



合生創展集團有限公司

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2002

FINANCIAL HIGHLIGHTS

(for the year ended 31st December, 2002)

- Turnover was HK\$2,126,789,000
- Profit attributable to shareholders amounted to HK\$229,082,000, representing a 89% increase from 2001
- Earnings per share were HK 23 cents
- Total dividend for the year was HK 4 cents

BUSINESS REVIEW

Market Overview

- In 2002, fundamentals of China's economy remained strong with a national GDP growth of about 8%. Real estate investments for the nation also showed a remarkable increase of 30% from the year before.
- GDP growth of major cities such as Guangzhou, Beijing and Shanghai surpassed the national GDP and achieved 13%, 10% and 10% growth respectively in 2002.
- With the surging demand, major cities in China experienced encouraging property sales growths.

Group's Sales Performance

- In 2002, the Group achieved an impressive milestone by selling a total GFA of 480,004 sq.m., a record high volume in the Group's development history.
- The Group signified its cross-district expansion by successfully launching the first lot of projects in Beijing.
- In 2002, the Group was recognized as the "Top Ten Listed Developers in China", and the Huanan New City project earned the distinction as one of the "Top Famous Projects in China".

Prospects

- China's strong economic growth and the influx of foreign investments should propel housing expenditures and the powerful upgrading trend.
- Following on the solid base of success achieved in the Guangzhou property market, the Group intends to seek opportunities by strategically expanding its property business in other promising markets.
- Looking ahead, Guangzhou, Beijing and Shanghai will be the major contributors to the Group's profit in the coming years.

FINAL RESULTS

The Board of Directors of Hopson Development Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2002 together with comparative figures for the previous year as follows:

		2002 HK\$'000	2001 HK\$'000
Turnover	1&5	2,126,789	1,170,871
Cost of sales		(1,347,736)	(782,664)
Gross profit		779,053	388,207
Other revenue		2,632	4,288
Selling and marketing expenses		(227,760)	(126,181)
General and administrative expenses		(118,970)	(57,080)
Profit from operations		434,955	209,234
Share of loss of associates		(3,033)	–
Share of profit of a jointly controlled entity		91,586	12,584
Finance costs		(12,644)	(5,938)
Profit before taxation	2	510,864	215,880
Taxation	3	(229,811)	(90,891)
Profit after taxation		281,053	124,989
Minority interests		(51,971)	(4,024)
Profit attributable to shareholders		229,082	120,965
Dividends		40,080	30,050
Earnings per share	4		
– Basic		HK 23 cents	HK 12 cents
– Diluted		HK 23 cents	HK 12 cents

Notes:

- (1) **Turnover**
Turnover (net of applicable business tax) primarily consists of (1) pre-sale of properties under development for sale under legally-binding agreement which is recognised by reference to the stage of completion of the properties, with the profit recognised restricted to the amount of instalments received, (2) sale of completed properties held for sale which is recognized when a legally-binding agreement has been executed, with the profit 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 service is rendered.

(2) **Profit before taxation**

Profit before taxation is determined after charging and crediting the following items:

	2002 HK\$'000	2001 HK\$'000
After charging –		
Staff costs (including directors' emoluments)	90,677	47,650
Depreciation of properties and equipment	5,820	3,355
Amortization		
– goodwill	2,425	1,647
– rights to receive rental income	1,103	–
After crediting –		
Interest income from bank deposits	2,632	4,288

(3) **Taxation**

Taxation consists of:

	2002 HK\$'000	2001 HK\$'000
<i>Company and subsidiaries</i>		
Current taxation –		
Hong Kong profits tax	5,210	1,060
Mainland China enterprise income tax	155,612	75,565
Mainland China land appreciation tax	24,384	8,926
Deferred taxation –		
Mainland China enterprise income tax	–	1,187
	185,206	86,738
<i>Jointly controlled entity</i>		
Current taxation –		
Mainland China enterprise income tax	23,140	4,153
Mainland China land appreciation tax	21,465	–
	44,605	4,153
	229,811	90,891

Hong Kong profits tax is provided at the rate of 16% (2001: 16%) on the estimated assessable profit arising in or derived from Hong Kong. Mainland China enterprise income tax is provided at a rate of 33% (2001: 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.

(4) **Earnings per share**

The calculation of basic earnings per share is based on the audited consolidated profit attributable to shareholders of approximately HK\$ 229,082,000 (2001: HK\$120,965,000) and the weighted average number of approximately 1,002,000,000 shares (2001: 1,000,630,000 shares) in issue during the year.

The calculation of diluted earnings per share is based on the audited consolidated profit attributable to shareholders of approximately HK\$229,082,000 (2001: HK\$120,965,000) and the diluted weighted average number of approximately 1,002,561,000 shares (2001: 1,001,100,000 shares) in issue after adjusting for the potential dilutive effect in respect of outstanding employee share options.

(5) **Segment information**

This year the Group's operations in terms of turnover were carried out in Guangzhou and Beijing, mainland China and in three business segments, namely property development, property investment and property management.

An analysis of the Group's segment turnover and contribution to operating profit for the year by business segment is as follows:

	Turnover		Contribution to Operating Profit	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<i>Business Segment</i>				
Property development	2,073,847	1,143,381	414,541	211,005
Property investment	18,414	2,896	16,573	2,606
Property management	34,528	24,594	1,209	(8,665)
	2,126,789	1,170,871	432,323	204,946
Other revenue			2,632	4,288
			434,955	209,234

No segment information by location is presented as substantially all of the Group's turnover and profit for the year ended 31st December, 2002 were derived from activities carried out in mainland China.

(6) **Consolidated statement of changes in equity for the year ended 31st December**

	2002 HK\$'000							2001 HK\$'000
	Share capital	Share Premium	General reserve fund	Investment property revaluation reserve	Cumulative translation adjustments	Retained profit	Proposed dividends	Total
Beginning of year	100,200	618,849	30,724	758,866	6,499	718,706	20,040	2,253,884
Issue of shares	–	–	–	–	–	–	–	1,357
Surplus on revaluation of investment properties	–	–	–	359,024	–	–	–	359,024
Profit for the year	–	–	–	–	–	229,082	–	229,082
Proposed dividends	–	–	–	–	–	(40,080)	40,080	–
Dividends paid	–	–	–	–	–	–	(40,080)	(40,080)
Transfer from retained profit	–	–	17,380	–	–	(17,380)	–	–
Translation adjustments	–	–	–	–	(2,286)	–	–	(2,286)
End of year	100,200	618,849	48,104	1,117,890	4,213	890,328	20,040	2,799,624

(7) **Adoption of new/revised Statements of Standard Accounting Practice**

The accounting policies and methods of computation used in the preparation of the audited consolidated accounts for the year ended 31st December, 2002 are consistent with those used in the annual accounts for the prior year. Effective for accounting periods commencing on or after 1st January, 2002, the Group has adopted the following new/revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants:

SSAP 1 (revised)	Presentation of financial statements
SSAP 11 (revised)	Foreign currency translation
SSAP 15 (revised)	Cash flow statements
SSAP 33	Discontinuing operations
SSAP 34 (revised)	Employee benefits

Except for certain presentational changes which have been made upon the adoption of SSAP 1 (revised) and SSAP 15 (revised), the adoption of the above new/revised SSAPs has no material effect on the financial statements.

The 2001 comparative figures presented herein have incorporated the effect on the adoption of the new/revised SSAPs.

SUBSEQUENT EVENT

The Directors consider it beneficial to the Group to strengthen its property investment and development business in Shanghai. On 20th February, 2003, the Group entered into agreements to acquire the entire interest in a property development project in Shanghai, mainland China. The aggregate consideration for the acquisitions together with certain payments and capital contribution to be payable by the Group in connection with such investment amounted to approximately HK\$402,752,000.

DIVIDENDS

The Board of Directors has recommended a final dividend of HK 2 cents (2001: HK 2 cents) per share. This, together with the interim dividend of HK 2 cents (2001: HK 1 cent) per share, will give a total dividend of HK 4 cents (2001: HK 3 cents) per share for the year ended 31st December, 2002.

The final dividend will be paid on Wednesday, 18th June, 2003 to shareholders whose names appear on the register of members of the Company on Monday, 19th May, 2003 subject to the approval of shareholders at the Annual General Meeting to be held on Monday, 19th May, 2003.

MANAGEMENT DISCUSSIONS AND ANALYSIS

Financial Review

Performance

Amid challenging market conditions, the Group had an active year and performed well. Turnover for the year ended 31st December, 2002 increased by 82% from HK\$1,170.9 million to HK\$2,126.8 million compared to the previous year. This record high volume does not include the turnover of a jointly controlled entity, in which the Group has a 40% interest. Total turnover of the jointly controlled entity for 2002 amounted to HK\$527.5 million (2001: HK\$91.7 million) representing an increase of 4.7 times on the prior year.

The Group's profit from operations before interest and tax for 2002, as compared to 2001, increased by 108% from HK\$209.2 million to HK\$434.9 million. Higher sales volumes contributed greatly to earnings and provided much of the impetus for the improved performance. Demand for the Group's properties was encouraging, particularly in respect of projects such as Gallopade Park-South Court, Pleasant View Garden and Fairview South Court. These three projects together contributed 57% of the total turnover for the year.

During the year, the Group continued to exercise stringent cost control measures and, as a result, a satisfactory gross profit margin of 36.6% (2001: 33.2%) and an improved direct cost-to-turnover ratio of 63.4% (2001: 66.8%) were attained. While expenses in various areas were effectively controlled, the underlying operating expenses were overall on the rise. In the face of a strong supply market, various sale-promotion initiatives and campaigns were launched, particularly for projects in Beijing where the Group's brand name was new and in Guangzhou where market competition remained aggressive. This raised the selling and marketing expenses up by 81% to HK\$227.8 million (2001: HK\$126.2 million). Also, the significant growth in staff numbers to meet the needs of business expansion and progress of project developments elevated the general and administrative expenses to HK\$119.0 million (2001: HK\$57.1 million), up 108%. That notwithstanding, the Group is resolved to pursue cost-containment efforts and keep spendings disciplined.

During the year, the Group incurred interest expenses before capitalization totalling HK\$103.9 million. An analysis is set out below:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on loans wholly repayable within five years	103,893	71,896
Less:		
Interest capitalized as part of the cost of properties under development	(91,249)	(65,958)
	12,644	5,938

The average interest rate of borrowing costs incurred during the year ended 31st December, 2002 was approximately 6.0% per annum (2001: 6.4% per annum).

Profit from operations covered 4.2 times of the interest expenses before capitalization, compared to 2.9 times for the previous year.

Results

Together with the improved performance of a jointly controlled entity, the Group's profit attributable to shareholders for the year under review was HK\$229.1 million, an increase of HK\$108.1 million or 89% compared to HK\$121.0 million achieved for 2001. Earnings per share of HK\$0.23 in 2002 were almost double relative to HK\$0.12 in 2001.

Financial Position

As at 31st December, 2002, total assets of the Group amounted to HK\$8,747 million whereas total liabilities (excluding minority interests) stood at HK\$5,650 million, representing an increase of HK\$3,121 million and HK\$2,457 million respectively on the previous year. The increase in total assets was indicative of the implementation of the Group's expansion commitments and the extent of additional investments in project developments. The increase in total liabilities mainly reflected higher levels of bank borrowings and other payables used in financing operational activities and investment expenditures.

The Group had a current ratio of 1.16 compared to 1.64 at last year end, representing a drop of 29%. Shareholders' equity increased to HK\$2,800 million from HK\$2,254 million at 31st December, 2001, primarily due to the contribution from a HK\$172 million increase of retained earnings and a HK\$359 million increase in the asset revaluation reserve.

Liquidity and Borrowings

As at 31st December, 2002, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding minority interests) was 65% (2001: 57%). The net debt-to-equity ratio (i.e. total debt less cash and bank deposits over shareholders' equity) was 85% (2001: 49%).

As at 31st December, 2002, the Group had cash and short-term bank deposits amounting to HK\$489 million, of which HK\$232 million were pledged as collateral for the Group's banking facilities. Total borrowings from banks came to HK\$2,307 million, representing an increase of 65% or HK\$908 million over the previous year. Gearing, measured by net bank borrowings as a percentage of shareholders' equity, increased from 41% last year to 65% this year.

The Group's bank borrowings at 31st December, 2002 were all secured and denominated entirely in Renminbi with a repayable profile set out as follows:

	As at		As at	
<i>HK\$ million</i>	31st December, 2002		31st December, 2001	
Within 1 year	1,485	64.4%	916	65.5%
After 1 year but within 2 years	340	14.7%	311	22.3%
After 2 years but within 3 years	482	20.9%	171	12.2%
Total bank borrowings	2,307		1,398	
Less: Bank deposits and cash	489		474	
Net bank borrowings	1,818		924	

As at 31st December, 2002, the Company provided guarantee to banks for loan facilities of HK\$236 million granted to its subsidiaries.

Charges on Assets

As at 31st December, 2002, certain assets of the Group with an aggregate carrying value of HK\$2,347 million (2001: HK\$2,044 million) were pledged with banks for loan facilities used by subsidiaries, a jointly controlled entity and related companies.

Contingent Liabilities

As at 31st December, 2002, the Group provided guarantees to banks for:

	2002	2001
	<i>HK\$ million</i>	<i>HK\$ million</i>
– mortgage facilities granted to buyers of the Group's properties	1,322.9	287.8
– loans borrowed by a jointly controlled entity	84.9	56.6
– loans borrowed by related companies	106.6	18.9
– loans borrowed by an associate	9.2	10.0
	1,523.6	373.3

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\$4,137 million at 31st December, 2002 (2001: HK\$2,330 million). With the continuous cash inflow from property sales and the committed banking facilities coupled with cash in hand, the Group is in an adequate liquidity position to meet these on-going capital commitments by stages.

FOREIGN EXCHANGE FLUCTUATIONS

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

EMPLOYEES

As at 31st December, 2002 the Group, excluding its associate and jointly controlled entity, employed a total of 2,670 (2001: 1,539) staff, the great majority of which representing 2,638 in number was employed in mainland China. Employees' costs (including directors' emoluments) amounted to HK\$90.7 million (2001: HK\$47.7 million).

The Group continued to structure remuneration packages for employees with reference to pay trends, market conditions and individual performances. Training and development programmes were provided on an ongoing basis. On 4th November, 2002, the Company adopted a new share option scheme, which is in compliance with Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). On the same day, the old share option scheme adopted by the Company on 4th April, 1998 ("Old Scheme") was terminated. Since its adoption, 7 million option shares were granted. All options granted under the Old Scheme prior to its termination continue to be valid and exercisable in accordance with the Old Scheme whose provisions remain enforceable to the extent necessary to give effect to the exercise of such options.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company had complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year, except that the independent non-executive directors of the Company are not appointed for specific terms. However, all directors except for 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 year.

AUDIT COMMITTEE

The Company has set up an audit committee comprising Mr. Yuen Pak Yiu, Philip, Mr. Lee Tsung Hei, David and Mr. Wong Shing Kay, Oliver, independent non-executive directors of the Company. The primary duties of the audit committee are to review and supervise the internal control system and financial reporting process of the Group. The audit committee met with management and auditors of the Company to discuss the Group's internal control procedures and financial reporting matters during the year ended 31st December, 2002.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 13th May, 2003 to Monday, 19th May, 2003, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 12th May, 2003.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on The Stock Exchange of Hong Kong Limited's website in due course.

By Order of the Board
Chu Mang Yee
Chairman

Hong Kong, 14th April, 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hopson Development Holdings Limited (the "Company") will be held at Chater Room I, Function Room Level, B1, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on Monday, 19th May, 2003 at 9:30 a.m. for the following purposes:

- To receive and consider the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors and auditors for the year ended 31st December, 2002.
- To re-elect retiring directors and to authorize the board of directors to fix the directors' remuneration.
- To declare a final dividend for the year ended 31st December, 2002.
- To re-appoint auditors and to authorize the board of directors to fix their remuneration.
- As special business to consider and, if thought fit, pass with or without modifications, the following resolutions as Ordinary Resolutions:

A. "THAT:

- subject to paragraph (c), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into such shares or warrants or similar rights to subscribe for any shares in the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- the approval in paragraph (a) shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;
- the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to the shares of the Company issued as a result of a Rights Issue (as hereinafter defined) or pursuant to the exercise of options under the Share Option Scheme or similar arrangement, or any scrip dividend or similar arrangement providing for the allotment of shares of the Company in lieu of the whole or part of the dividend on the shares of the Company in accordance with the Company's Bye-laws, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly; and
- for the purposes of this Resolution:

"Relevant Period" means the period from the date of passing of this Resolution until whichever is the earliest of:

- the conclusion of the next annual general meeting of the Company;
- the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws of Bermuda to be held; or
- revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares of the Company on the register on a fixed record date in proportion to their holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognized regulatory body or any stock exchange in any territory outside Hong Kong)."

B. "THAT:

- subject to paragraph (b), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to repurchase its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and recognized by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange on which the securities of the Company may be listed as amended from time to time, be and is hereby generally and unconditionally approved;
- the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval mentioned in paragraph (a) during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of this Resolution and the said approval shall be limited accordingly; and
- the expression "Relevant Period" shall for the purposes of this Resolution have the same meaning as assigned to it under Ordinary Resolution 5.A.(d) of this notice."

- "THAT conditional upon Resolutions 5.A. and 5.B. above being passed, the aggregate nominal amount of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in Resolution 5.B. above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to Resolution 5.A. provided that the amount of share capital repurchased by the Company shall not exceed 10 per cent of the total nominal amount of the share capital of the Company in issue on the date of this Resolution."

By Order of the Board
Mok Wai Kun, Barbara
Secretary

14th April, 2003, Hong Kong

Principal office:

19th Floor, Wyndham Place
40-44 Wyndham Street
Central
Hong Kong

Notes:

- A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- To be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or other authority, must be deposited at the principal office of the Company at 19th Floor, Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong not less than 48 hours before the time appointed for holding the said meeting.
- A form of proxy for the meeting will be enclosed with the annual report.
- The register of members of the Company will be closed from Tuesday, 13th May, 2003 to Monday, 19th May, 2003, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend to be approved at the meeting and the right to attend and vote at the meeting, all transfers 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, 12th May, 2003.
- With reference to the Ordinary Resolutions sought in items 5.A. and 5.B. of this notice, the directors wish to state that they have no immediate plans to issue any new shares or to repurchase any existing shares of the Company. The explanatory statement required by the Listing Rules of the Stock Exchange in connection with the repurchase mandate will be despatched to shareholders together with the annual report.