



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>

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2004

FINANCIAL HIGHLIGHTS

(for the year ended 31st December, 2004)

- **Turnover increased by 34% to HK\$4,450 million with operating costs well contained**
- **Profit attributable to shareholders was a record result of HK\$611,250,000, representing a significant growth of 94%**
- **Earnings per share were HK61 cents**
- **Price earnings ratio was approximately 6.4 times based on the closing share price of HK\$3.90 on 18th April, 2005**
- **Total dividends for the year were HK9 cents**

BUSINESS REVIEW

Industry Overview

In 2004,

- China's GDP growth maintained at 9.5% despite the implementation of macroeconomic austerity measures by the PRC Government.
- Real estate investments in China recorded a growth of 28.1% over 2003.
- GDP growth of major cities such as Guangzhou, Beijing, Shanghai and Tianjin continued to surpass the national GDP growth and the transaction areas of commodity properties in those cities were on the rise.

Sales Performance

During the year,

- A total of 4,532 units, or approximately 541,491 sq.m., from projects in Guangzhou including Gallopade Park South Court, Huanan New City, Huajing New City, Pleasant View Garden, Fairview South Court and Regal Riviera were sold.

- Brand name recognition led to encouraging sales performance. Turnover derived from Beijing comprised of 1,563 units, or approximately 232,417 sq.m., from projects including Fresh Life Garden, Regal Court and Citta Eterna.
- Pre-sale of the Group's properties in Shanghai and Tianjin commenced in the second half of 2004. Approximately 45,204 sq.m., or 269 units were sold in Shanghai and approximately 75,690 sq.m. or 297 units were sold in Tianjin.

Project Development Progress

- All project developments in Guangzhou, Beijing, Shanghai and Tianjin continued to make satisfactory progress and were completed according to planned schedules.

Landbank Replenishment

In 2004,

- Major additions included sites located in Huizhou City of approximately 206,000 sq.m.; in Nanzhou Road, Guangzhou of approximately 56,000 sq.m. and in Tonghe Road, Guangzhou of approximately 55,600 sq.m..
- The Group had actively pursued to acquire the land use rights of two land sites in Chaoyang District, Beijing with a total site area of approximately 43,000 sq.m..

Prospects

- The austerity measures imposed by the PRC Government are expected to persist in 2005, with impact on the real estate market in the short term, nonetheless they will enhance healthy developments in the long run. Developers with large landbanks and well-recognized brandnames will sustain the challenge and derive the benefit therefrom.
- In addition to maintaining its focus on the development of residential properties, the Group has begun its hotel operations and the construction of commercial buildings.
- The Group continues to strive for differentiation of its products through a vigorous enhancement of its brandname.
- In anticipation of sustainable growth in the real estate market, the Group continues its expansion policy by enriching its already abundant landbanks in major cities of China.
- The acquisition of additional interests in several of the Group's joint venture project companies at a consideration of RMB351 million was completed as of 31st December, 2004, whereas the acquisition of a 59.5% equity interest in Regal Riviera at a consideration of RMB497 million is anticipated to be completed during the first half of 2005. These acquisitions are expected to boost the Group's future profitability.

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, 2004 together with comparative figures for the previous year as follows:

	<i>Notes</i>	2004 HK\$'000	2003 HK\$'000
Turnover	2 & 3	4,449,913	3,325,922
Cost of sales		(3,040,671)	(2,431,612)
Gross profit		1,409,242	894,310
Other revenue	3	117,706	7,211
Selling and marketing expenses		(251,400)	(231,251)
General and administrative expenses		(172,469)	(139,852)
Profit from operations	3 & 4	1,103,079	530,418
Share of profit of a jointly controlled entity		100,390	110,922
Share of loss of an associate		(734)	(1,118)
Finance costs	5	(13,375)	(4,280)
Profit before taxation		1,189,360	635,942
Taxation	6	(473,931)	(252,000)
Profit after taxation		715,429	383,942
Minority interests		(104,179)	(68,588)
Profit attributable to shareholders		611,250	315,354
Dividends	7	90,270	50,100
Earnings per share	8		
– Basic		HK61 cents	HK31 cents
– Diluted		HK61 cents	HK31 cents

Notes:

(1) Recently issued accounting standards

For full convergence with International Financial Reporting, the Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively, “new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005.

The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st December, 2004 and is in the process of making an assessment of the impact of these new HKFRSs. The Group has at this stage not yet concluded that the adoption of these new HKFRSs would have a significant impact on its consolidated financial statements.

(2) Turnover

Turnover consists of (1) pre-sale of properties under development for sale under legally-binding agreements which is recognised by reference to the stage of completion of the development of the properties, (2) sale of completed properties held for sale under legally-binding agreements, (3) rental income and (4) property management fees.

(3) Segment information

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

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

	Guangdong Province		Shanghai		Beijing		Tianjin		Others		Eliminations		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
External	2,395,779	2,196,349	298,534	-	1,459,240	1,130,155	280,502	-	15,858	(582)	-	-	4,449,913	3,325,922
Inter-segment	7,133	-	-	-	-	-	-	-	102,421	102,073	(109,554)	(102,073)	-	-
Total turnover	2,402,912	2,196,349	298,534	-	1,459,240	1,130,155	280,502	-	118,279	101,491	(109,554)	(102,073)	4,449,913	3,325,922
Segment results	517,309	320,686	128,912	(7,401)	329,849	242,227	19,114	(9,936)	15,858	(582)	-	-	1,011,042	544,994
Unallocated corporate expenses													(25,669)	(21,787)
Other revenue	69,644	4,243	427	-	1,887	2,205	236	-	45,512	763			117,706	7,211
Profit from operations													1,103,079	530,418
Share of profit of a jointly controlled entity	100,390	110,922											100,390	110,922
Share of loss of associates	(734)	(1,118)											(734)	(1,118)
Finance costs													(13,375)	(4,280)
Profit before taxation													1,189,360	635,942
Taxation													(473,931)	(252,000)
Profit after taxation													715,429	383,942
Minority interests													(104,179)	(68,588)
Profit attributable to shareholders													611,250	315,354
Segment assets	7,459,383	7,580,941	1,166,051	672,468	3,147,305	1,815,123	1,024,456	252,698	17,456	23,200	-	-	12,814,651	10,344,430
Segment liabilities	5,155,427	4,677,967	929,735	294,278	2,535,092	2,105,103	420,322	33,431	401,350	15,788	-	-	9,441,926	7,126,567
Capital expenditure	322,144	132,972	1,233	435,064	225,279	2,329	562,594	3,881	159	116	-	-	1,111,409	574,362
Depreciation	5,016	5,348	543	695	2,275	1,821	720	366	205	193	-	-	8,759	8,423
Amortisation	5,233	2,036	-	-	-	3,308	-	-	-	900	-	-	5,233	6,244

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

	Turnover		Segment results		Total assets		Capital expenditure	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development	4,338,019	3,238,906	976,776	508,009	8,803,655	6,097,968	723,131	15,006
Property investment	42,744	35,487	38,470	31,938	3,695,814	4,074,109	387,386	558,190
Property management	69,150	51,529	(4,204)	5,047	31,797	30,459	892	1,166
	<u>4,449,913</u>	<u>3,325,922</u>	<u>1,011,042</u>	<u>544,994</u>	<u>12,531,266</u>	<u>10,202,536</u>	<u>1,111,409</u>	<u>574,362</u>
Other revenue			117,706	7,211				
Unallocated costs			(25,669)	(21,787)				
Profit from operations			<u>1,103,079</u>	<u>530,418</u>				
Investment in an associated company					36	770		
Investment in a jointly controlled entity					283,349	141,124		
					<u>12,814,651</u>	<u>10,344,430</u>		

(4) Profit from operations

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

	2004	2003
	HK\$'000	HK\$'000
After charging –		
Staff costs (including directors' emoluments)	143,626	118,729
Depreciation of fixed assets	8,759	8,423
Amortization of goodwill (included in general and administrative expenses)	5,233	2,936
Loss on disposal of fixed assets	255	486
Net exchange loss	549	–
	<u>158,422</u>	<u>130,574</u>
After crediting –		
Dividend income from listed investments	139	69
Interest income from bank deposits	4,484	7,211
Gain on investment in securities	352	722
Gain on disposal of investment properties	127,866	66,335
Rental income, less outgoings	38,470	31,938
Net exchange gain	–	196
	<u>170,271</u>	<u>106,371</u>

(5) **Finance costs**

Finance costs comprise:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on loans wholly repayable within five years	205,213	164,072
Less: Interest capitalized as part of the cost of properties under development	(191,838)	(159,792)
	<u>13,375</u>	<u>4,280</u>

(6) **Taxation**

Taxation consists of:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
<i>Company and subsidiaries</i>		
Current taxation –		
Hong Kong profits tax	18,087	12,704
Mainland China enterprise income tax	457,798	208,506
Mainland China land appreciation tax	391	3,359
Deferred taxation –		
Mainland China enterprise income tax	(170,939)	(45,375)
Mainland China land appreciation tax	118,697	18,496
	<u>424,034</u>	<u>197,690</u>
<i>Jointly controlled entity</i>		
Current taxation –		
Mainland China enterprise income tax	24,869	27,884
Mainland China land appreciation tax	25,028	26,426
	<u>49,897</u>	<u>54,310</u>
	<u>473,931</u>	<u>252,000</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% (2003: 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) **Dividends**

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interim, paid, of HK\$0.03 (2003: HK\$0.02) per ordinary share	30,090	20,040
Final, proposed, of HK\$0.06 (2003: HK\$0.03) per ordinary share	60,180	30,060
	<u>90,270</u>	<u>50,100</u>

(8) Earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of approximately HK\$611,250,000 (2003: HK\$315,354,000).

The basic earnings per share is based on the weighted average number of approximately 1,002,749,000 (2003: 1,002,000,000) ordinary shares in issue during the year. The diluted earnings per share is based on approximately 1,002,846,000 (2003: 1,002,096,000) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of approximately 97,000 (2003: 96,000) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

(9) Movements in reserves

	Retained profits HK\$'000	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	General reserve fund HK\$'000	Cumulative translation adjustments HK\$'000	Proposed dividends HK\$'000	Total HK\$'000
At 1st January, 2003							
- as previously reported	890,328	618,849	1,117,890	48,104	4,213	20,040	2,699,424
- adjustment on adoption of SSAP 12	-	-	(355,404)	-	-	-	(355,404)
- as restated	890,328	618,849	762,486	48,104	4,213	20,040	2,344,020
Profit attributable to shareholders	315,354	-	-	-	-	-	315,354
Transfer from retained profits	(36,395)	-	-	36,395	-	-	-
Proposed dividends							
- interim dividend	(20,040)	-	-	-	-	20,040	-
- final dividend	(30,060)	-	-	-	-	30,060	-
Payment of dividends	-	-	-	-	-	(40,080)	(40,080)
Reserve transferred to the profit and loss account upon disposal of investment properties	-	-	(38,388)	-	-	-	(38,388)
Surplus on revaluation of investment properties	-	-	13,519	-	-	-	13,519
Translation adjustments	-	-	-	-	(247)	-	(247)
At 31st December, 2003	1,119,187	618,849	737,617	84,499	3,966	30,060	2,594,178
Profit attributable to shareholders	611,250	-	-	-	-	-	611,250
Transfer from retained profits	(48,879)	-	-	48,879	-	-	-
Proposed dividends							
- interim dividend	(30,090)	-	-	-	-	30,090	-
- final dividend	(60,180)	-	-	-	-	60,180	-
Payment of dividends	-	-	-	-	-	(60,150)	(60,150)
Reserve transferred to the profit and loss account upon disposal of investment properties	-	-	(75,074)	-	-	-	(75,074)
Surplus on revaluation of investment properties	-	-	82,206	-	-	-	82,206
Proceeds from issue of shares	-	1,066	-	-	-	-	1,066
Translation adjustments	-	-	-	-	(7)	-	(7)
At 31st December, 2004	<u>1,591,288</u>	<u>619,915</u>	<u>744,749</u>	<u>133,378</u>	<u>3,959</u>	<u>60,180</u>	<u>3,153,469</u>

SUBSEQUENT EVENT

On 8th March, 2005, the Group entered into two land transfer agreements with Beijing Jin Yu Jia Ye Real Estate Development Company, an independent third party, for the acquisition of the land use rights of two land sites located at Guang Qu Men Wai Da Street, Chaoyang District, Beijing, comprising a site area of 43,000 sq.m. at a consideration of approximately RMB511 million (approximately HK\$482 million).

DIVIDENDS

The Board of Directors has recommended the payment of a final dividend of HK6 cents (2003: HK3 cents) per share. This, together with the interim dividend of HK3 cents (2003: HK2 cents) per share, will give a total dividends of HK9 cents (2003: HK5 cents) per share for the year ended 31st December, 2004.

The final dividend will be paid on Thursday, 30th June, 2005 to shareholders whose names appear on the register of members of the Company on Monday, 6th June, 2005 subject to the approval of shareholders at the Annual General Meeting to be held on Monday, 6th June, 2005.

FINANCIAL REVIEW

Performance

In 2004, the Group continued to implement appropriate sales and marketing strategies to minimize the impact of rise in costs and to pursue satisfactory sales performance. As a result, the Group secured a commendable growth in sales volume and unit prices for properties sold in Guangzhou and Beijing. Together with the well market response received from the pre-sale of properties launched for the first time in Shanghai and Tianjin, a second successive record-breaking turnover was achieved for the year ended 31st December, 2004, which increased 34% from HK\$3,326 million to HK\$4,450 million as compared to the previous year. Turnover does not include the sales from a jointly controlled entity, in which the Group has a 40% interest. The volume of sales recorded by the jointly controlled entity for 2004 amounted to HK\$824 million (2003: HK\$625 million) representing an increase of 32% on the prior year.

Sales in Guangzhou experienced healthy growth amid continuing recovery of the real estate market. Unit selling prices of the Group's properties sold in Guangzhou increased by 17% when compared to the previous year, while the sales volume inclusive of Regal Riviera, decreased slightly by 0.3% from 543,078 sq.m. (4,543 units) to 541,491 sq.m. (4,532 units). The Group's major development projects, including Huanan New City, Pleasant View Garden and Huajing New City reported encouraging results, and the new development project, Regal Palace, was also well accepted by the market.

Sales in Beijing were on the rise with Beijing Regal Court remaining to be the top profit contributor within the Group in 2004. In terms of sales volume, an increase of 55% from 149,725 sq.m. (1,106 units) to 232,417 sq.m. (1,563 units) on the prior year was recorded. Brand-name recognition, to some extent, helped uphold unit selling prices of the Group's properties sold there which were up by 15% as compared with 2003.

Pre-sale of the Group's property projects in Shanghai and Tianjin commenced in the second half of 2004. Amid favourable market conditions, both projects performed reasonably well, with 45,204 sq.m. (269 units) sold for Shanghai and (75,690 sq.m.) (297 units) for Tianjin.

In 2004, the Group made some hefty improvements over its gross profit to turnover ratio from 27% in 2003 to 32%, and direct cost to revenue ratio from 73% in 2003 to 68%. A general increase in selling prices of properties sold, coupled with a significant portion of turnover from high-end properties which commanded higher gross profit margins, mitigated the effect of a mild increase in construction costs and a greater amount of interest charges capitalized from bank borrowings raised to finance the development of projects.

Despite a general increase in business activities during 2004, operating expenses were well contained. In absolute terms, general and administrative expenses increased by 23% from HK\$140 million to HK\$172 million when compared to the previous year. This was mainly attributed to a general increase in staff costs and other general expenses consequent upon the commencement of pre-sale in Shanghai and Tianjin. However, the expenses when expressed as a percentage of turnover fell from 4.2% in 2003 to 3.9% in 2004.

Continuous efforts made to control selling and marketing expenses showed results. While the amounts expended increased by 8.7% from HK\$231 million in 2003 to HK\$251 million in 2004, due primarily to the increase in turnover, the expenses expressed as a ratio of turnover decreased significantly from 7% to 5.6% when compared with the previous year.

During the year, the Group incurred interest expenses before capitalization totalling HK\$205 million (2003: HK\$164 million). The increase was caused by the rise in interest rates and bank borrowings. The average interest rate of borrowing costs incurred for 2004 was approximately 5.7% per annum (2003: 5.6% per annum).

Results

The Group's expansion strategy began to deliver results which contributed to the surge in profit attributable to shareholders for the year 2004 to HK\$611 million, being the highest number in the Group's history, and representing an increase of 94% as compared with HK\$315 million for 2003.

Profitability

Return on equity, computed as a ratio of earnings before interest and tax over shareholders' equity, increased from 30% in 2003 to 43% in 2004.

Profit from operations covered 5.4 times of the interest expenses before capitalization, compared to 3.2 times for the previous year.

Segment information

In 2004, the Group enjoyed a good geographical spread with Guangzhou being the major profit contributor to the Group (54%) and followed by Beijing (33%). New property developments in Shanghai and Tianjin trailed along and contributed 7% and 6%, respectively. For 2005, with full year results from Shanghai and Tianjin to take account, a greater percentage of contributions from areas outside Guangzhou is expected.

For the year 2004, 97% (2003 - 97%) of the Group's turnover was derived from the property development business which will remain its core activity and principal revenue contributor.

Financial position

Assets, liabilities and shareholders' equity of the Group as at 31st December, 2004 were as follows:

	As at 31st December 2004 <i>HK\$'000</i>	As at 31st December 2003 <i>HK\$'000</i>
Current assets	7,911,192	5,504,176
Non-current assets	4,903,459	4,840,254
Total assets	<u>12,814,651</u>	<u>10,344,430</u>
Current liabilities	6,442,485	4,304,510
Non-current liabilities	2,999,441	2,822,057
Total liabilities	<u>9,441,926</u>	<u>7,126,567</u>
Minority interests	118,956	523,485
Net assets	<u><u>3,253,769</u></u>	<u><u>2,694,378</u></u>
Shareholders' equity		
Share capital	100,300	100,200
Reserves	1,502,001	1,444,931
Retained profits	1,591,288	1,119,187
Proposed dividends	<u>60,180</u>	<u>30,060</u>

The Group's current ratio as at 31st December, 2004 was 1.23, which was comparable to that of 1.28 as at 31st December, 2003.

As at 31st December, 2004, total assets of the Group amounted to HK\$12,815 million and its total liabilities (excluding minority interests) amounted to HK\$9,442 million, representing an increase of HK\$2,471 million and HK\$2,315 million respectively on the previous year. Total assets increased mainly due to the additions of (1) properties under development and (2) hotels under construction, classified as fixed assets, notably from projects in Beijing, Shanghai and Tianjin. Aligned with this, total liabilities also increased, primarily due to the existence of (1) additional borrowings obtained to finance development projects and (2) a significant increase in deferred income relating to proceeds received from pre-sale properties not yet recognized as turnover on account of limitations confined by construction progress.

Current ratio decreased slightly from 1.28 at last year end to 1.23 this year. Shareholders' equity increased to HK\$3,253 million at 31st December, 2004 from HK\$2,694 million at 31st December, 2003, due mainly to the contribution from the current year's profit attributable to shareholders.

As at 31st December, 2004, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding minority interests) was 74% (2003: 69%). The net debt-to-equity ratio (i.e. total debt less cash and bank deposits over shareholders' equity) was 114% (2003: 105%).

Cashflow

In 2004, the Group's cashflow from operating activities was HK\$902 million, representing an increase of HK\$610 million over the previous year. The improvement was primarily due to the net cash inflow generated from the pre-sale of new development projects in Shanghai and Tianjin.

As at 31st December, 2004, the Group has cash and short-term bank deposits amounting to HK\$737 million (2003: HK\$660 million) of which HK\$150 million (2003: HK\$256 million) was pledged as collateral for the Group's banking facilities. In addition, the Group's bank deposits of approximately HK\$108 million (2003: HK\$53 million) were charged by certain banks in respect of the processing of mortgage facilities granted by the banks to the 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.

Liabilities and borrowings

Total borrowings from banks amounted to HK\$3,506 million (2003: HK\$3,046 million) representing an increase of 15% or HK\$460 million over the previous year. Gearing, measured by net bank borrowings (total bank borrowings less cash and bank deposits) as a percentage of shareholders' equity, decreased from 89% last year to 85% this year. The slight improvement in gearing ratio was mainly attributable to the operating cash flows generated from new development projects in Shanghai and Tianjin.

Approximately 97% of the Group's bank borrowings was denominated in Renminbi with fixed interest rates and approximately 2% was denominated in United States dollars and 1% was denominated in Hong Kong dollars with floating interest rates.

The bank borrowings as at 31st December, 2004 were all secured with a repayment profile as set out below:—

	As at 31st December, 2004		As at 31st December, 2003	
(HK\$ million)				
Within 1 year	1,958	55.8%	1,384	45.4%
After 1 year but within 2 years	878	25.0%	1,550	50.9%
After 2 years but within 3 years	670	19.2%	112	3.7%
	<hr/>		<hr/>	
Total bank borrowings	3,506		3,046	
Less: bank deposits and cash	(737)		(660)	
	<hr/>		<hr/>	
Net bank borrowings	<u>2,769</u>		<u>2,386</u>	

As at 31st December, 2004, the Group had banking facilities of approximately HK\$3,506 million (2003: HK\$3,046 million) for short-term and long-term bank loans, which were fully utilized.

Charge on assets

As at 31st December, 2004, certain assets of the Group with an aggregate carrying value of HK\$3,378 million (2003: HK\$2,738 million) were pledged with banks for loan facilities used by subsidiaries and a jointly controlled entity.

Contingent liabilities

As at 31st December, 2004, the Group provided guarantees to banks for:–

	2004 <i>HK\$ million</i>	2003 <i>HK\$ million</i>
- mortgage facilities granted to buyers of the Group's properties	3,270	1,861
- loans borrowed by a jointly controlled entity	–	94
- loans borrowed by related companies	80	86
	<hr/> 3,350 <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, amounted to HK\$23,264 million (2003: HK\$20,385 million) as compared with HK\$1,682 million (2003: HK\$1,451 million) which was recorded on the accounts as at 31st December, 2004. Out of the total capital commitments of the Group, HK\$3,801 million (2003: HK\$2,431 million) was mainly related to contracted obligations of the Group for future development costs and expenditures to be incurred on various projects of the Group in the short to medium term with the remaining amount of HK\$19,463 million (2003: HK\$17,954 million) being related to future development expenditures approved by the Directors but not contracted for as at 31st December, 2004. With continuous cash inflow from property sales and the committed banking facilities coupled with the cash in hand, the Group is 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.

FOREIGN EXCHANGE FLUCTUATIONS

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

MANAGEMENT CONTRACT

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

EMPLOYEES

As at 31st December, 2004, the Group, excluding its associate and jointly controlled entity, employed a total of 3,596 (2003: 2,859) staff, the majority of which were employed in mainland China. Employees' costs (including Directors' emoluments) amounted to HK\$144 million (2003: HK\$119 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 (the “Old Scheme”) was terminated. No option shares have been granted under the New Scheme since its adoption. As at 31st December, 2004, no options were outstanding under the Old Scheme.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the code of conduct regarding securities transactions by directors as set out in Appendix 10 to the Listing Rules during the year under review and all Directors have complied with the required standard of dealings set out therein.

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 Listing Rules at any time during the year ended 31st December, 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 year ended 31st December, 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 audited consolidated accounts for the year ended 31st December, 2004 with the Directors.

The audit committee met eight times during 2004. Mr. Yuen Pak Yiu, Philip and Mr. Lee Tsung Hei, David each attended all eight meetings and Mr. Wong Shing Kay, Oliver attended seven meetings.

All members of the audit committee received HK\$70,000 each as Directors’ remuneration for the year ended 31st December, 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1st June, 2005 to 6th June, 2005, 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 Tuesday, 31st May, 2005.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT

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

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 year 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 five Executive Directors, namely Mr. Chu Mang Yee (Chairman), Mr. Xiang Bin (Deputy Chairman), Mr. Au Wai Kin, Mr. Chen Chang Ying and Ms. Xiao Yan Xia 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, 18th April, 2005

* *For identification purpose*