u>1,132,669</u>	<u>485,359</u>
Total assets less current liabilities		6,391,547	5,560,528
<b>Non-current liabilities</b>			
Borrowings		1,911,842	1,547,805
Land cost payables		121,036	190,566
Due to a director		10,000	10,000
Due to ultimate holding company		59,000	59,000
Deferred revenue		48,002	49,640
Deferred tax liabilities		425,784	374,743
		<u>2,575,664</u>	<u>2,231,754</u>
Net assets		<u>3,815,883</u>	<u>3,328,774</u>
<b>Equity</b>			
Capital and reserve attributable to the Company's equity holders			
Share capital		100,300	100,300
Reserves	13	3,580,315	3,073,427
		<u>3,680,615</u>	<u>3,173,727</u>
Minority interest		135,268	155,047
Total equity		<u>3,815,883</u>	<u>3,328,774</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

	<b>Attributable to equity holders of the Company</b>	<b>Minority interest</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1st January 2005, as previously reported as equity	3,253,769	–	3,253,769
Balance at 1st January 2005, as previously separately reported as minority interest	–	118,956	118,956
Change in accounting policy in respect of revenue recognition	(397,171)	(8,970)	(406,141)
Amortisation of leasehold land and land use rights	(23,163)	(305)	(23,468)
Deferred tax arising from the revaluation of investment properties	340,292	45,366	385,658
	3,173,727	155,047	3,328,774
Opening adjustment on adoption of HKFRS 3	164,890	–	164,890
	3,338,617	155,047	3,493,664
	3,338,617	155,047	3,493,664
Currency translation differences and net income recognised directly in equity	157	–	157
Profit/(loss) for the period	397,088	(11,068)	386,020
	397,245	(11,068)	386,177
Total recognised income for the six months ended 30th June 2005	397,245	(11,068)	386,177
Employees share option scheme – value of employee services	4,933	–	4,933
Capital contribution by minority interest of subsidiaries	–	33,098	33,098
Dividend relating to 2004	(60,180)	(41,809)	(101,989)
	(55,247)	(8,711)	(63,958)
	(55,247)	(8,711)	(63,958)
Balance at 30th June 2005	3,680,615	135,268	3,815,883

	<b>Unaudited</b>		
	<b>Attributable to equity holders of the Company HK\$'000</b>	<b>Minority interest HK\$'000</b>	<b>Total HK\$'000</b>
Balance at 1st January 2004, as previously reported as equity	2,694,378	–	2,694,378
Balance at 1st January 2004, as previously separately reported as minority interest	–	523,485	523,485
Change in accounting policy in respect of revenue recognition	(288,448)	(65,017)	(353,465)
Amortisation of leasehold land and land use rights	(18,282)	(935)	(19,217)
Deferred tax arising from the revaluation of investment properties	257,356	31,801	289,157
	<u>2,645,004</u>	<u>489,334</u>	<u>3,134,338</u>
Balance at 1st January 2004, as restated			
Share of reserve of a jointly controlled entity	36,647	–	36,647
Currency translation differences	564	–	564
Revaluation reserve transferred to the profit and loss account upon disposal of investment properties	(25,010)	(4,388)	(29,398)
	<u>12,201</u>	<u>(4,388)</u>	<u>7,813</u>
Net income/(expenses) recognised directly in equity			
Profit for the period	134,934	16,122	151,056
	<u>147,135</u>	<u>11,734</u>	<u>158,869</u>
Total recognised income for the six months ended 30th June 2004			
Employees share option scheme – proceeds from shares issued	1,170	–	1,170
Acquisition of minority interest in subsidiaries	–	(12,343)	(12,343)
Dividend relating to 2003	(30,060)	(7,612)	(37,672)
	<u>(28,890)</u>	<u>(19,955)</u>	<u>(48,845)</u>
Balance at 30th June 2004	<u><u>2,763,249</u></u>	<u><u>481,113</u></u>	<u><u>3,244,362</u></u>

Notes:

**(1) Basis of preparation and accounting policies**

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated financial information should be read in conjunction with the 2004 annual accounts.



The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual accounts for the year ended 31 December 2004, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRS”) which are effective for accounting periods commencing on or after 1 January 2005.

This interim financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this information. The HKFRS standards and interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out in Note 2 below.

**(2) Changes in accounting policies**

*(a) Effect of adopting new HKFRS*

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associate
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HK-Int 2	The Appropriate Policies for Hotel Properties
HK-Int 3	Revenue – Pre-completion Contracts for the Sale of Development Properties
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31, 32, 33, 38, 39, HKAS-Int 15, HK-Int 2 and HK-Int 4 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.
- HKASs 2, 7, 8, 10, 16, 23, 27, 28, 31, 32, 33, 38, 39, HKAS-Int 15, HK-Int 2 and HK-Int 4 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from properties and equipment, properties under development for long-term investment, properties under development for sales and completed properties for sale to operating leases. The up-front prepayments made for the land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the land use right was accounted for at cost less accumulated impairment.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement as part of other gains. In prior years, the increases in fair value were credited to the investment properties revaluation reserve; decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the income statements. Effective on 1 January 2005, the Group expenses the cost of share options in the income statement.

The adoption of HKFRS 3 and HKAS 36 results in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was amortised on a straight line basis over a period ranging from 5 to 10 years and assessed for an indication of impairment at each balance sheet date. In accordance with the provisions of HKFRS 3, the Group ceased amortisation of goodwill from 1 January 2005, with accumulated amortisation as at 31 December 2004 eliminated with a corresponding decrease in the cost of goodwill. From the year ending 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The adoption of HK-Int 3 has resulted in a change in the accounting policy relating to revenue recognition arising from pre-completion contracts for the sale of properties under development for sale. Such revenue is recognised only upon completion of sale agreement, which refers to the time when properties are completed and delivered to the buyers. In prior years, the percentage of completion method was used as the policy to recognise revenue arising from pre-completion contracts for the sale of properties under development for sale.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 16 – the initial measurement of an item of properties and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;
- HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1 January 2005, including the reclassification of any amount held in revaluation reserve for investment property;
- HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1 January 2005;
- HKFRS 2 – only retrospective application for all equity instruments granted after 7th November 2002 and not vested at 1 January 2005; and
- HKFRS 3 – prospectively after the adoption date.

The effect of the changes in the accounting policies described above on equity, results and earnings per share are as follows:

	As at 1 January 2005 <i>HK\$'000</i>
Equity	
Amortisation of leasehold land and land use rights (i)	(23,468)
Decrease in deferred tax on change of basis of recovery of revalued assets (ii)	385,658
Change in basis of revenue recognition (iii)	(406,141)
Reclassification of negative goodwill to retained earnings (iv)	164,890
	<u>120,939</u>
	<u>120,939</u>
	For the six months ended 30 June 2004 <i>HK\$'000</i>
Results	
Amortisation of leasehold land and land use rights (i)	(2,301)
Change in basis of revenue recognition (iii)	(75,719)
	<u>(78,020)</u>
	<u>(78,020)</u>
Attributable to:	
Equity holders of the Company	(51,930)
Minority interest	(26,090)
	<u>(78,020)</u>
	<u>(78,020)</u>
	For the six months ended 30 June 2004 <i>HK\$</i>
Earnings per share	
Basic and diluted	
Amortisation of leasehold land and land use rights (i)	—
Change in basis of revenue recognition (iii)	(0.05)
	<u>(0.05)</u>
	<u>(0.05)</u>

	Effect on adoption of HKAS 17 HK\$'000 (Note i)	Effect on adoption of HKAS-Int 21 HK\$'000 (Note ii)	Effect on adoption of HK-Int 3 HK\$'000 (Note iii)	Effect on adoption of HKFRS 3 HK\$'000 (Note iv)	Total HK\$'000
Income statement items for the period ended 30 June 2004					
Sales	-	-	(192,844)	-	(192,844)
Cost of sales	2,301	-	(58,826)	-	(56,525)
Selling and marketing costs	-	-	(435)	-	(435)
Share of profit of a jointly controlled entity	-	-	2,844	-	2,844
Taxation	-	-	(55,020)	-	(55,020)
Minority interest	(7)	-	(26,083)	-	(26,090)
Earnings per share - basic and diluted	-	-	HK\$(0.05)	-	HK\$(0.05)
Balance sheet items as at 1 January 2005					
Properties and equipment	(44,395)	-	-	-	(44,395)
Investment properties	-	-	192,460	-	192,460
Leasehold land and land use rights	1,043,114	-	-	-	1,043,114
Properties under development for long-term investment	(718,531)	-	4,312	-	(714,219)
Land pending development	(293,633)	-	-	-	(293,633)
Intangible assets	-	12,620	(17,103)	164,890	160,407
Interest in a jointly controlled entity	-	-	(26,588)	-	(26,588)
Deferred tax assets	-	-	26,741	-	26,741
Land use rights	4,104,162	-	-	-	4,104,162
Properties under development for sale	(3,774,950)	-	894,296	-	(2,880,654)
Completed properties for sale	(339,235)	-	477,818	-	138,583
Accounts receivable	-	-	(255,756)	-	(255,756)
Total assets	(23,468)	12,620	1,296,180	164,890	1,450,222
Deferred revenue	-	-	2,094,008	-	2,094,008
Accruals and other payables	-	-	2,962	-	2,962
Deferred tax liabilities	-	(373,038)	(394,649)	-	(767,687)
Total liabilities	-	(373,038)	1,702,321	-	1,329,283
Net assets	(23,468)	385,658	(406,141)	164,890	120,939
Reserves	(23,468)	340,292	(396,866)	164,890	84,848
Minority interest	-	45,366	(9,275)	-	36,091
Total equity	(23,468)	385,658	(406,141)	164,890	120,939

**(3) Turnover**

Turnover comprises (1) sale of completed properties held for sale which is recognized when a legally-binding agreement has been executed and the respective property delivered to the buyers; (2) rental income which is recognized on a straight-line basis over the period of the relevant leases and (3) property management fees which are recognized when the services are rendered.

**(4) Segment information**

In accordance with the Group's internal financial reporting, the Group has determined the geographical segments be presented as the primary reporting format and the business segments as the secondary reporting format.

Analysis of the Group's results by geographical segments is as follows:

*For the six months ended 30th June 2005:*

	Guangdong Province HK\$'000	Beijing HK\$'000	Shanghai HK\$'000	Tianjin HK\$'000	Others HK\$'000	Un- allocated HK\$'000	Group HK\$'000
Total gross segment sales	887,576	537,805	-	164,025	69,534	-	1,658,940
Inter-segment sales	(3,922)	-	-	-	(67,644)	-	(71,566)
Sales	<u>883,654</u>	<u>537,805</u>	<u>-</u>	<u>164,025</u>	<u>1,890</u>	<u>-</u>	<u>1,587,374</u>
Operating profit	456,788	113,256	(3,309)	899	2,585	(12,124)	558,095
Finance costs							(6,971)
Share of profit of an associate	435	-	-	-	-	-	435
Share of profit of a jointly controlled entity	24,997	-	-	-	-	-	<u>24,997</u>
Profit before taxation							576,556
Taxation							<u>(190,536)</u>
Profit for the period							<u><u>386,020</u></u>

*For the six months ended 30th June 2004:*

	Guangdong Province HK\$'000	Beijing HK\$'000	Shanghai HK\$'000	Tianjin HK\$'000	Others HK\$'000	Un- allocated HK\$'000	Group HK\$'000
Total gross segment sales	1,223,318	286,915	-	-	47,904	-	1,558,137
Inter-segment sales	(2,322)	-	-	-	(36,307)	-	(38,629)
Sales	<u>1,220,996</u>	<u>286,915</u>	<u>-</u>	<u>-</u>	<u>11,597</u>	<u>-</u>	<u>1,519,508</u>
Operating profit	233,176	(12,654)	(6,073)	(8,284)	10,944	(8,432)	208,677
Finance costs							(6,527)
Share of loss of an associate	(325)	-	-	-	-	-	(325)
Share of profit of a jointly controlled entity	30,561	-	-	-	-	-	<u>30,561</u>
Profit before taxation							232,386
Taxation							<u>(81,330)</u>
Profit for the period							<u><u>151,056</u></u>

*For the six months ended 30th June 2005:*

	Guangdong Province HK\$'000	Beijing HK\$'000	Shanghai HK\$'000	Tianjin HK\$'000	Others HK\$'000	Un- allocated HK\$'000	Group HK\$'000
Assets	8,131,977	4,048,471	1,466,742	1,449,349	78,864	44,742	15,220,145
Interest in an associate	471	-	-	-	-	-	471
Interest in a jointly controlled entity	<u>739,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>739,218</u>
Total assets	<u><u>8,871,666</u></u>	<u><u>4,048,471</u></u>	<u><u>1,466,742</u></u>	<u><u>1,449,349</u></u>	<u><u>78,864</u></u>	<u><u>44,742</u></u>	<u><u>15,959,834</u></u>
Liabilities	<u><u>5,495,983</u></u>	<u><u>3,310,659</u></u>	<u><u>1,254,656</u></u>	<u><u>724,126</u></u>	<u><u>650,630</u></u>	<u><u>707,897</u></u>	<u><u>12,143,951</u></u>
Depreciation	<u><u>3,462</u></u>	<u><u>1,191</u></u>	<u><u>318</u></u>	<u><u>735</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>5,706</u></u>
Amortisation	<u><u>20,676</u></u>	<u><u>14,034</u></u>	<u><u>7,105</u></u>	<u><u>1,001</u></u>	<u><u>27</u></u>	<u><u>-</u></u>	<u><u>42,843</u></u>
Capital expenditure	<u><u>503,811</u></u>	<u><u>473,437</u></u>	<u><u>37,155</u></u>	<u><u>37,898</u></u>	<u><u>272</u></u>	<u><u>-</u></u>	<u><u>1,052,573</u></u>

*For the year ended 31 December 2004:*

	Guangdong Province HK\$'000	Beijing HK\$'000	Shanghai HK\$'000	Tianjin HK\$'000	Others HK\$'000	Un- allocated HK\$'000	Group HK\$'000
Assets	7,810,061	3,532,642	1,209,076	1,226,679	17,456	47,272	13,843,186
Interest in an associate	36	-	-	-	-	-	36
Interest in a jointly controlled entity	256,761	-	-	-	-	-	256,761
Total assets	<u>8,066,858</u>	<u>3,532,642</u>	<u>1,209,076</u>	<u>1,226,679</u>	<u>17,456</u>	<u>97,272</u>	<u>14,099,983</u>
Liabilities	<u>4,859,033</u>	<u>2,973,490</u>	<u>1,145,120</u>	<u>670,335</u>	<u>395,437</u>	<u>727,794</u>	<u>10,771,209</u>

*For the six months ended 30th June 2004:*

Depreciation	<u>1,717</u>	<u>1,170</u>	<u>267</u>	<u>282</u>	<u>99</u>	<u>-</u>	<u>3,535</u>
Amortisation	<u>13,346</u>	<u>10,068</u>	<u>3,091</u>	<u>889</u>	<u>28</u>	<u>-</u>	<u>27,422</u>
Capital expenditure	<u>140,385</u>	<u>253,964</u>	<u>39,112</u>	<u>20,318</u>	<u>157</u>	<u>-</u>	<u>453,936</u>

*Analysis of the Group's results by business segments is as follows:*

	<b>For the six months ended</b>	
	<b>30th June 2005 HK\$'000 (Unaudited)</b>	<b>30th June 2004 HK\$'000 (As restated)</b>
Sales		
Property development	<b>1,523,957</b>	1,461,251
Property investment	<b>20,856</b>	25,449
Property management	<b>42,561</b>	32,808
	<u><b>1,587,374</b></u>	<u>1,519,508</u>



	As at	
	30th June 2005 <i>HK\$'000</i> (Unaudited)	31st December 2004 <i>HK\$'000</i> (As restated)
Total assets		
Property development	11,757,556	9,873,629
Property investment	3,397,467	3,890,488
Property management	20,380	31,797
Unallocated	44,742	47,272
	<u>15,220,145</u>	<u>13,843,186</u>
Interest in an associate	471	36
Interest in a jointly controlled entity	739,218	256,761
	<u><u>15,959,834</u></u>	<u><u>14,099,983</u></u>

	For the six months ended	
	30th June 2005 <i>HK\$'000</i> (Unaudited)	30th June 2004 <i>HK\$'000</i> (As restated)
Capital expenditure		
Property development	954,521	315,681
Property investment	97,107	138,255
Property management	945	–
	<u>1,052,573</u>	<u>453,936</u>

(5) Other gains

	For the six months ended	
	30 June 2005 (Unaudited) <i>HK\$'000</i>	30 June 2004 (As restated) <i>HK\$'000</i>
Excess of acquirer's interest over cost	114,526	–
Fair value gains on investment properties	12,885	–
Interest income	1,712	2,168
Government grant	2,240	–
	<u>131,363</u>	<u>2,168</u>

(6) **Expenses by nature**

Expenses included in cost of sales, selling and marketing costs and general and administrative expenses are analysed as follows:

	<b>For the six months ended</b>	
	<b>30 June 2005 HK\$'000 (Unaudited)</b>	30 June 2004 HK\$'000 (As restated)
Amortisation of leasehold land and land use rights	42,843	27,422
Depreciation	5,706	3,535
Amortisation of goodwill	–	2,594
Staff costs (including directors' emoluments)	66,948	57,285
Advertising expenses	54,988	42,356
Operating lease rental in respect of premises	2,915	2,711
Loss on disposal of properties and equipment	859	172
Net exchange loss	251	98
Direct operating expenses arising from investment properties that generate rental income	1,809	1,836
Direct operating expenses that did not generate rental income	<u>277</u>	<u>709</u>

(7) **Finance costs**

	<b>For the six months ended</b>	
	<b>30 June 2005 HK\$'000 (Unaudited)</b>	30 June 2004 HK\$'000 (As restated)
Interest expenses on bank borrowings wholly repayable within five years	111,195	94,759
Less: Amount capitalised as part of the cost of properties under development	<u>(104,224)</u>	<u>(88,232)</u>
	<u>6,971</u>	<u>6,527</u>

The average interest rate of borrowing costs capitalised for the six months ended 30 June 2005 was approximately 5.9% (2004: 5.7%) per annum.

(8) **Taxation**

Taxation consists of:

	<b>For the</b>	
	<b>six months ended</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(As restated)</b>
Company and subsidiaries		
Current taxation –		
Hong Kong profits tax	<b>11,160</b>	7,192
Mainland China enterprise income tax	<b>119,401</b>	63,841
Mainland China land appreciation tax	<b>6,404</b>	–
	<b>136,965</b>	71,033
	<b>For the</b>	
	<b>six months ended</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>(As restated)</b>
Deferred taxation –		
Mainland China enterprise income tax	<b>11,721</b>	(6,022)
Mainland China land appreciation tax	<b>41,850</b>	16,319
	<b>53,571</b>	10,297
	<b>190,536</b>	81,330

Hong Kong profits tax is provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong. Mainland China enterprise income tax is provided at a rate of 33% (2004: 33%). Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

Share of jointly controlled entity's taxation for the six months ended 30th June 2005 of 26,874,000 (2004: \$27,097,000) are included in the income statement as share of profits of a jointly controlled entity.

(9) **Earnings per share**

*Basic*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>For the six months ended</b>	
	<b>30 June 2005 (Unaudited) HK\$'000</b>	30 June 2004 (As restated) HK\$'000
Profit attributable to equity holders of the Company	<b><u>397,088</u></b>	<u>134,934</u>
Weighted average number of, ordinary shares in issue ('000)	<b><u>1,003,000</u></b>	<u>1,002,495</u>
Basic earnings per share (HK\$ per share)	<b><u>0.40</u></b>	<u>0.13</u>

*Diluted*

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has no share options outstanding during the period which are dilutive potential ordinary shares. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

During the six months ended 30 June 2005, average market price of the Company's share is higher than the exercise price of the 20,000,000 share options outstanding. Accordingly, the 20,000,000 share options are anti-dilutive for the six months ended 30 June 2005.

	<b>For the six months ended</b>	
	<b>30 June 2005 (Unaudited) HK\$'000</b>	30 June 2004 (As restated) HK\$'000
Profit attributable to equity holders of the Company	<b><u>397,088</u></b>	<u>134,934</u>
Weighted average number of, ordinary shares in issue ('000)	<b>1,003,000</b>	1,002,495
Adjustments for – share options ('000)	–	189
Weighted average number of ordinary shares for diluted earnings per share ('000)	<b><u>1,003,000</u></b>	<u>1,002,684</u>
Diluted earnings per share (HK\$ per share)	<b><u>0.40</u></b>	<u>0.13</u>

**(10) Dividends**

	<b>For the six months ended</b>	
	<b>30 June 2005 HK\$'000</b>	30 June 2004 HK\$'000
Interim dividend proposed of HK\$0.0975 (2004: HK\$0.03) per ordinary share	<b><u>117,351</u></b>	<u>30,090</u>

*Notes:*

- (a) At a meeting held on 18 March 2005, the Company's directors proposed a final dividend of HK\$0.06 per ordinary share for the year ended 31 December 2004, which was paid on 30 June 2005 and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2005.
- (b) At a meeting held on 13 September 2005, the Company's directors declared an interim dividend of HK\$0.0975 per share for the year ending 31 December 2005. This proposed dividend, based on the number of shares outstanding at the date of the meeting, is not reflected as a dividend payable in this condensed financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2005.

**(11) Accounts receivable**

Consideration in respect of properties sold is generally payable by the buyers at the time of completion of the sales and purchase agreements. Rentals in respect of leased properties and property management fees are generally payable in advance by the tenants on monthly basis.

At 30th June 2005 and 31st December 2004, the aging analysis of accounts receivable was as follows:

	<b>As at</b>	
	<b>30th June 2005 HK\$'000 (Unaudited)</b>	31st December 2004 HK\$'000 (As restated)
0 to 3 months	42,047	65,602
3 to 6 months	1,539	9,972
6 to 9 months	7,279	2,488
9 to 12 months	4,167	1,425
Over 12 months	3,806	1,302
	<b><u>58,838</u></b>	<b><u>80,789</u></b>

Carrying values of accounts receivable approximate their fair values.

There is no concentration of credit risk with respect to accounts receivable, as the Group has a large number of customers.

**(12) Accounts payable**

At 30th June 2005, the aging analysis of accounts payable (including amounts due to related parties of trading in nature) was as follows:

	<b>As at</b>	
	<b>30th June 2005 HK\$'000 (Unaudited)</b>	31st December 2004 HK\$'000 (As restated)
0 to 3 months	<b><u>490,570</u></b>	<b><u>662,854</u></b>

**(13) Movements in reserves***For the six months ended 30th June 2005*

	Share premium <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Cumulative currency translation differences <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2005, as previously reported	619,915	744,749	133,378	3,959	1,651,468	3,153,469
Change in accounting policy in respect of revenue recognition	–	62,457	–	–	(459,628)	(397,171)
Amortisation of leasehold land and land use rights	–	–	–	–	(23,163)	(23,163)
Deferred tax arising from the revaluation of investment properties	–	340,292	–	–	–	340,292
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 January 2005, as restated	619,915	1,147,498	133,378	3,959	1,168,677	3,073,427
Opening adjustment on adoption of HKFRS 3	–	–	–	–	164,890	164,890
Opening adjustment on adoption of HKAS 40	–	(1,147,498)	–	–	1,147,498	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 January 2005 after opening adjustments, as restated	619,915	–	133,378	3,959	2,481,065	3,238,317
Currency translation differences, Group	–	–	–	157	–	157
Profit for the period	–	–	–	–	397,088	397,088
Transfer from retained earnings (i)	–	–	20,635	–	(20,635)	–
Dividend relating to 2004	–	–	–	–	(60,180)	(60,180)
Employee share option scheme – value of services provided	4,933	–	–	–	–	4,933
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2005	<u>624,848</u>	<u>–</u>	<u>154,013</u>	<u>4,116</u>	<u>2,797,338</u>	<u>3,580,315</u>
Representing –						
2005 interim dividend proposed					117,351	
Others					2,679,987	
					<hr/>	
Retained earnings as at 30 June 2005					<u>2,797,338</u>	
Analysed by –						
Company and subsidiaries					2,637,828	
Jointly controlled entity					160,927	
Associate					(1,417)	
					<hr/>	
					<u>2,797,338</u>	

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	General reserve HK\$'000	Cumulative currency translation differences HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<i>For the year ended 31st December 2004</i>						
Balance at 1 January 2004, as previously reported	618,849	737,617	84,499	3,966	1,149,247	2,594,178
Change in accounting policy in respect of revenue recognition	–	(2,404)	–	–	(286,044)	(288,448)
Amortisation of leasehold land and land use rights	–	–	–	–	(18,282)	(18,282)
Deferred tax arising from the revaluation of investment properties	–	257,356	–	–	–	257,356
Balance at 1 January 2004, as restated	618,849	992,569	84,499	3,966	844,921	2,544,804
Currency translation differences, Group	–	–	–	564	–	564
Profit for the period	–	–	–	–	134,934	134,934
Transfer to profit and loss upon disposal	–	(25,010)	–	–	–	(25,010)
Share of revaluation reserves	–	36,647	–	–	–	36,647
Dividend relating to 2003	–	–	–	–	(30,060)	(30,060)
Proceeds from issue of share under employee share option scheme	1,070	–	–	–	–	1,070
Balance at 30 June 2004	619,919	1,004,206	84,499	4,530	949,795	2,662,949
Revaluation – gross	–	318,210	–	–	–	318,210
Revaluation – tax	–	(110,964)	–	–	–	(110,964)
Currency translation differences, Group	–	–	–	(571)	–	(571)
Profit for the period	–	–	–	–	297,851	297,851
Transfer from retained earnings (i)	–	–	48,879	–	(48,879)	–
Transfer to profit and loss upon disposal	–	(27,307)	–	–	–	(27,307)
Share of post acquisition reserves	–	(36,647)	–	–	–	(36,647)
Dividend relating to 2004	–	–	–	–	(30,090)	(30,090)
Share issue expenses	(4)	–	–	–	–	(4)
Balance at 31 December 2004	<u>619,915</u>	<u>1,147,498</u>	<u>133,378</u>	<u>3,959</u>	<u>1,168,677</u>	<u>3,073,427</u>
Representing –						
2004 Final dividend proposed					60,180	
Others					1,108,497	
Retained earnings as at 31 December 2004					<u>1,168,677</u>	
Analysed by –						
Company and subsidiaries					2,663,260	
Jointly controlled entity					135,930	
Associate					(1,852)	
					<u>2,797,338</u>	



- (14) The adoption of the new HKFRSs has also resulted in changes in the presentation of the interim financial statements and certain comparative figures have been restated to conform with the presentation and basis of preparation for the current period. Comparative figures for change in fair value of investment properties have not been restated as fair value of investment properties at 30th June 2004 has not been previously reported.

## **DIVIDEND**

The Board of Directors has recommended an interim dividend of HK9.75 cents (2004: HK 3 cents) per share for the half-year period ended 30th June 2005 payable on Friday, 25th November 2005 to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 20th October 2005.

## **FINANCIAL REVIEW**

### **Performance**

#### *Turnover*

Following the adoption of the new applicable accounting standards for the period under review, revenue from sales of properties was recognized only after the completion and delivery of the relevant properties to buyers. On this new basis of revenue recognition, turnover recorded a slight increase of 4.5% to HK\$1,587 million (2004: HK\$1,520 million (restated)) reflecting an increase in the average unit-selling price of the properties delivered by 12.5% to HK\$5,569 per square meter (2004: HK\$4,946 per square meter). The increase was mainly attributable to (1) the general improvement of the PRC property market in 2004 and (2) a higher, on average, unit-selling price for the Beijing Regal Court properties.

Sales volume, in terms of GFA delivered, dropped by 6% to 292,214 square meters (2004: 312,163 square meters). This was caused by the completion and delivery of a small number of properties for the period under review with sales comprised the remaining flow of inventories from existing development projects, such as Huajing New City and Gallopade Park South Court in Guangzhou.

The turnover was, however, exclusive of the sales revenue amounting to HK\$355 million (2004: HK\$342 million (restated)) achieved by Regal Riviera, operated by a jointly controlled entity in which the Group has a 40% interest.

#### *Gross profit*

In the first half of 2005, the Group's gross profit grew 68% to 38% of turnover (2004: 24% of turnover) and reached HK\$601 million (2004: HK\$357 million). The improvement was due to higher selling prices and tighter control on construction costs of several project developments located in Guangzhou.

#### *Operating expenses*

The management continues its effort in striving for enhancement of cost controls and operation efficiency. Operating expenses, including selling, marketing, general and administrative expenses, increased by 16% to HK\$174 million as compared to HK\$151 million in the same period last year. The increase was mainly attributable to (i) the preliminary expenses written off for the hotel operations in Beijing and Shanghai and a greater amount expended for the increase in marketing and advertising expenses in Tianjin and Shanghai.

### *Other gains*

Included in other gains is the recognition of excess of acquirer's interest over cost of HK\$115 million realized from the completion of the Group's acquisition of a 29.5% equity interest in Guangdong Zhujiang Qiaodao Real Estate Limited, the project company of Regal Riviera, from Guangdong Zhujiang Investment Company Limited during the period under review.

### *Finance costs*

For the six months ended 30th June 2005, the amount of interest incurred before capitalization increased to HK\$111.1 million (2004: HK\$94.8 million), representing a rise of HK\$16.3 million (or 17%). This was mainly due to an increased level of bank borrowings raised to finance the development of existing projects and the investment in new projects.

### **Results**

Profit attributable to shareholders for the first half of 2005 amounted to HK\$397 million. Underlying net profit, excluding the negative goodwill of HK\$114.5 million arising from the acquisition of a 29.5% equity interest in Regal Riviera and the effect of revaluation gain of investment properties of HK\$12.9 million, was up 100% to HK\$270 million (2004: HK\$135 million (restated)). The increase was primarily contributed by the improvement in gross margin and profitability. Underlying earnings per share for the period correspondingly rose by 108% to HK\$0.40 per share.

### **Financial Position**

The Group's current ratio as at 30th June 2005 was 1.11, which was comparable to that of 1.06 as at 31st December 2004.

As at 30th June 2005, total assets of the Group amounted to HK\$15,960 million (31st December 2004: HK\$14,100 million (restated)) whereas total liabilities (excluding minority interests) amounted to HK\$12,144 million (31st December 2004: HK\$10,771 million (restated)). The increase in total assets has resulted from the increase in investment in construction work-in-progress of development projects located in Tianjin and Beijing.

### **Liquidity and Financial Resources**

The Group derived its source of fund primarily from income generated from business operations and bank borrowings which were, in turn, used to finance its business operations and investments in development projects.

As at 30th June 2005, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding minority interests) was 76% (31st December 2004: 76% (restated)). The net debt-to-equity ratio (i.e. total debt less cash and bank deposits over shareholders' equity) was 114% (31st December 2004: 112% (restated)).

As at 30th June 2005, the Group had cash and short-term bank deposits amounted to HK\$745 million (31st December 2004: HK\$737 million), of which HK\$287 million (31st December 2004: HK\$259 million) were pledged as collateral for the Group's banking facilities. 98.7% of the cash and bank deposits was denominated in Renminbi, 0.9% in Hong Kong dollars and 0.4% in United States dollars.

Total borrowings from banks amounted to HK\$4,002 million as at 30th June 2005, representing an increase of 14% or HK\$496 million when compared to the balance as at 31st December 2004. Gearing ratio, measured by net bank borrowings as a percentage of shareholders' equity, increased from 83% (restated) as at 31st December 2004 to 85% as at 30th June 2005.

Substantially all of the Group's bank borrowings were denominated in Renminbi with fixed interest rates.

The Group's bank borrowings as at 30th June 2005 were all secured with a repayment profile as follows:

<i>(HK\$ million)</i>	<b>As at 30th June 2005</b>		<b>As at 31st December 2004</b>	
Within 1 year	<b>2,090</b>	<b>52.2%</b>	1,958	55.9%
After 1 year but within 2 years	<b>1,362</b>	<b>34.0%</b>	878	25.0%
After 2 years but within 3 years	<b>550</b>	<b>13.8%</b>	670	19.1%
	<hr/>	<hr/>	<hr/>	<hr/>
Total bank borrowings	<b>4,002</b>	<b>100%</b>	3,506	100%
Less: Bank deposits and cash	<b>(745)</b>		(737)	
	<hr/>		<hr/>	
Net bank borrowings	<b>3,257</b>		2,769	
	<hr/>		<hr/>	

The increase in bank borrowings was caused by the additional loans drawn down to finance the development of new projects.

### **Contingent Liabilities**

As at 30th June 2005, the Group provided guarantees to banks for:

<i>(HK\$ million)</i>	<b>As at 30th June 2005</b>	<b>As at 31st December 2004</b>
– mortgage facilities granted to buyers of the Group's properties	<b>3,534</b>	3,270
– loans borrowed by a related company	–	80
	<hr/>	<hr/>
	<b>3,534</b>	3,350
	<hr/> <hr/>	<hr/> <hr/>

### **Capital Commitments**

The Group's capital commitments in respect of land and property construction costs and capital contribution to a jointly controlled entity, amounted to HK\$23,009 million as at 30th June 2005 (31st December 2004: HK\$23,264 million) as compared with HK\$1,849 million (31st December 2004: HK\$1,682 million) which was recorded on the accounts as at 30th June 2005. Out of the total capital commitments of the Group, HK\$5,598 million (2004: HK\$3,801 million) was mainly related to contracted obligations of the Group for future development costs and expenditures to be incurred on various projects of the Group in the short to medium term with the remaining amount of HK\$17,411 million (2004: HK\$19,463

million) being related to future development expenditures approved by the Directors but not contracted for as at 30th June 2005. With the continuous cash inflow from property sales, the committed banking facilities, the cash in hand and the newly raised share proceeds from the strategic investors (see below), the Group should be in an adequate liquidity position to meet these on-going capital commitments by stages.

### **Treasury Policies and Capital Structure**

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

### **Subsequent Placement of Shares to Strategic Investors**

On 9th August 2005, the Company entered into a subscription agreement with each of two strategic investors, Aranda Investments Pte Ltd. (“Aranda”), a wholly-owned subsidiary of Temasek Holdings (Private) Limited and Tiger Global L.P. (“Tiger”), a fund managed by Tiger Global Management, LLC. Pursuant to the subscription agreements, the Company has agreed to issue and each of Aranda and Tiger has respectively agreed to subscribe for 100,300,000 new shares (i.e. 200,600,000 new shares in aggregate) at HK\$4.875 per share. The net proceeds of such placement of shares of approximately HK\$957 million will be used for repayment of a portion of the Group’s existing debt, general working capital and expansion of the PRC property business. The placement of the new shares to Aranda and Tiger was completed on 24th August 2005 and the management considers the receipt of the subscription proceeds will improve the financial position of the Group. The effect of the placement of Shares is illustrated by the pro-forma financial ratios of the Group as of 30th June 2005 as presented below:–

Financial ratios	<b>Actual ratios as at 30th June 2005</b>	<b>Pro-forma ratios as at 30th June 2005</b>
Debt-to-equity ratio	133%	107%
Net debt to equity ratio	114%	71%
Net bank borrowings to equity ratio	85%	48%

### **SUBSEQUENT EVENTS**

#### **1. Acquisition of Shanghai Mintai Real Estate Company Limited (“Shanghai Mintai”)**

On 2nd July 2005, the Group purchased from a third party individual a 100% equity interest in Sun Advance Investments Limited (“Sun Advance”) for a nominal consideration. Sun Advance holds a 50% equity interest in Interwell Developments Limited which in turn holds a 100% interest in Shanghai Mintai. Shanghai Mintai owns the land use right of a piece of land for commercial purpose located in Pudong, Shanghai with a GFA of approximately 81,000 square meters.

#### **2. Acquisition of Huizhou Yaxin Real Estate Co., Ltd. (“Huizhou Yaxin”)**

On 15th July 2005, the Group acquired a 100% equity interest in Huizhou Yaxin for a consideration of RMB322.7 million (approximately HK\$304.4 million). Huizhou Yaxin owns the land use right of a land site mainly for residential purpose located at Yaxin Gardens, Shuikou Town, Huizhou with a GFA of approximately 1,275,000 square meters.

## **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.

## **MANAGEMENT CONTRACT**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the period.

## **EMPLOYEES**

As at 30th June 2005, the Group, excluding its associate and jointly controlled entity, employed a total of 4,122 (as at 31st December 2004: 3,596) staff, the great majority of which were employed in mainland China. Employees' costs (including Directors' emoluments) amounted to HK\$66.9 million (2004: HK\$57.3 million) for the six months ended 30th June 2005.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions during the period under review. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30th June 2005.

## **CORPORATE GOVERNANCE**

Throughout the six months ended 30th June 2005, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules which became applicable to the Company in respect of the period under review, except for Code provision A.4.1 with respect to the appointment of Non-executive Directors for a specific term except for Mr. Steven Shafran who is appointed for a term of 3 years, subject to re-election. The independent Non-executive Directors of the Company are not appointed for specific terms. This constitutes a deviation from Code provision A.4.1. However, as all the Non-executive Directors are subject to retirement by rotation at the 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 six months ended 30th June 2005.

## **AUDIT COMMITTEE**

The Company's audit committee is composed of all the three 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 condensed consolidated accounts for the six months ended 30th June 2005 with the Directors.

## **REMUNERATION COMMITTEE**

The Company has established a remuneration committee comprising the three independent non-executive Directors in accordance with the requirements of the Code.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 19th October 2005 to Thursday, 20th October 2005, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer 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 Tuesday, 18th October 2005.

## **INTERIM REPORT**

The 2005 interim report containing all the information required by the Listing Rules will be published on the Stock Exchange's website and the Company's website <http://www.irasia.com/listco/hk/hopson>.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained during the period under review the amount of public float as required under the Listing Rules.

## **DIRECTORS**

As at the date of this announcement, the Board of Directors of the Company is composed of seven Executive Directors, namely Mr. Chu Mang Yee (Chairman), Mr. Wu Jiesi (Chief Executive Officer), Mr. Xiang Bin, Mr. Au Wai Kin, Mr. Chen Chang Ying, Mr. Tam Lai Ling and Ms. Xiao Yan Xia, two Non-Executive Directors, namely Mr. Steven Shafran and Ms. Chen Xiaohong and three independent Non-Executive Directors, namely Mr. Yuen Pak Yiu, Philip, Mr. Lee Tsung Hei, David and Mr. Wong Shing Kay, Oliver.

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

Hong Kong, 13th September 2005

\* *for identification purpose only*