



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 2008

FINANCIAL HIGHLIGHTS

(for the six months ended 30th June 2008)

- Turnover was HK\$3,539,782,000
- Profit attributable to shareholders amounted to HK\$933,020,000, representing a rise of 123%
- Basic earnings per share were HK63 cents per share
- Interim dividends were HK9.51 cents per share

BUSINESS REVIEW

Industry overview

In the first half of 2008

- The People's Republic of China ("PRC") Central Government implemented stringent monetary policy that adversely affected the property sector amid the escalating inflationary pressure and the overheated economy in the macro-economic environment.
- The bearish stock market, property price adjustment and inflation eroded the wealth of residents and impeded the investment demand for property, while the subprime crisis and the austerity credit policy imposed difficulties for fund raising to property developers.
- In the first five months of 2008, cumulative GFA of new properties and second-hand housing transactions in 40 major cities recorded a drop of 24.9% and 20.9% respectively. While the selling price of commodity housing in Shanghai, Beijing and Tianjin continued to grow as compared with the same period last year, the overall transaction volume dropped. In Guangzhou, sales volume dropped moderately and selling prices were also adjusted downwards.

Contracted sales performance

During the period under review, details of properties sold under sale and pre-sale contracts are as follows:

- In Guangzhou, a total GFA of 163,138 square meters (2007: 167,284 square meters), with a carrying value of RMB1,677 million (2007: RMB1,914 million) was sold. The decrease in sale was mainly attributable to the product structuring effect with more sales of mid-end properties at lower average selling price.
- In Shanghai, a total GFA of 110,328 square meters (2007: 62,308 square meters) with a carrying value of RMB1,282 million (2007: RMB487 million) was sold. The increase was mainly due to the launch in 2008 of Sheshan Dongziyuen and Ningbo Hopson International City.
- In Beijing, Tianjin and Huizhou, a total GFA of 75,264 square meters (2007: 179,785 square meters), of which 69,690 square meters (2007: 169,821 square meters) were attributable to the Group, with a carrying value of RMB1,205 million (2007: RMB1,882 million) was sold.

Properties sold but yet delivered

As at 30th June 2008, the GFA for which the Group had entered into sale and pre-sale contracts but yet delivered to buyers amounted to 615,637 square meters. Following the delivery of these properties, the sale and pre-sale amount of RMB5,128 million will be recognised in the Group's accounts in the second half of 2008 and thereafter.

Delivery of properties

A total GFA of 244,574 square meters (2007: 173,074 square meters) was delivered in the first half of 2008, of which 226,297 square meters were sold in 2007.

Progress of project development

- A total GFA of approximately 240,123 square meters was completed in the first half of 2008.
- A total GFA of approximately 1,310,229 square meters is expected to be completed in the second half of 2008.

Landbank replenishment

During the first half of 2008, the Group

- completed the acquisition of equity interests in companies holding land use rights or land grant contracts in Shanghai, Guangdong Province and Liaoning Province with a total GFA of approximately 2.2 million square meters, and
- entered into several equity transfer agreements with various parties who were owners of land sites in Beijing, Huizhou, Guangzhou and Shanxi involving a total GFA of approximately 1.62 million square meters.

As of 30th June 2008, the Group had a landbank of approximately 23.62 million square meters.

Prospects

- The property price of major first and second tier cities will face a shake-up adjustment as the economy in the PRC is facing a downturn in both short and medium term.
- We expect that the rational adjustment in real estate sector will be followed by a steady growth momentum, as demand is driven by urbanization, old cities restructuring, improving living standards and increasing residential income in the long run. Transaction volume is expected to face a rebound.
- Escalating domestic savings and international funds are expected to re-enter the property market when investment sentiment is positive with the adjustment of property price since real estate is a solid instrument in maintaining value growth.
- For the second half of 2008, with the commencement of sales of 10 new projects in Beijing, Shanghai, Huizhou, Dalian, Guangzhou and Zhongshan, we are optimistic about the sales performance, leveraging on our high-quality properties, renowned brand names and effective sale and marketing strategies.

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 2008 together with the comparative figures for the corresponding previous period.

The 2008 interim financial report of the Company has been reviewed by the Audit Committee and the Board of Directors of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	For six months ended 30th June	
		2008	2007
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenues	4	3,539,782	1,422,177
Cost of sales	6	(1,700,651)	(873,087)
Gross profit		1,839,131	549,090
Other gains	5	289,722	165,098
Selling and marketing costs	6	(150,868)	(77,443)
General and administrative expenses	6	(253,415)	(201,579)
Operating profit		1,724,570	435,166
Finance income	7	5,611	34,025
Finance costs	7	(99,116)	(59,683)
Share of loss of associates		(678)	—
Share of (loss)/profit of a jointly controlled entity		(668)	21,729
Profit before taxation		1,629,719	431,237
Taxation	8	(722,018)	(6,339)
Profit for the period		907,701	424,898
Attributable to:			
Equity holders of the Company		933,020	419,262
Minority interests		(25,319)	5,636
		907,701	424,898
Earnings per share for profit attributable to the equity holders of the Company during the period (in HK\$ per share)			
— basic	9	0.63	0.33
— diluted	9	0.63	0.33
Dividend	10	140,022	145,764

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at	
		30th June 2008 <i>HK\$'000</i> (Unaudited)	31st December 2007 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Land costs		748,578	639,205
Properties and equipment		2,307,854	2,063,811
Investment properties		2,923,016	2,736,835
Properties under development for long-term investment		116,846	135,157
Intangible assets		120,033	111,819
Investments in associates		41,382	39,206
Investment in a jointly controlled entity		799,501	676,460
Available-for-sale financial asset		497,175	463,158
Deferred tax assets		168,412	107,878
		<u>7,722,797</u>	<u>6,973,529</u>
Current assets			
Land costs		25,101,645	16,151,494
Prepayments for acquisition of land		7,955,827	12,027,112
Properties under development for sale		7,208,671	5,183,349
Completed properties for sale		2,434,417	2,180,924
Accounts receivable	11	242,928	138,743
Other receivables		736,137	682,815
Prepayments, deposits and other current assets		1,311,475	2,293,656
Due from an associate		24,748	22,344
Due from related companies		11,231	17,390
Pledged/charged bank deposits		232,427	277,031
Cash and cash equivalents		1,638,736	1,985,055
		<u>46,898,242</u>	<u>40,959,913</u>
Total assets		<u>54,621,039</u>	<u>47,933,442</u>
EQUITY			
Capital and reserve attributable to the Company's equity holders			
Share capital		147,237	147,237
Reserves	14	<u>19,496,714</u>	<u>17,717,146</u>
		<u>19,643,951</u>	<u>17,864,383</u>
Minority interests		<u>2,350,287</u>	<u>2,213,927</u>
Total equity		<u>21,994,238</u>	<u>20,078,310</u>

	<i>Note</i>	As at	
		30th June 2008 <i>HK\$'000</i> (Unaudited)	31st December 2007 <i>HK\$'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Land cost payable		227,237	175,959
Borrowings	12	11,270,891	9,718,998
Deferred tax liabilities		<u>6,659,996</u>	<u>6,013,099</u>
		18,158,124	15,908,056
Current liabilities			
Accounts payable	13	1,088,336	953,128
Land cost payable		627,371	605,289
Borrowings	12	3,621,687	2,898,895
Deferred revenue		5,794,526	4,981,769
Accruals and other payable		2,253,264	1,763,446
Due to an associate		6,236	5,624
Due to related companies		169,537	137,836
Due to a jointly controlled entity		248,237	231,253
Current tax liabilities		<u>659,483</u>	<u>369,836</u>
		14,468,677	11,947,076
Total liabilities		<u>32,626,801</u>	<u>27,855,132</u>
Total equity and liabilities		<u>54,621,039</u>	<u>47,933,442</u>
Net current assets		<u>32,429,565</u>	<u>29,012,837</u>
Total assets less current liabilities		<u>40,152,362</u>	<u>35,986,366</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited six months ended 30th June 2008

	Attributable to equity holders of the Company			Total HK\$'000
	Share capital HK\$'000	Reserves HK\$'000	Minority interests HK\$'000	
Balance at 1st January 2008	147,237	17,717,146	2,213,927	20,078,310
Realised upon disposal of properties held for sales	—	(3,797)	—	(3,797)
Deferred tax	—	2,387	—	2,387
Currency translation differences	—	1,317,139	161,679	1,478,818
Net income recognised directly in equity	—	1,315,729	161,679	1,477,408
Profit for the period	—	933,020	(25,319)	907,701
Total recognised income for the six months ended 30th June 2008	—	2,248,749	136,360	2,385,109
Share-based payment (Share options granted)	—	1,977	—	1,977
Dividend paid	—	(471,158)	—	(471,158)
	—	(469,181)	—	(469,181)
Balance at 30th June 2008	147,237	19,496,714	2,350,287	21,994,238

Unaudited six months ended 30th June 2007
 Attributable to equity
 holders of the Company

	Share capital <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1st January 2007	128,510	7,709,155	390,250	8,227,915
Currency translation differences	—	244,666	12,301	256,967
Profit for the period	—	419,262	5,636	424,898
Total recognised income for the six months ended 30th June 2007	—	663,928	17,937	681,865
Proceeds from issue of shares, net of share issue expenses				
— Employee share options scheme	300	18,288	—	18,588
Share-based payment (Share options granted)	—	43,000	—	43,000
Capital contribution by minority interests of a subsidiary	—	—	986	986
Acquisition of subsidiaries	—	—	8,534	8,534
Acquisition of minority interests in a subsidiary	—	—	(2,407)	(2,407)
Issue of convertible bonds	—	227,734	—	227,734
Dividend paid	—	(348,669)	—	(348,669)
	300	(59,647)	7,113	(52,234)
Balance at 30th June 2007	<u>128,810</u>	<u>8,313,436</u>	<u>415,300</u>	<u>8,857,546</u>

Notes:

(1) General information

Hopson Development Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) is mainly engaged in the development of residential properties in Mainland China. The Group is also involved in some ancillary property related businesses, including property investment, property management and hotel operations. The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company is listed on The Stock Exchange of Hong Kong Limited.

This unaudited interim financial information is presented in Hong Kong dollars, unless otherwise stated and has been approved for issue by the Board of Directors on 19th September 2008.

(2) Basis of presentation

This unaudited interim financial information for the six months ended 30th June 2008 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 unaudited interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31st December 2007.

(3) Accounting policies

The accounting policies and methods of computation used in the preparation of this interim financial information are consistent with those used in the annual financial statements for the year ended 31st December 2007.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new interpretation relevant to the operations of the Group is mandatory for the first time for the financial year beginning 1st January 2008.

HK (IFRIC)-Int 11 HKFRS 2 — Group and treasury share transactions

The adoption of this new interpretation did not have any significant impact on the Group’s accounting policies or results and financial position.

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning 1st January 2008:

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 23 (Amendment)	Borrowing Costs
HKAS 32 (Amendment)	Financial instruments: presentation
HKFRS 2 (Amendment)	Share-based payment
HKFRS 3 (Amendment)	Business combinations and consequential amendments to HKAS 27 Consolidated and separate financial statements, HKAS 28 Investments in associates and HKAS 31 Interests in joint ventures
HKFRS 8	Operating segments
HK(IFRIC)-Int 13	Customer loyalty programmes

The Group has not early adopted any of the above standards, amendments or interpretations. Management is in the process of assessing the impact of these standards on the Group’s results of operations and financial position.

(4) Segment information

Primary reporting format — geographical segments

The Group operates in five main geographical areas for the following businesses:

Guangdong Province	—	hotel operation, property development, property investment and property management
Beijing	—	hotel operation, property development, property investment and property management
Shanghai	—	property development and property investment
Tianjin	—	hotel operation, property development and property investment
Others	—	property design and consultancy services

The segment results for the six months ended 30th June 2008 are as follows:

	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 revenues	928,012	1,945,966	407,226	259,770	163,324	—	3,704,298
Inter-segment revenues	(1,179)	(13)	—	—	(163,324)	—	(164,516)
Revenues	<u>926,833</u>	<u>1,945,953</u>	<u>407,226</u>	<u>259,770</u>	<u>—</u>	<u>—</u>	<u>3,539,782</u>
Operating profit/(loss)	232,746	1,100,396	287,596	(61,032)	—	164,864	1,724,570
Share of loss of associates	(124)	(554)	—	—	—	—	(678)
Share of loss of a jointly controlled entity	—	(668)	—	—	—	—	(668)
Finance income							5,611
Finance costs							<u>(99,116)</u>
Profit before taxation							1,629,719
Taxation							<u>(722,018)</u>
Profit for the period							<u>907,701</u>
Depreciation	<u>6,760</u>	<u>11,331</u>	<u>1,268</u>	<u>24,522</u>	<u>1,273</u>	—	<u>45,154</u>
Amortisation (before capitalisation)	<u>11,226</u>	<u>10,190</u>	<u>12,502</u>	<u>1,883</u>	<u>4,876</u>	—	<u>40,677</u>

The segment results for the six months ended 30th June 2007 are as follows:

	Guangdong Province <i>HK\$'000</i>	Beijing <i>HK\$'000</i>	Shanghai <i>HK\$'000</i>	Tianjin <i>HK\$'000</i>	Others <i>HK\$'000</i>	Un- allocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Total gross segment revenues	721,421	564,215	29,989	107,775	—	—	1,423,400
Inter-segment revenues	<u>(937)</u>	<u>(286)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,223)</u>
Revenues	<u>720,484</u>	<u>563,929</u>	<u>29,989</u>	<u>107,775</u>	<u>—</u>	<u>—</u>	<u>1,422,177</u>
Operating profit	294,128	19,321	113,361	6,252	—	2,104	435,166
Share of profit of a jointly controlled entity	21,729	—	—	—	—	—	21,729
Finance income							34,025
Finance costs							<u>(59,683)</u>
Profit before taxation							431,237
Taxation							<u>(6,339)</u>
Profit for the period							<u>424,898</u>
Depreciation	<u>4,966</u>	<u>5,486</u>	<u>313</u>	<u>1,512</u>	<u>167</u>	<u>—</u>	<u>12,444</u>
Amortisation (before capitalisation)	<u>14,932</u>	<u>6,615</u>	<u>15,007</u>	<u>3,046</u>	<u>—</u>	<u>—</u>	<u>39,600</u>

Revenues are allocated based on the places in which properties are located.

Unallocated costs represent corporate expenses. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated parties.

The segment assets and liabilities at 30th June 2008 and capital expenditure for the six months ended 30th June 2008 are as follows:

	Guangdong Province HK\$'000	Beijing HK\$'000	Shanghai HK\$'000	Tianjin HK\$'000	Others HK\$'000	Un- allocated HK\$'000	Group HK\$'000
As at 30th June 2008							
Assets	23,184,480	16,008,461	10,057,058	4,251,440	110,305	168,412	53,780,156
Investments in associates	—	41,382	—	—	—	—	41,382
Investment in a jointly controlled entity	—	799,501	—	—	—	—	799,501
Total assets	<u>23,184,480</u>	<u>16,849,344</u>	<u>10,057,058</u>	<u>4,251,440</u>	<u>110,305</u>	<u>168,412</u>	<u>54,621,039</u>
Total liabilities	<u>10,869,616</u>	<u>4,927,366</u>	<u>4,029,550</u>	<u>584,462</u>	<u>4,896,328</u>	<u>7,319,479</u>	<u>32,626,801</u>
For the six months ended 30th June 2008							
Capital expenditure	<u>113,936</u>	<u>17,104</u>	<u>2,815</u>	<u>92,005</u>	<u>1,303</u>	<u>—</u>	<u>227,163</u>

The segment assets and liabilities as at 31st December 2007 and capital expenditure for the six months ended 30th June 2007 are as follows:

	Guangdong Province HK\$'000	Beijing HK\$'000	Shanghai HK\$'000	Tianjin HK\$'000	Others HK\$'000	Un- allocated HK\$'000	Group HK\$'000
As at 31st December 2007							
Assets	21,375,239	13,850,226	8,080,173	3,721,335	82,925	107,878	47,217,776
Investments in associates	120	39,086	—	—	—	—	39,206
Investment in a jointly controlled entity	—	676,460	—	—	—	—	676,460
Total assets	<u>21,375,359</u>	<u>14,565,772</u>	<u>8,080,173</u>	<u>3,721,335</u>	<u>82,925</u>	<u>107,878</u>	<u>47,933,442</u>
Total liabilities	<u>8,840,512</u>	<u>5,259,441</u>	<u>2,250,079</u>	<u>435,900</u>	<u>4,686,265</u>	<u>6,382,935</u>	<u>27,855,132</u>
For the six months ended 30th June 2007							
Capital expenditure	<u>80,764</u>	<u>536</u>	<u>972</u>	<u>89,950</u>	<u>374</u>	<u>—</u>	<u>172,596</u>

Segment assets and capital expenditure are allocated based on where the assets are located.

Segment assets consist primarily of properties and equipment, investment properties, land costs, properties under development, completed properties for sale, prepayments, deposits and other current assets, available for sale financial asset, receivable and operating cash. They exclude tax assets.

Segment liabilities comprise operating liabilities. They exclude tax liabilities.

Capital expenditure comprises additions to investment properties, properties under development for long-term investment, properties and equipment, and their related land costs, including additions resulting from acquisitions through business combinations.

Secondary reporting format — business segments

The Group is organised into four main business segments as follows:

Property development	—	property development in residential and commercial projects
Property investment	—	holding of offices, shops and car parks for investment potential and rental income
Property management	—	management of residential and commercial properties
Hotel operations	—	hotel operation in Guangzhou, Beijing and Tianjin

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

	Six months ended 30th June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenues		
Property development	3,296,015	1,251,442
Property investment	31,201	24,787
Property management	142,968	108,094
Hotel operations	<u>69,598</u>	<u>37,854</u>
	<u><u>3,539,782</u></u>	<u><u>1,422,177</u></u>
	As at	
	30th June	31st December
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Total assets		
Property development	47,932,670	41,902,425
Property investment	3,526,190	3,253,354
Property management	105,220	110,677
Hotel operations	2,047,664	1,843,442
Unallocated	<u>168,412</u>	<u>107,878</u>
	53,780,156	47,217,776
Investments in associates	41,382	39,206
Investment in a jointly controlled entity	<u>799,501</u>	<u>676,460</u>
	<u><u>54,621,039</u></u>	<u><u>47,933,442</u></u>
	Six months ended 30th June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Capital expenditure		
Property development	32,581	14,873
Property investment	99,994	67,316
Property management	5,454	508
Hotel operations	<u>89,134</u>	<u>89,899</u>
	<u><u>227,163</u></u>	<u><u>172,596</u></u>

(5) Other gains

	Six months ended 30th June	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Excess of acquirer's interest over cost of acquisition	154,705	112,958
Fair value gains on investment properties	106,190	17,247
Government grants	28,827	34,893
	<u>289,722</u>	<u>165,098</u>

(6) Expenses by nature

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

	Six months ended 30th June	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Advertising costs	89,091	69,242
Amortisation of land costs	2,662	2,799
Cost of completed properties sold	1,535,552	770,209
Depreciation of properties and equipment	45,154	12,444
Direct operating expenses arising from investment properties that		
— generate rental income	360	992
— did not generate rental income	2,604	1,363
Employee's benefits cost (including Directors' emoluments)	234,409	194,837
Loss on sale of properties and equipment	4,161	1,257
Net exchange gain (included in general and administrative expenses)	(198,425)	(70,277)
Operating lease rental in respect of premises	<u>20,170</u>	<u>12,997</u>

(7) Finance income and costs

	Six months ended 30th June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Interest expense:		
— on bank loans wholly repayable within five years	365,841	141,028
— on bank loans not wholly repayable within five years	7,345	—
— on senior notes wholly repayable within five years	117,440	—
— on senior notes not wholly repayable within five years	—	114,327
— on convertible bonds wholly repayable within five years	<u>63,440</u>	<u>45,717</u>
Total borrowing costs incurred	554,066	301,072
Less: Amount capitalised as part of the cost of properties under development	<u>(454,950)</u>	<u>(241,389)</u>
Interest income from banks	<u>99,116</u> <u>(5,611)</u>	59,683 <u>(34,025)</u>
Net finance costs	<u><u>93,505</u></u>	<u><u>25,658</u></u>

The average interest rate of borrowing costs capitalised for the six months ended 30th June 2008 was approximately 7.6% (2007: 7.2%) per annum.

(8) Taxation

Taxation consists of:

	Six months ended 30th June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Current taxation		
Hong Kong profits tax	—	(628)
Mainland China enterprise income tax	569,008	251,980
Mainland China land appreciation tax	<u>62,097</u>	<u>29,245</u>
	<u>631,105</u>	<u>280,597</u>
Deferred taxation		
Mainland China enterprise income tax	(239,905)	(170,010)
Mainland China land appreciation tax	330,818	16,752
Effect of tax rate change	<u>—</u>	<u>(121,000)</u>
	<u><u>90,913</u></u>	<u><u>(274,258)</u></u>
	<u><u>722,018</u></u>	<u><u>6,339</u></u>

Hong Kong profits tax is provided at the rate of 16.5% (2007: 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 25% (2007: 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 2007 of approximately HK\$30,734,000 was included in the income statement as share of profits of a jointly controlled entity.

On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law reduces the corporate income tax rate for domestic enterprises from 33% to 25% with effect from 1st January 2008. As a result of the new CIT Law, the carrying value of deferred tax liabilities has been written down by HK\$121,000,000 in the six months ended 30th June 2007.

(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.

	Six months ended 30th June	
	2008 (Unaudited)	2007 (Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<u>933,020</u>	<u>419,262</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,472,368</u>	<u>1,286,393</u>
Basic earnings per share (HK\$ per share)	<u>0.63</u>	<u>0.33</u>

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, 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. The convertible bonds and share options are anti-dilutive for the six months ended 30th June 2008.

	Six months ended 30th June	
	2008 (Unaudited)	2007 (Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<u>933,020</u>	<u>419,262</u>
Weighted average number of ordinary shares in issue ('000)	1,472,368	1,286,393
Adjustments for share options ('000)	<u>—</u>	<u>1,202</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>1,472,368</u>	<u>1,287,595</u>
Diluted earnings per share (HK\$ per share)	<u>0.63</u>	<u>0.33</u>

(10) Dividend

	Six months ended 30th June	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interim dividend proposed of HK\$0.0951 (2007: HK\$0.099) per ordinary share	<u>140,022</u>	<u>145,764</u>

Notes:

- (a) At a meeting held on 16th April 2008, the Company's directors proposed a final dividend of HK\$0.32 per ordinary share for the year ended 31st December 2007, which was paid on 30th June 2008 and has been reflected as an appropriation of retained earnings for the six months ended 30th June 2008.
- (b) At a meeting held on 19th September 2008, the Company's directors declared an interim dividend of HK\$0.0951 per ordinary share for the year ending 31st December 2008. 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 interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2008.

(11) Accounts receivable

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

The ageing analysis of accounts receivable is as follows:

	As at	
	30th June 2008 <i>HK\$'000</i> (Unaudited)	31st December 2007 <i>HK\$'000</i> (Audited)
0 to 3 months	212,124	95,244
3 to 6 months	1,368	3,106
6 to 9 months	—	—
9 to 12 months	—	1,737
Over 12 months	<u>29,436</u>	<u>38,656</u>
	<u><u>242,928</u></u>	<u><u>138,743</u></u>

The carrying values of accounts receivable denominated in RMB approximate their fair values.

As at 30th June 2008, approximately 10% (2007: 16%) of the accounts receivable was due from one (2007: one) customer. Other than this, there is no concentration of credit risk with respect to accounts receivable as the Group has a large number of customers.

(12) Borrowings

	As at	
	30th June 2008 <i>HK\$'000</i> (Unaudited)	31st December 2007 <i>HK\$'000</i> (Audited)
Non-current		
Bank borrowings	6,648,226	5,291,810
Senior notes	2,675,712	2,674,717
Convertible bonds	<u>1,946,953</u>	<u>1,752,471</u>
	11,270,891	9,718,998
Current		
Bank borrowings	<u>3,621,687</u>	<u>2,898,895</u>
Total borrowings	<u><u>14,892,578</u></u>	<u><u>12,617,893</u></u>

Notes:

- (a) In November 2005, the Company issued 8.125% Guaranteed Senior Notes with an aggregate nominal value of US\$350,000,000 (equivalent to approximately HK\$2,730,000,000), for a total consideration of approximately HK\$2,733,182,000. The Senior Notes mature in seven years (November 2012) and are repayable at their nominal value of US\$350,000,000. The Company will be entitled at its option to redeem all or a portion of the Senior Notes on or after 9th November 2009 at the redemption prices specified in the offering circular, plus accrued and unpaid interests up to the redemption date.

- (b) On 2nd February 2007, the Company completed the issue of RMB1,830,400,000 aggregate principal amount of USD settled Zero Coupon Convertible Bonds due 2010 with the right to convert into ordinary shares of the Company.

(13) Accounts payable

The ageing analysis of accounts payable (including amounts due to related parties of trading in nature) is as follows:

	As at	
	30th June	31st December
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 to 3 months	<u>1,088,336</u>	<u>953,128</u>

As at 30th June 2008, approximately HK\$168,624,000 (2007: HK\$70,686,000) of accounts payable was due to subsidiaries of minority shareholders of certain subsidiaries of the Company in respect of property construction fees.

The carrying values of accounts payable denominated in RMB approximate their fair values.

(14) Reserves*For the six months ended 30th June 2008*

	Consolidated						
	Share	Statutory	Asset	Convertible	Currency	Retained	Total
	premium	reserve	revaluation	bonds	translation	earnings	Total
	HK\$'000	HK\$'000	reserve	reserve	differences	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January 2008	6,707,997	161,117	2,001,276	227,734	976,727	7,642,295	17,717,146
Currency translation differences	—	—	—	—	1,317,139	—	1,317,139
Profit for the period	—	—	—	—	—	933,020	933,020
Dividend relating to 2007	—	—	—	—	—	(471,158)	(471,158)
Employee share options scheme — value of services	1,977	—	—	—	—	—	1,977
Share options lapsed	(43,000)	—	—	—	—	43,000	—
Realised upon disposal of properties held for sale	—	—	(3,797)	—	—	—	(3,797)
Deferred tax	—	—	2,387	—	—	—	2,387
Balance at 30th June 2008	<u>6,666,974</u>	<u>161,117</u>	<u>1,999,866</u>	<u>227,734</u>	<u>2,293,866</u>	<u>8,147,157</u>	<u>19,496,714</u>
Representing —							
2008 interim dividend proposed						140,022	
Others						<u>8,007,135</u>	
						<u>8,147,157</u>	
Analysed by —							
Company and subsidiaries						8,067,342	
Jointly controlled entity						82,980	
Associates						<u>(3,165)</u>	
						<u>8,147,157</u>	

For the year ended 31st December 2007

	Consolidated						Total HK\$'000
	Share premium HK\$'000	Statutory reserves HK\$'000	Asset revaluation reserve HK\$'000	Convertible bonds reserve HK\$'000	Currency translation difference HK\$'000	Retained earnings HK\$'000	
Balance at 1st January 2007	2,648,048	161,117	—	—	280,574	4,619,416	7,709,155
Issue of convertible bonds	—	—	—	227,734	—	—	227,734
Currency translation differences	—	—	—	—	244,666	—	244,666
Profit for the period	—	—	—	—	—	419,262	419,262
Dividend relating to 2006	—	—	—	—	—	(348,669)	(348,669)
Employee share options scheme							
— value of services provided	43,000	—	—	—	—	—	43,000
Issue of shares							
— employee share options scheme	18,300	—	—	—	—	—	18,300
Share issue expenses	(12)	—	—	—	—	—	(12)
Balance at 30th June 2007	2,709,336	161,117	—	227,734	525,240	4,690,009	8,313,436
Currency translation differences	—	—	—	—	451,487	—	451,487
Profit for the period	—	—	—	—	—	3,098,050	3,098,050
Dividend relating to 2007	—	—	—	—	—	(145,764)	(145,764)
Employee share options scheme							
— value of services provided	401	—	—	—	—	—	401
Issue of shares							
— share consideration	3,981,777	—	—	—	—	—	3,981,777
— employee share options scheme	16,491	—	—	—	—	—	16,491
Share issue expenses	(8)	—	—	—	—	—	(8)
Fair value gain on available-for-sale financial asset	—	—	151,965	—	—	—	151,965
Acquisition of a subsidiary, net of tax	—	—	2,180,096	—	—	—	2,180,096
Realised upon disposal of properties held for sale	—	—	(513,811)	—	—	—	(513,811)
Deferred tax	—	—	183,026	—	—	—	183,026
Balance at 31st December 2007	<u>6,707,997</u>	<u>161,117</u>	<u>2,001,276</u>	<u>227,734</u>	<u>976,727</u>	<u>7,642,295</u>	<u>17,717,146</u>
Representing —							
2007 Final dividend						471,158	
Others						<u>7,171,137</u>	
						<u>7,642,295</u>	
Analysed by —							
Company and subsidiaries						7,561,134	
Jointly controlled entity						83,648	
Associates						<u>(2,487)</u>	
						<u>7,642,295</u>	

DIVIDEND

The Board of Directors has declared an interim dividend of HK9.51 cents (2007: HK9.9 cents) per share for the half-year period ended 30th June 2008 payable on Friday, 28th November 2008 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 17th October 2008.

FINANCIAL REVIEW

Turnover

Amid the stringent monetary policy imposed by the PRC government on the property sector, contracted sales of the Group for the first half of 2008 were slightly down by 2.8% from RMB4,283 million (including Group's share of RMB660 million from Regal Riviera) for the same period last year to RMB4,163 million. On the other hand, the Group increased its pace of (a) the completion and delivery of several new projects namely, Hopson International Garden in Beijing and Nanhai Junjing Bay in Guangzhou and (b) the delivery of certain existing projects such as Shanghai Hopson Town, Tianjin Jingjin New City and Guangzhou Pleasant View Garden. As a result, turnover comprising mainly sales of properties was up 149% from HK\$1,422 million to HK\$3,540 million for the first six months of 2008 as compared to same period last year.

Revenue from sales of properties is recognised upon completion of agreement, which refers among others to delivery of properties to buyers. Revenue received but not yet recognised is accounted for as "deferred revenue" in the Balance Sheet. The amount of deferred revenue at the end of June 2008 was HK\$5,795 million (as at 31st December 2007: HK\$4,982 million), a substantial portion of which according to the project development schedule is expected to be recognised in the second half of 2008. The Management remains optimistic of attaining a satisfactory out-turn of turnover for the full year of 2008.

Gross Profit

The gross profit was up 235% to HK\$1,839 million for the first half of 2008 (2007: HK\$549 million) and the gross profit ratio was 52.0% up 13.4% (2007: 38.6%). The increase in gross profit ratio was primarily attributable to a significant portion of sales with high gross profit margin recognised, notably from Beijing Hopson International Garden, and an increase in the average selling price recorded.

Other Gains

Other gains for the six months ended 30th June 2008 amounted to HK\$290 million (2007: HK\$165 million) comprising (1) a sum of HK\$155 million from the recognition of the excess of interests acquired by the Group at fair value over the costs of acquisition paid for four land sites located in Guangzhou, Shanghai and Qinhuangdao; (2) fair value gains of HK\$106 million from revaluation of investment properties, and (3) tax grants of HK\$29 million from government authorities in the mainland.

Operating Costs

The net operating costs relating to expenses for selling, marketing, general and administration increased by 45% to HK\$404 million for the first half of 2008 from the corresponding period in 2007 of HK\$279 million. The increase was mainly due to (1) increased expenditure on overhead and business expenses incurred by new companies and projects; (2) more professional fees expended on acquisitions and feasibility studies of new projects; (3) larger amount of land use taxes and property taxes levied by Government on new projects, and (4) depreciation provided for new Tianjin Hyatt Hotel and golf course. The increase was offset by an exchange gain of HK\$198 million recorded on account of the strengthening of Renminbi.

Finance Costs

Gross interest expenses before capitalisation for the first half of 2008 increased to HK\$554 million (2007: HK\$301 million), up HK\$253 million or 84%. The increase was primarily attributable to the additional bank borrowings made in the first half of 2008 and the increased amortisation of the interest expense for the Renminbi denominated United States Dollars settled zero coupon convertible bonds of RMB1,830 million due in 2010. The effective interest rate in respect of the Group's borrowings was approximately 7.6% per annum (2007: 7.2%).

Operating Profit

Operating profit in first half 2008 increased by 297% to HK\$1,725 million (2007: HK\$435 million), up HK\$1,290 million.

Share of loss of a jointly controlled entity

Following the consolidation of Guangzhou Zhujiang Qiaodao Real Estate Limited into the Group's accounts from September 2007, a share of loss from the remaining jointly controlled entity located in Beijing was HK\$0.67 million for the first half of 2008.

Taxation

Under the new Corporate Income Tax law, which was effective from 1st January 2008, the applicable enterprise income tax ("EIT") rate was reduced to 25% from 33%. The effective tax rate for the 1st half of 2008 was increased to 44.3% from 1.5% in the corresponding period of last year. The increase was mainly attributable to the reversal of deferred tax liabilities arising from the effect of change in EIT rate of approximately HK\$121 million for the six months ended 30th June 2007.

Excluding (1) non-taxable items comprising excess of acquirer's interests at fair value over costs of HK\$155 million, government grants of HK\$29 million and interest income of HK\$5.6 million, and (2) share of loss from a jointly controlled entity and associates of HK\$1.3 million, the effective tax rate for the first half of 2008 would have been 50% (2007: 56%). The decrease was primarily due to the reduction in the EIT rate from 33% in 2007 to 25% in 2008.

Profit attributable to equity holders of the Company

Profit attributable to equity holders was HK\$933 million for the first half of 2008 (2007: HK\$419 million), up HK\$514 million or 123%. Basic earnings per share increased by 91% to HK\$0.63. Excluding the effect of the gain representing the difference of fair value of the interests acquired over purchase costs amounting to HK\$155 million and the gain from investment property revaluation of HK\$106 million, underlying profit for the period under review was HK\$672 million, up HK\$504 million or 300% as compared with the corresponding period of the previous year. The increase was mainly attributable to the increase of 149% in turnover recognised in the first half of 2008 when compared to the corresponding period in 2007.

Segmental information

Property development remains the Group's core business activity (93%). The geographical spread of financial performance among different regions this period was slightly different to that of the corresponding period in 2007. Beijing took its leading position as top revenue contributor within the Group (55%), followed by Guangzhou (25%), Tianjin (12%), Shanghai (7%) and Huizhou (1%). In line with the Group's strategy of expansion of market in Northern China, Beijing, Tianjin and Shanghai increased their revenue contributions to the Group in the 1st half of 2008.

Financial position

As at 30th June 2008, the Group had total assets of HK\$54,621 million and total liabilities of HK\$32,627 million, representing respectively an increase of 14% and 17% from 31st December 2007. The increase in total assets was mainly attributable to (i) newly acquired land sites located in Guangzhou, Shanghai and Qinhuangdao, (ii) increase in prepayment for acquisition of new projects and (iii) amounts expended on construction work-in-progress of new development projects. Aligned with this, total liabilities also increased, mainly on account of (i) additional bank borrowings obtained to finance development of projects and (ii) a rise in deferred revenue and accrued liabilities.

The Group's current ratio as at 30th June 2008 was 3.24, which was comparable with that of 3.43 as at 31st December 2007. With the contribution largely from current period's profit attributable to equity holders and the currency translation differences, total equity at 30th June 2008 increased 9.5% to HK\$22 billion from 31st December 2007.

Liquidity and financial position

As at 30th June 2008, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding minority interests) was 60% (31st December 2007: 58%). The net debt-to-equity ratio (i.e. total debt less cash and bank deposits over shareholders' equity) was 61% (31st December 2007: 53%).

As at 30th June 2008, the Group has cash and short-term bank deposits amounting to HK\$1,871 million (31st December 2007: HK\$2,262 million) of which approximately HK\$91 million (31st December 2007: HK\$168 million) were charged by certain banks to cover the processing of mortgage facilities granted by them to the buyers of the Group's properties. 93% of the cash and bank deposits was denominated in Renminbi, 4% in Hong Kong dollars and 3% in United States Dollars.

Total borrowings from banks amounted to HK\$10,270 million as at 30th June 2008 representing an increase of 25% or HK\$2,079 million as compared to those at 31st December 2007. Gearing, measured by net bank borrowings, Guaranteed Senior Notes and Convertible Bonds (i.e. total bank borrowings, Guaranteed Senior Notes and Convertible Bonds less cash and bank deposits) as a percentage of shareholders' equity, was 59%, up 7 percentage point from 52% as at 31st December 2007. The increase was mainly due to the outflow of cash paid for the constructions and acquisitions of land sites.

All of the bank borrowings were either secured or covered by guarantees and were substantially denominated in Renminbi with fixed interest rates whereas the United States Dollars denominated Senior Notes due 2012 and the Renminbi denominated United States Dollars settled Convertible Bonds due 2010 were both jointly and severally guaranteed by certain subsidiaries with fixed interest rate, representing approximately 67%, 17% and 13%, respectively of the Group's total borrowings.

All of the other borrowings were unsecured, interest-free and substantially denominated in Renminbi.

The Group's borrowings repayment profile as at 30th June 2008 was as follows:

(HK\$ million)	30th June 2008					Total		31st December 2007					Total	
	Guaranteed				Other			Guaranteed				Other		
	Bank Borrowings	Guaranteed Senior notes	Convertible bond					Bank Borrowings	Guaranteed Senior notes	Convertible bond				
1 year	3,621	—	—	424	4,045	(26%)	2,899	—	—	375	3,274	(25%)		
1-2 years	3,546	—	1,947	—	5,493	(36%)	3,590	—	—	—	3,590	(28%)		
2-5 years	2,877	2,676	—	—	5,553	(36%)	1,546	2,675	1,753	—	5,974	(46%)		
After 5 years	226	—	—	—	226	(2%)	156	—	—	—	156	(1%)		
Total	10,270	2,676	1,947	424	15,317		8,191	2,675	1,753	375	12,994			
Less: Cash and bank deposits					<u>(1,871)</u>						<u>(2,262)</u>			
Net borrowings					<u>13,446</u>						<u>10,732</u>			

As at 30th June 2008, the Group had banking facilities of approximately HK\$23,732 million (31st December 2007: HK\$13,023 million) for short-term and long-term bank loans, of which HK\$13,462 million (31st December 2007: HK\$4,832 million) were unutilized.

Financial guarantees

As at 30th June 2008, the Group provided guarantees to banks for mortgage facilities granted to buyers of the Group's properties which amounted to HK\$8,261 million (31st December 2007: HK\$7,793 million).

Pending litigations

Various Group companies are involved in litigations arising in the ordinary course of their businesses. Having reviewed outstanding claims and taking into account legal advice received, the Directors are of the opinion that adequate provisions have been made in the financial statements.

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.

EVENTS AFTER BALANCE SHEET DATE

On 2nd September 2008, the Group completed the acquisition of 100% equity interest in Trisum Investment Limited (豐深投資有限公司) for a total consideration of approximately HK\$623,557,000 (equivalent to RMB572,114,000).

FOREIGN EXCHANGE FLUCTUATIONS

The Group earns revenue and incurs costs and expenses mainly in Renminbi and is exposed to foreign exchange risk arising from the exposure of Renminbi against Hong Kong dollars and US dollars. However, 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, US 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 2008, the Group, excluding its associate and jointly controlled entity, employed a total of 7,743 (as at 31st December 2007: 7,721) staff, the great majority of which were deployed in mainland China. Employees' costs (including Directors' emoluments) amounted to HK\$234 million (2007: HK\$195 million) for the six months ended 30th June 2008. The remuneration policies remained the same as revealed in the Annual Report for the year ended 31st December 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the “Model Code”) as the code of conduct regarding Directors’ securities transactions during the period under review. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code during the six months ended 30th June 2008.

CORPORATE GOVERNANCE

Throughout the six months ended 30th June 2008, 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, except for Code provisions A.4.1 and E.1.2.

Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. The non-executive Directors of the Company, except for Mr. Steven Shafran who is appointed for a term of 3 years, 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.

Code E.1.2 stipulates that the Chairman of the Board of Directors should attend annual general meetings. The Chairman of the Board did not attend the annual general meeting for the year 2008 due to other business commitment.

Note: Mr. Steven Shafran resigned as a non-executive Director on 19th May 2008.

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 2008.

AUDIT COMMITTEE AND REVIEW OF RESULTS

The Company’s audit committee is composed of 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 interim financial information for the six months ended 30th June 2008 with the Directors.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 14th October 2008 to Friday, 17th October 2008, 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 4:30 p.m. on Monday, 13th October 2008.

INTERIM REPORT

The 2008 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. Xiang Bin, Mr. Zhao Hai, Mr. Chen Chang Ying, Mr. Au Wai Kin, Mr. Xue Hu and Ms. Zhao Mingfeng; 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, 19th September 2008