



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 2004

FINANCIAL HIGHLIGHTS

(for the six months ended 30th June 2004)

- **Turnover was HK\$1,712,352,000**
- **Profit attributable to shareholders amounted to HK\$186,864,000**
- **Basic earnings per share were HK19 cents per share**
- **Interim dividends were HK3 cents per share**

BUSINESS REVIEW

Industry Overview

In the first half of 2004:

- Whilst the increase of investments in property developments in mainland China fell by 5.3% after a surge due to the macro-economic measures adopted by the People's Republic of China ("PRC") government to slow down overheating in certain sectors of the economy, a growth rate of 28.7% was recorded as compared with the same period of the previous year;
- Property sales in mainland China saw a rise of 30.3% in terms of area sold and 9.1% in unit selling prices for newly developed properties, when compared to those of the first half in 2003, mainly due to the robust economic growth, an accelerated urbanization and a strong demand for improvement in living standards;
- The economy of the PRC maintained a high growth rate of 9.7% in its Gross Domestic Product ("GDP") with higher rates in major cities, such as Guangzhou, Beijing, Shanghai and Tianjin, which in turn enhanced the market demand for quality property products.

Group's sale performance

During the period under review,

- Property developments in Guangzhou, which contributed 57% of the Group's turnover, continued to perform well, particularly in respect of developments located in Tianhe and Haizhu Districts. Their unit selling prices along with the area sold were on the rise.
- Property developments in Beijing made promising progress and contributed 43%, with Beijing Regal Court alone contributed 24%, of the Group's turnover.
- Altogether, a total of 2,994 units or approximately 334,614 sq.m. from the Group's development projects in Guangzhou and Beijing, together with Regal Riviera, were sold.

Project development progress

- Property developments in Guangzhou and Beijing continued to make satisfactory progress and were completed according to planned schedules;
- Shanghai Lung Meng project and Tianjin's Jingjin New City will be ready for pre-sale in the second half of 2004;
- The construction work of Shanghai Binjiang Court is expected to commence in early 2005.

Landbank replenishment

- The Group has acquired an effective interest of 70% in Dynawell Investment Limited, which in turn owns a land site with 56,440 sq.m. during the first half of 2004 and will continue to prudently look for new site acquisition opportunities with potentials to improve its profitability and to further strengthen its development base.

Outlook

- The 2008 Olympic Game and the 2010 Asian Olympic Game scheduled to be held in Beijing and Guangzhou, respectively will fuel the property markets in these two cities, thereby creating stimulating effects on the property development activities there. The property markets in Shanghai and Tianjin are making good progress amid the Government's austerity measures. With adequate landbank on hand, the Group is well positioned to capture the economic growth in the major cities of China.
- The management anticipates that completion of the acquisition from the existing joint venture partners in respect of their interests in eight of the property developments within the Group in Guangzhou and Beijing for a total consideration of RMB848 million (HK\$800 million) will have a positive impact on the Group's future earnings.
- The Group is confident of its future development prospects and will continue to strengthen its brandname with a view to raising its competitiveness in the market.

INTERIM RESULTS

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 2004 together with the comparative figures for the corresponding previous period as follows:

		Six months ended 30th June	
	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	2 & 3	1,712,352	1,067,511
Cost of sales		<u>(1,218,852)</u>	<u>(756,706)</u>
Gross profit		493,500	310,805
Other revenue		2,168	3,522
Selling and marketing expenses		(92,768)	(85,548)
General and administrative expenses		<u>(58,339)</u>	<u>(53,879)</u>
Profit from operations	4	344,561	174,900
Share of loss of associates		(325)	–
Share of profit of a jointly controlled entity		57,432	42,474
Finance costs	5	<u>(6,527)</u>	<u>(2,485)</u>
Profit before taxation		395,141	214,889
Taxation	6	<u>(166,065)</u>	<u>(96,821)</u>
Profit after taxation		229,076	118,068
Minority interests		<u>(42,212)</u>	<u>(25,260)</u>
Profit attributable to shareholders		<u><u>186,864</u></u>	<u><u>92,808</u></u>
Dividends		<u><u>30,090</u></u>	<u><u>20,040</u></u>
Earnings per share	7		
– Basic		<u><u>HK19 cents</u></u>	<u><u>HK9 cents</u></u>
– Diluted		<u><u>HK19 cents</u></u>	<u><u>HK9 cents</u></u>

Notes:

(1) Basis of presentation and accounting policies

The unaudited condensed consolidated accounts of the Group as at and for the six months ended 30th June 2004 have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) Number 25, “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

The unaudited condensed consolidated accounts should be read in conjunction with the annual accounts of the Group as at and for the year ended 31st December 2003.

The accounting policies and method of computation used in the preparation of the condensed accounts are consistent with those used in the annual accounts as at and for the year ended 31st December 2003.

(2) Turnover

Turnover (net of applicable business tax) comprised (1) pre-sale of properties under development for sale under legally-binding agreements which is recognized by reference to the stage of completion of properties, with the profit recognized 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 recognized 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) property management fees which are recognized when the services are rendered.

(3) Segment information

The turnover of the Group was substantially derived from 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 is as follows:

	Property development		Property investment		Property management		Eliminations		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover										
External	1,655,856	1,032,541	25,449	14,895	31,047	20,075	-	-	1,712,352	1,067,511
Inter-segment	-	-	-	-	2,322	2,276	(2,322)	(2,276)	-	-
Total turnover	1,655,856	1,032,541	25,449	14,895	33,369	22,351	(2,322)	(2,276)	1,712,352	1,067,511
Profit attributable to shareholders										
Segment results	318,590	157,164	22,904	13,406	899	808			342,393	171,378
Other revenue									2,168	3,522
Profit from operations									344,561	174,900
Share of loss of associates									(325)	-
Share of profit of a jointly controlled entity									57,432	42,474
Finance cost									(6,527)	(2,485)
Profit before taxation									395,141	214,889
Taxation									(166,065)	(96,821)
Profit after taxation									229,076	118,068
Minority interests									(42,212)	(25,260)
Profit attributable to shareholders									186,864	92,808

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

(4) Profit from operations

Profit from operations is determined after charging and crediting the following items:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
After charging:–		
Staff costs (including directors' emoluments)	57,285	46,287
Depreciation of properties and equipment	3,535	3,302
Amortization		
– goodwill (included in general and administrative expenses)	2,594	1,468
– rights to receive rental income (included in cost of sales)	–	1,654
Loss on investment in securities	55	61
After crediting:–		
Interest income from bank deposits	2,168	3,522
Rental income, less outgoings	22,904	13,406
	<u>22,904</u>	<u>13,406</u>

(5) Finance costs

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	94,759	72,961
Less:		
Interest capitalized as part of the cost of properties under development	(88,232)	(70,476)
	<u>6,527</u>	<u>2,485</u>

(6) Taxation

Taxation consisted of:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Company and subsidiaries		
Current taxation –		
Hong Kong profits tax	7,192	8,830
Mainland China enterprise income tax	63,841	43,006
Mainland China land appreciation tax	–	4,428
Deferred taxation –		
Mainland China enterprise income tax	24,023	19,678
Mainland China land appreciation tax	41,294	–
	<u>136,350</u>	<u>75,942</u>
Jointly controlled entity		
Current taxation –		
Mainland China enterprise income tax	11,123	8,928
Mainland China land appreciation tax	–	10,242
Deferred taxation –		
Mainland China enterprise income tax	2,529	1,709
Mainland China land appreciation tax	16,063	–
	<u>29,715</u>	<u>20,879</u>
	<u><u>166,065</u></u>	<u><u>96,821</u></u>

Hong Kong profits tax is provided at the rate of 17.5% (2003: 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% (2003: 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.

(7) Earnings per share

The calculation of basic earnings per share is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$186,864,000 (2003: HK\$92,808,000) and the weighted average number of approximately 1,002,495,000 shares (2003: 1,002,000,000 shares) in issue during the period.

The calculation of diluted earnings per share is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$186,864,000 (2003: HK\$92,808,000) and the diluted weighted average number of approximately 1,002,495,000 shares (2003: 1,002,445,000 shares) in issue after adjusting for the potential dilutive effect in respect of outstanding employee share options.

(8) Reserves**For the six months ended 30th June 2004**

	Share premium <i>HK\$'000</i>	General reserve fund <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Cumulative translation adjustments <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Proposed dividends <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1st January 2004	618,849	84,499	737,617	3,966	1,119,187	30,060	2,594,178
Profit attributable to shareholders	-	-	-	-	186,864	-	186,864
Share of revaluation surplus of a jointly controlled entity	-	-	36,647	-	-	-	36,647
Proposed interim dividends	-	-	-	-	(30,090)	30,090	-
Payment of dividends	-	-	-	-	-	(30,060)	(30,060)
Revaluation reserve transferred to the profit and loss account upon disposal of investment properties	-	-	(11,843)	-	-	-	(11,843)
Proceeds from issue of shares under employee share option scheme	1,070	-	-	-	-	-	1,070
Translation adjustments	-	-	-	564	-	-	564
	<u>619,919</u>	<u>84,499</u>	<u>762,421</u>	<u>4,530</u>	<u>1,275,961</u>	<u>30,090</u>	<u>2,777,420</u>
As at 30th June 2004	<u>619,919</u>	<u>84,499</u>	<u>762,421</u>	<u>4,530</u>	<u>1,275,961</u>	<u>30,090</u>	<u>2,777,420</u>

For the six months ended 30th June 2003

	Share premium <i>HK\$'000</i>	General reserve fund <i>HK\$'000</i>	Investment Property revaluation reserve <i>HK\$'000</i>	Cumulative translation adjustments <i>HK\$'000</i>	Retained profit <i>HK\$'000</i>	Proposed dividends <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1st January 2003	618,849	48,104	762,486	4,213	890,328	20,040	2,344,020
Profit attributable to shareholders	-	-	-	-	92,808	-	92,808
Transfer from retained profit	-	33,583	-	-	(33,583)	-	-
Proposed interim dividends	-	-	-	-	(20,040)	20,040	-
Payment of dividends	-	-	-	-	-	(20,040)	(20,040)
Translation adjustments	-	-	-	(553)	-	-	(553)
	<u>618,849</u>	<u>81,687</u>	<u>762,486</u>	<u>3,660</u>	<u>929,513</u>	<u>20,040</u>	<u>2,416,235</u>
As at 30th June 2003	<u>618,849</u>	<u>81,687</u>	<u>762,486</u>	<u>3,660</u>	<u>929,513</u>	<u>20,040</u>	<u>2,416,235</u>

DIVIDEND

The Board of Directors has recommended an interim dividend of HK 3 cents (2003: HK 2 cents) per share for 2004 payable on Thursday, 25th November 2004 to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 21st October 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Turnover

Despite a series of austerity measures adopted by the PRC government from April 2004 in an effort to control excessive investments in certain industries and the overheating of its economy, the property sector has not been too adversely impacted by these measures. With the benefit of market opportunities, both the average unit selling prices and the sales volume of the Group's major development projects, namely Pleasant View Garden, Huanan New City and Huajing New City, during the first half of 2004 were on the rise. Its turnover reached a high level of HK\$1,712 million, representing an increase of 60% (or HK\$644 million) over HK\$1,068 million for the same period last year. This turnover was, however, exclusive of the sales amounting to HK\$338 million (2003: HK\$252 million) recorded by Regal Riviera and operated by a jointly controlled entity in which the Group has a 40% interest.

Gross Profit

In the first half of 2004, the cost of sales of the Group increased from HK\$756 million to HK\$1,219 million, representing an increase of 61% (or HK\$463 million) as compared with the same period in 2003. This increase was mainly attributable to: (1) the increase in sales volume of properties sold; (2) the increase in the unit cost of construction caused by the rise in the prices of certain raw materials; and (3) the larger amount of interest charges capitalized as a result of increased bank borrowings raised to finance the development of projects. As a result, the rate of gross profit dropped marginally by 0.3% to 28.8% (2003: 29.1%). However, gross profit recorded an increase of HK\$183 million, representing an increase of 59% over the same period of 2003.

Operating Expenses

The management of the Group continues its effort in striving for enhancement of cost controls and efficiency. Against the background of a largely improved business performance and a greater amount of staff costs expended in the Beijing and Tianjin areas for the first half of 2004, the Group's consolidated selling, marketing, general and administrative expenses increased marginally from HK\$139 million to HK\$151 million as compared with the same period in 2003, representing a small rise of HK\$12 million (or 8%). This reflects the Group's on-going commitment in keeping the overall operating expenses at a reasonable level as a percentage over turnover when circumstances permit.

Finance Costs

For the six months ended 30th June 2004, the amount of interest incurred before capitalization increased from HK\$73 million to HK\$94.7 million as compared to the same period in 2003, representing an increase of HK\$21.7 million (or 30%). This was mainly attributable to a high level of bank borrowings raised to finance the development of existing projects and investments in new projects. Profit from operations covered 3.6 times of the interest expenses before capitalization, compared to 2.4 times for the corresponding period in the previous year.

Results

The Group recorded a strong growth in profit attributable to shareholders for the six months ended 30th June 2004 at HK\$187 million, being HK\$94 million or 101% higher than that of the same period in 2003. The significant increase was attributable to the sale of more residential units.

Financial Position

Assets, liabilities and shareholders' equity of the Group as at 30th June 2004 were as follows:

	As at 30th June 2004 HK\$'000	As at 31st December 2003 HK\$'000
Current assets	6,098,692	5,504,176
Non-current assets	4,669,329	4,840,254
Total assets	10,768,021	10,344,430
Current liabilities	4,668,979	4,304,510
Non-current liabilities	2,677,312	2,822,057
Total liabilities	7,346,291	7,126,567
Minority interests	544,010	523,485
Net assets	2,877,720	2,694,378
Shareholders' equity		
Share capital	100,300	100,200
Reserves	1,471,369	1,444,931
Retained profits	1,275,961	1,119,187
Proposed dividends	30,090	30,060

The Group's current ratio as at 30th June 2004 was 1.31, which was comparable to that of 1.28 as at 31st December 2003.

As at 30th June 2004, total assets of the Group amounted to HK\$10,768 million (31st December 2003: HK\$10,344 million) whereas total liabilities (excluding minority interests) amounted to HK\$7,346 million (31st December 2003: HK\$7,127 million). The increase in total assets resulted mainly from the increase in investment in construction work-in-progress of development projects located in Tianjin.

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 investments in development projects.

As at 30th June 2004, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding minority interests) was 68% (31st December 2003: 69%). The net debt-to-equity ratio (i.e. total debt less cash and bank deposits over shareholders' equity) was 121% (31st December 2003: 105%).

As at 30th June 2004, the Group had cash and short-term bank deposits amounted to HK\$447 million (31st December 2003: HK\$660 million), of which HK\$239 million (31st December 2003: HK\$256 million) were pledged as collateral for the Group's banking facilities. In addition, the Group's bank deposits of HK\$66 million (31st December 2003: HK\$53 million) were charged by certain banks in respect of the processing of mortgage facilities granted by the banks to buyers of the Group's properties. 98% of the cash and bank deposits was denominated in Renminbi, 1% in Hong Kong dollars and 1% in United States dollars.

Total borrowings from banks amounted to HK\$3,494 million, representing an increase of 15% or HK\$448 million when compared to the balance as at 31st December 2003. Gearing ratio, measured by net bank borrowings as a percentage of shareholders' equity, increased from 89% as at 31st December 2003 to 106% as at 30th June 2004.

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 2004 were all secured with a repayment profile as follows:

<i>(HK\$ million)</i>	As at 30th June 2004		As at 31st December 2003	
Within 1 year	2,027	58.0%	1,384	45.4%
After 1 year but within 2 years	1,180	33.8%	1,550	50.9%
After 2 years but within 3 years	287	8.2%	112	3.7%
	<hr/>	<hr/>	<hr/>	<hr/>
Total bank borrowings	3,494	100%	3,046	100%
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Less:</i> Bank deposits and cash	(447)		(660)	
	<hr/>		<hr/>	
Net bank borrowings	3,047		2,386	
	<hr/>		<hr/>	

The increase in bank borrowings and the rise in gearing ratio were, to a large extent, caused by the additional loans drawn down and cash deposits utilized (resulting in a reduction in cash and bank balances) to finance the development of new projects.

As at 30th June 2004, the Company provided guarantees to banks for loan facilities totalling HK\$657 million granted to its subsidiaries. The Group's banking facilities as at the same date amounted to approximately HK\$3,754 million (31st December 2003: HK\$3,046 million) of which approximately HK\$3,494 million (31st December 2003: HK\$3,046 million) were utilized for short-term and long-term bank loans.

Charge on Assets

As at 30th June 2004, certain assets of the Group with an aggregate carrying value of HK\$3,482 million (31st December 2003: HK\$2,738 million) were pledged with banks for loan facilities used by subsidiaries and jointly controlled entity.

Contingent Liabilities

As at 30th June 2004, the Group provided guarantees to banks for:

<i>(HK\$ million)</i>	As at 30th June 2004	As at 31st December 2003
– mortgage facilities granted to buyers of the Group's properties	1,953	1,861
– loans borrowed by a jointly controlled entity	–	94
– loans borrowed by a related company	80	86
	<hr/> 2,033 <hr/>	<hr/> 2,041 <hr/>

Capital Commitments

The Group's capital commitments in respect of land and property construction costs and capital contribution to a jointly controlled entity, which were authorized and contracted for, amounted to HK\$2,209million as at 30th June 2004 (31st December 2003: HK\$2,431million). With the continuous cash inflow from property sales and the committed banking facilities coupled with cash in hand, 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.

OTHER INFORMATION

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 were entered into or existed during the period.

Employees

As at 30th June 2004, the Group, excluding its associate and jointly controlled entity, employed a total of 3,398 (as at 31st December 2003: 2,859) staff, the great majority of which were employed in mainland China.

The remuneration policies remained the same as revealed in the Annual Report for the year ended 31st December 2003.

Code of Best Practice

None of the Directors of the Company is aware of any information which would indicate that the Company 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 period ended 30th June 2004, 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 six months period ended 30th June 2004.

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 2004 with the Directors.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 19th October 2004 to Thursday, 21st October 2004, both days inclusive, 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 Monday, 18th October 2004.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT

A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules in force prior to 31st March 2004, which remain applicable to results announcement in respect of accounting periods commencing before 1st July 2004 under transitional arrangements, will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

As at the date hereof, the executive Directors are Messrs. Chu Mang Yee, Xiang Bin, Au Wai Kin, Chen Chang Ying and Ms. Xiao Yan Xia and the independent non-executive Directors are Messrs. Yuen Pak Yiu, Philip, Lee Tsung Hei, David and Wong Shing Kay, Oliver.

By order of the Board
Chu Mang Yee
Chairman

Hong Kong, 6th September 2004

* *for identification purpose only*