



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 2006

FINANCIAL HIGHLIGHTS

(for the year ended 31st December 2006)

- **Turnover was HK\$6,920 million**
- **Profit attributable to shareholders amounted to HK\$1,554 million, representing a significant growth of 28%**
- **Basic earnings per share were HK\$1.27**
- **Proposed dividends per share for the year were HK37.9 cents**

BUSINESS REVIEW

Industry Overview

In 2006,

- The economic expansion of the People's Republic of China ("PRC") remained strong, with an increase of gross domestic product ("GDP") of 10.7% year-on-year. The continuing economic growth boosted the demand for housing.
- A number of new measures were introduced and enforced by the PRC authorities in the mainland to curb rapid increases in property prices and speculation in the property market. The measures included, among others, (1) interest rate hike on bank borrowing; (2) higher capital adequacy ratios for banks; (3) restriction on foreign investment in the property sector, (4) imposition of tax on re-sale of residential properties held for less than 5 years and (5) the size of 70% of units of new projects to be below 90 square meters.
- The property market continued to be robust amid the measures. In terms of transaction area, increases of 12%, 3%, and 19% were recorded in Guangzhou, Beijing and Shanghai, respectively. In terms of unit-selling prices, increases of 23.4%, 16.7% and 4.8% were noted respectively in these three cities. In Tianjin, the market was benefited by the government's Huanbohai development strategy and stood solid.

Contracted sales performance

Details of properties sold under sale and pre-sale contracts in 2006 are as follows:

- The Group achieved record contracted sales of HK\$11,368 million (2005: HK\$6,358 million), inclusive of Regal Riviera.
- In Guangdong, with the commencement of pre-sales of two new projects, namely Yunshan Xijing and Hopson International New City, and inclusive of Regal Riviera, a total GFA of 607,338 square metres (2005: 578,978 square metres), of which 493,452 square metres (2005: 514,932 square metres) were attributable to the Group, with a carrying value of RMB4,742 million (2005: RMB3,588 million) were sold.
- In Beijing, a total GFA of 324,546 square metres (2005: 296,327 square metres) with a carrying value of RMB3,610 million were sold (2005: RMB2,192 million). The significant increase in contracted sales was due to a general improvement in market sentiment coupled with the commencement of the sale of Beijing International Garden, which recorded a contracted sale value of RMB1,446 million.
- In Tianjin and Shanghai, a total GFA of 142,712 square metres (2005: 136,530 square metres), of which 119,246 square metres (2005: 111,264 square metres) were attributable to the Group, with a carrying value of RMB855 million (2005: RMB833 million) were sold.
- In addition, the Group entered into a conditional agreement to dispose of its 50% equity interest in Shanghai Hopson International Building for a consideration of US\$150 million, of which US\$75 million was received during the year. Completion of the agreement, however, is expected to be in 2008 upon the completion of the project.

Properties sold but not yet delivered

As at 31st December 2006, the GFA for which the Group had entered into sale and pre-sale contracts and yet to deliver to buyers amounted to 682,368 square metres. Following the delivery of these properties, the proceeds received therefrom totalling HK\$4,749 million will be recognised into the Group's accounts in 2007 and thereafter.

Delivery of properties

A total GFA of 963,423 square metres (2005: 1,043,249 square metres) were delivered in 2006.

Project development progress

- A total GFA of 1,071,064 square metres (2005: 1,115,598 square meters) were completed during the year.
- It is expected that a total GFA of 1,585,960 square metres will be completed in 2007.

Landbank and land replenishment

As of 31st December 2006, the Group including the interest in Regal Riviera, had a landbank of 14.08 million square metres.

During 2006, the Group

- completed the acquisition of equity interests in companies holding land use rights or land grant contracts in Guangdong, Shanghai and Ningbo with a total GFA of 2,009,920 square metres, and

- entered into several equity transfer agreements with owners of land sites in Guangdong, Beijing, Shanghai and Tianjin involving a total GFA of 1,458,668 square metres; and
- embarked on developing projects in Ningbo with a total GFA of 442,812 square meters.

Prospects

- The Company believes that the expertise and experience gained from quality property development over the years will strengthen its competitive advantages and leading position. Despite the macro economic measures, China's sustained economic growth coupled with the healthy development of the property market will continue to provide the Group with ample business investment opportunities.
- While the Group remains committed to focus its operations on the four established market places, namely Guangzhou, Beijing, Tianjian and Shanghai, the Group leverages its proven business models to develop projects in surrounding areas of these few cities such as Huizhou, Nanhai and Ningbo, which offer attractive development potential.
- Though residential development remains the core business activity of the Group, the Group has a positive outlook of development in commercial properties, such as shopping malls and office buildings, and is confident to benefit from the stream of recurrent income thus generated. In the coming years, the Group plans to gradually develop commercial properties.

The Board of Directors (the "Board") of Hopson Development Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2006 together with the comparative figures for the corresponding previous year.

The 2006 financial statements of the Company have been reviewed by the Company's audit committee and the Board.

CONSOLIDATED INCOME STATEMENT

For the year
ended 31st December

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Revenues	4	6,920,294	6,133,894
Cost of sales	6	(4,509,340)	(4,189,275)
Gross profit		2,410,954	1,944,619
Other gains	5	505,531	261,994
Selling and marketing costs	6	(228,618)	(211,880)
General and administrative expenses	6	(296,600)	(331,075)
Operating profit		2,391,267	1,663,658
Finance income		26,814	17,382
Finance costs	7	(84,808)	(59,966)
Share of (loss)/profit of an associate		(80)	44
Share of profit of and other gains relating to a jointly controlled entity		128,343	191,509
Profit before taxation		2,461,536	1,812,627
Taxation	8	(837,358)	(611,446)
Profit for the year		1,624,178	1,201,181
Attributable to:			
Equity holders of the Company		1,553,752	1,217,323
Minority interests		70,426	(16,142)
		1,624,178	1,201,181
Earnings per share for profit attributable to the equity holders of the Company during the year (in HK\$ per Share)			
– basic	9	1.27	1.13
– diluted	9	1.26	1.13
Dividends	10	480,980	412,494

CONSOLIDATED BALANCE SHEET

		As at 31st December	
		2006	2005
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Properties and equipment		1,267,460	938,913
Investment properties		2,503,845	2,583,313
Land costs		500,367	426,499
Properties under development for long-term investment		227,765	234,411
Intangible assets		106,349	102,142
Investment in an associate		–	80
Investment in a jointly controlled entity		1,033,245	867,632
Available-for-sale financial asset		291,834	–
Deposits paid		554,579	–
Deferred tax assets		42,357	51,962
Other non-current asset		919,584	–
		<u>7,447,385</u>	<u>5,204,952</u>
Current assets			
Land costs		7,135,951	5,131,465
Properties under development for sale		4,146,742	4,320,803
Completed properties for sale		1,953,586	1,071,604
Due from related companies		18,531	2,285
Prepayments, deposits and other current assets		2,097,638	1,171,863
Accounts receivable	<i>11</i>	111,142	90,324
Pledged/charged bank deposits		157,317	237,068
Cash and cash equivalents		2,412,479	2,353,280
		<u>18,033,386</u>	<u>14,378,692</u>
Total assets		<u><u>25,480,771</u></u>	<u><u>19,583,644</u></u>

		As at 31st December	
		2006	2005
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>		
Capital and reserves attributable to the Company's equity holders			
Share capital		128,510	121,360
Reserves	14	7,709,155	5,342,348
		7,837,665	5,463,708
Minority interests		390,250	301,567
Total equity		8,227,915	5,765,275
LIABILITIES			
Non-current liabilities			
Land cost payable		–	522
Borrowings	12	6,076,963	4,826,851
Deferred tax liabilities		896,025	612,466
Other non-current liability		581,250	–
		7,554,238	5,439,839
Current liabilities			
Accounts payable	13	563,378	800,524
Land cost payable		1,070,928	1,000,039
Borrowings	12	1,345,042	1,837,342
Deferred revenue		4,167,431	2,837,090
Accruals and other payables		941,792	866,831
Due to an associate		5,343	5,146
Due to directors		–	13,891
Due to related companies		103,398	266,362
Due to a jointly controlled entity		1,037,287	148,117
Due to a holding company		–	18,997
Current tax liabilities		464,019	584,191
		9,698,618	8,378,530
Total liabilities		17,252,856	13,818,369
Total equity and liabilities		25,480,771	19,583,644
Net current assets		8,334,768	6,000,162
Total assets less current liabilities		15,782,153	11,205,114

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company		Minority interests	Total
	Share capital	Reserves		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1st January 2005	100,300	3,238,317	155,047	3,493,664
Currency translation differences	–	62,133	5,171	67,304
Profit/(loss) for the year	–	1,217,323	(16,142)	1,201,181
Total recognised income/(expense) for the year ended 31st December 2005	–	1,279,456	(10,971)	1,268,485
Proceeds from issue of share, net of share issue expenses				
– Placements	20,060	936,659	–	956,719
– Employee share options scheme	1,000	42,000	–	43,000
Share-based payment (Share options granted)	–	23,447	–	23,447
Capital contribution by minority interests of subsidiaries	–	–	30,700	30,700
Acquisition of a subsidiary	–	–	191,758	191,758
Dividends paid	–	(177,531)	(64,967)	(242,498)
	21,060	824,575	157,491	1,003,126
Balance at 31st December 2005	121,360	5,342,348	301,567	5,765,275

	Attributable to equity holders of the Company		Minority interests	Total
	Share capital HK\$'000	Reserves HK\$'000	HK\$'000	HK\$'000
Balance at 1st January 2006	121,360	5,342,348	301,567	5,765,275
Currency translation differences	–	214,482	11,581	226,063
Profit for the year	–	1,553,752	70,426	1,624,178
Total recognised income for the year ended 31st December 2006	–	1,768,234	82,007	1,850,241
Proceeds from issue of share, net of share issue expenses				
– Placements	6,000	973,262	–	979,262
– Employee share options scheme	1,150	51,145	–	52,295
Share-based payment (Share options granted)	–	1,620	–	1,620
Capital contribution by minority interests of subsidiaries	–	–	6,382	6,382
Acquisition of subsidiaries	–	–	4,194	4,194
Dividends paid	–	(427,454)	(3,900)	(431,354)
	7,150	598,573	6,676	612,399
Balance at 31st December 2006	128,510	7,709,155	390,250	8,227,915

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 (the “Stock Exchange”).

(2) Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRs”) under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial asset.

(3) Accounting policies

The following new standards, amendments to standards and interpretations are mandatory for financial year ended 31st December 2006.

- Amendment to HKAS 19, “Actuarial gains and losses, group plans and disclosures”, effective for annual periods beginning on or after 1st January 2006. This amendment is not relevant to the Group;

- Amendment to HKAS 39, Amendment “The fair value option”, effective for annual periods beginning on or after 1st January 2006. This amendment does not have any material impact on the Group’s financial statements;
- Amendment to HKAS 21, Amendment “Net investment in a foreign operation”, effective for annual periods beginning on or after 1st January 2006. This amendment is not relevant to the Group;
- Amendment to HKAS 39, Amendment “Cash flow hedge accounting of forecast intragroup transactions”, effective for annual periods beginning on or after 1st January 2006. This amendment is not relevant to the Group;
- Amendment to HKAS 39 and HKFRS 4, Amendment “Financial guarantee contracts”, effective for annual periods beginning on or after 1st January 2006. The Group concluded that this amendment has no significant impact on the Group;
- HKFRS 6, “Exploration for and evaluation of mineral resources”, effective for annual periods beginning on or after 1st January 2006. This standard is not relevant to the Group;
- HK(SIC)-Int 4, “Determining whether an arrangement contains a lease”, effective for annual periods beginning on or after 1st January 2006. The Group concluded that this interpretation has no significant impact on the Group;
- HK(SIC)-Int 5, “Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds”, effective for annual periods beginning on or after 1st January 2006. This interpretation is not relevant to the Group; and
- HK(SIC)-Int 6, “Liabilities arising from participating in a specific market – waste electrical and electronic equipment”, effective for annual periods beginning on or after 1st December 2005. This interpretation is not relevant to the Group.

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for 2006 and have not been early adopted:

- HK(SIC)-Int 7, “Applying the Restatement Approach under HKFRS 29”, effective for annual periods beginning on or after 1st March 2006. Management does not expect the interpretation to be relevant to the Group;
- HK(SIC)-Int 8, “Scope of HKFRS 2”, effective for annual periods beginning on or after 1st May 2006. Management is currently assessing the impact of this interpretation on the Group’s operations;
- HK(SIC)-Int 9, “Reassessment of Embedded Derivatives”, effective for annual periods beginning on or after 1st June 2006. Management believes that this interpretation should not have any significant impact on the reassessment of embedded derivatives as the Group has already assessed if embedded derivative should be separated using principles consistent with HK(SIC)-Int 9; and
- HKFRS 7, “Financial instruments: Disclosures”, effective for annual periods beginning on or after 1st January 2007. HKAS 1, “Amendments to capital disclosures”, effective for annual periods beginning on or after 1st January 2007. The Group has assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1st January 2007.

(4) Revenues and segmental information

Revenues represent turnover which comprises (1) sale of completed properties held for sale which is recognised upon completion of sale agreement, which refers to the time when the risks and rewards of the sale transactions are transferred to the buyers; (2) rental income which is recognised on a straight-line basis over the period of the relevant leases and (3) property management fees which are recognised when the services are rendered.

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

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

For the year ended 31st December 2006:

	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	3,385,271	2,174,922	665,551	699,523	34,726	–	6,959,993
Inter-segment revenues	(2,805)	(1,439)	–	(729)	(34,726)	–	(39,699)
Revenues	<u>3,382,466</u>	<u>2,173,483</u>	<u>665,551</u>	<u>698,794</u>	<u>–</u>	<u>–</u>	<u>6,920,294</u>
Operating profit/(loss)	1,302,201	598,993	298,488	122,931	(627)	69,281	2,391,267
Share of profit of an associate	(80)	–	–	–	–	–	(80)
Share of profit of and other gains relating to a jointly controlled entity	128,343	–	–	–	–	–	128,343
Finance income							26,814
Finance costs							(84,808)
Profit before taxation							<u>2,461,536</u>
Taxation							(837,358)
Profit for the year							<u><u>1,624,178</u></u>

For the year ended 31st December 2005:

	Guangdong province HK\$'000	Beijing HK\$'000	Shanghai HK\$'000	Tianjin HK\$'000	Others HK\$'000	Un- allocated HK\$'000	Group HK\$'000
Total gross segment revenues	2,902,468	2,066,455	615,733	558,429	75,192	–	6,218,277
Inter-segment revenues	(11,082)	–	–	–	(73,301)	–	(84,383)
Revenues	<u>2,891,386</u>	<u>2,066,455</u>	<u>615,733</u>	<u>558,429</u>	<u>1,891</u>	<u>–</u>	<u>6,133,894</u>
Operating profit/(loss)	680,911	648,836	421,425	(29,540)	64	(58,038)	1,663,658
Share of profit of an associate	44	–	–	–	–	–	44
Share of profit of and other gains relating to a jointly controlled entity	191,509	–	–	–	–	–	191,509
Finance income							17,382
Finance costs							(59,966)
Profit before taxation							<u>1,812,627</u>
Taxation							(611,446)
Profit for the year							<u><u>1,201,181</u></u>

For the year ended 31st December 2006:

	Guangdong province HK\$'000	Beijing HK\$'000	Shanghai HK\$'000	Tianjin HK\$'000	Others HK\$'000	Un- allocated HK\$'000	Group HK\$'000
Assets	10,898,038	5,179,197	5,003,021	2,690,951	633,962	42,357	24,447,526
Investment in an associate	-	-	-	-	-	-	-
Investment in a jointly controlled entity	1,033,245	-	-	-	-	-	1,033,245
Total assets	11,931,283	5,179,197	5,003,021	2,690,951	633,962	42,357	25,480,771
Liabilities	5,445,842	4,703,451	1,789,642	1,056,846	2,897,031	1,360,044	17,252,856
Depreciation	6,009	13,117	468	2,241	282	-	22,117
Amortisation	50,918	1,753	18,076	1,719	7,231	-	79,697
Capital expenditure	51,053	6,321	1,038	330,167	726	-	389,305

For the year ended 31st December 2005:

	Guangdong province HK\$'000	Beijing HK\$'000	Shanghai HK\$'000	Tianjin HK\$'000	Others HK\$'000	Un- allocated HK\$'000	Group HK\$'000
Assets	9,449,135	4,413,130	2,419,199	1,948,052	434,454	51,962	18,715,932
Investment in an associate	80	-	-	-	-	-	80
Investment in a jointly controlled entity	867,632	-	-	-	-	-	867,632
Total assets	10,316,847	4,413,130	2,419,199	1,948,052	434,454	51,962	19,583,644
Liabilities	5,228,752	1,991,303	1,424,468	880,714	3,096,475	1,196,657	13,818,369
Depreciation	7,152	6,328	570	2,060	174	-	16,284
Amortisation	41,616	1,392	15,686	586	1,755	-	61,035
Capital expenditure	169,921	62,878	144	199,786	508	-	433,237

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

	For the year ended 31st December	
	2006 HK\$'000	2005 HK\$'000
Revenues		
Property development	6,692,714	5,990,942
Property investment	54,243	46,983
Property management	173,337	95,969
	6,920,294	6,133,894
Total assets		
Property development	21,144,340	15,448,405
Property investment	3,139,431	3,139,363
Property management	121,398	76,202
Unallocated	42,357	51,962
	24,447,526	18,715,932
Investment in an associate	–	80
Investment in a jointly controlled entity	1,033,245	867,632
	25,480,771	19,583,644
Capital expenditure		
Property development	343,490	267,819
Property investment	43,835	164,230
Property management	1,980	1,188
	389,305	433,237
Analysis of revenues by category:		
Sales of properties	6,601,678	5,953,608
Rental income from investment properties	54,243	46,983
Property management fees	173,337	95,969
Others	91,036	37,334
	6,920,294	6,133,894

(5) Other gains

	For the year ended 31st December	
	2006 HK\$'000	2005 HK\$'000
Excess of acquirer's interest over cost of acquisition	199,803	191,688
Fair value gains on investment properties	261,414	14,232
Government grants	44,314	56,074
	505,531	261,994

(6) **Expenses by nature**

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

	For the year ended 31st December	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Advertising costs	159,280	175,130
Amortisation of land costs	9,177	15,721
Auditor's remuneration	3,450	2,350
Depreciation of properties and equipment	22,117	16,284
Direct operating expenses arising from investment properties that		
– generate rental income	1,699	1,342
– did not generate rental income	3,491	3,121
Employees' benefits costs (including Directors' emoluments)	240,390	187,528
Loss on sale of properties and equipment	18,681	7,047
Net exchange (gain)/loss (included in general and administrative expenses)	(111,373)	8,483
Operating lease rental in respect of premises	12,467	9,296

(7) **Finance costs**

	For the year ended 31st December	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest expense:		
– on bank loans wholly repayable within five years	261,991	231,670
– on senior notes not wholly repayable within five years	220,537	31,247
Total borrowing costs incurred	482,528	262,917
Less: Amount capitalised as part of the cost of properties under development	(397,720)	(202,951)
	84,808	59,966

The average interest rate of borrowing costs capitalised for the year ended 31st December 2006 was approximately 6.9% (2005: 5.9%) per annum.

(8) **Taxation**

Taxation consists of:

	For the year ended 31st December	
	2006	2005
	HK\$'000	HK\$'000
Current tax		
Hong Kong profits tax	(7,282)	17,426
Mainland China enterprise income tax	513,269	484,998
Mainland China land appreciation tax	98,093	36,518
	<u>604,080</u>	<u>538,942</u>
Transfer to/(from) deferred tax		
Hong Kong profits tax	7,650	(7,650)
Mainland China enterprise income tax	20,354	(78,117)
Mainland China land appreciation tax	205,274	158,271
	<u>233,278</u>	<u>72,504</u>
	<u>837,358</u>	<u>611,446</u>

Share of jointly controlled entity's taxation for the year ended 31st December 2006 of approximately HK\$150,926,000 (2005: HK\$78,866,000) is included in the income statement as share of profits of and other gains relating to a jointly controlled entity.

(9) **Earnings per share**

Basic

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

	For the year ended 31st December	
	2006	2005
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	<u>1,553,752</u>	<u>1,217,323</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,228,297</u>	<u>1,075,707</u>
Basic earnings per share (HK\$ per share)	<u>1.27</u>	<u>1.13</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 5,036,000 share options outstanding during the year ended 31st December 2006 which are dilutive potential ordinary shares. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	For the year ended 31st December	
	2006	2005
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	1,553,752	1,217,323
Weighted average number of ordinary shares in issue ('000)	1,228,297	1,075,707
Adjustments for share options ('000)	2,896	1,971
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,231,193	1,077,678
Diluted earnings per share (HK\$ per share)	1.26	1.13

(10) Dividends

	For the year ended 31st December	
	2006	2005
	HK\$'000	HK\$'000
Interim dividend paid of HK\$0.108 (2005: HK\$0.0975) per ordinary share	132,311	117,351
Proposed final dividend of HK\$0.271 (2005: HK\$0.242) per ordinary share	348,669	295,143
	480,980	412,494

The proposed final dividends have to be approved by shareholders at annual general meeting subsequent to year end. The financial statements as at 31st December 2006 have not reflected such dividend payable.

(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 31st December	
	2006	2005
	HK\$'000	HK\$'000
0 to 3 months	39,059	35,697
3 to 6 months	7,840	1,433
6 to 9 months	3,780	448
9 to 12 months	850	25,368
Over 12 months	59,613	27,378
	111,142	90,324

(12) Borrowings

	As at 31st December	
	2006 HK\$'000	2005 HK\$'000
Non-current		
Bank borrowings	3,425,413	2,165,949
Senior notes	2,651,550	2,660,902
	<u>6,076,963</u>	<u>4,826,851</u>
Current		
Bank borrowings	<u>1,345,042</u>	<u>1,837,342</u>
Total borrowings	<u>7,422,005</u>	<u>6,664,193</u>

In November 2005, the Company issued 8.125% senior notes with an aggregated 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.

(13) Accounts payable

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

	As at 31st December	
	2006 HK\$'000	2005 HK\$'000
0 to 3 months	<u>563,378</u>	<u>800,524</u>

As at 31st December 2006, approximately HK\$344,617,000 (2005: HK\$449,404,000) of accounts payable was due to subsidiaries of minority shareholders of certain subsidiaries of the Company in respect of property construction fees.

(14) Reserves*For the year ended 31st December 2006*

	Share premium <i>HK\$'000</i>	Statutory reserves <i>HK\$'000</i>	Currency translation differences <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1st January 2006	1,622,021	154,014	66,092	3,500,221	5,342,348
Transfer to reserves	–	7,103	–	(7,103)	–
Currency translation differences	–	–	214,482	–	214,482
Profit for the year	–	–	–	1,553,752	1,553,752
Dividend relating to 2005	–	–	–	(295,143)	(295,143)
Dividend relating to 2006	–	–	–	(132,311)	(132,311)
Employee share options scheme					
– value of services provided	1,620	–	–	–	1,620
Issue of shares					
– placements	990,000	–	–	–	990,000
– employee share options scheme	51,150	–	–	–	51,150
Share issue expenses	(16,743)	–	–	–	(16,743)
Balance at 31st December 2006	<u>2,648,048</u>	<u>161,117</u>	<u>280,574</u>	<u>4,619,416</u>	<u>7,709,155</u>
Representing:					
2006 Final dividend proposed				348,669	
Others				4,270,747	
				<u>4,619,416</u>	
Analysed by:					
Company and subsidiaries				4,165,523	
Jointly controlled entity				455,781	
Associate				(1,888)	
				<u>4,619,416</u>	

For the year ended 31st December 2005

	Share premium <i>HK\$'000</i>	Statutory reserves <i>HK\$'000</i>	Currency translation differences <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1st January 2005	619,915	133,378	3,959	2,481,065	3,238,317
Transfer to reserves	–	20,636	–	(20,636)	–
Currency translation differences	–	–	62,133	–	62,133
Profit for the year	–	–	–	1,217,323	1,217,323
Dividend relating to 2004	–	–	–	(60,180)	(60,180)
Dividend relating to 2005	–	–	–	(117,351)	(117,351)
Employee share options scheme					
– value of services provided	23,447	–	–	–	23,447
Issue of shares					
– placements	957,865	–	–	–	957,865
– employee share option scheme	42,000	–	–	–	42,000
Share issue expenses	(21,206)	–	–	–	(21,206)
	<u>1,622,021</u>	<u>154,014</u>	<u>66,092</u>	<u>3,500,221</u>	<u>5,342,348</u>
Balance at 31st December 2005					
Representing:					
2005 Final dividend proposed				295,143	
Others				3,205,078	
				<u>3,500,221</u>	
Analysed by:					
Company and subsidiaries				3,174,591	
Jointly controlled entity				327,438	
Associate				(1,808)	
				<u>3,500,221</u>	

DIVIDEND

The Board has recommended a final dividend of HK27.1 cents (2005: HK24.2 cents) per share. This, together with the interim dividend of HK10.8 cents (2005: HK9.75 cents) per share, will give a total dividends of HK37.9 cents (2005: HK33.95 cents) per share for the year ended 31st December 2006.

The final dividend will be paid on Friday, 29th June 2007 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 15th June 2007 subject to the approval of shareholders at the annual general meeting to be held on Friday, 15th June 2007.

FINANCIAL REVIEW

Turnover

In 2006, the Company continued to achieve good financial performance. Turnover saw steady progress and increased by 13% from HK\$6,134 million in 2005 to HK\$6,920 million. This was mainly attributable to increases in selling prices and sales volume of properties delivered.

The overall unit-selling price in respect of properties delivered to buyers this year was up by 17% to RMB7,033 per square meter (2005: RMB6,028 per square meter) due primarily to the strong demand from buyers and growth in the PRC property market. Among different regions, unit-selling prices varied. Guangdong recorded a spectacular increase of 24% following the delivery of some top-end development projects, such as Regal Villa and Yunshan Xijing. The fine living environments and the gradually completed ancillary facilities helped to enhance the marketability of the grand scale project in Tianjin, and as a result its unit-selling price jumped 22%, while Beijing recorded an increase of 13%. However, our average selling price in Shanghai declined by 1%.

The high turnover was nonetheless exclusive of the Group's 69.5% share of turnover of HK\$872 million in the Regal Riviera operated by a jointly controlled entity.

Cost of Sales

In line with the substantial increase in turnover, the cost of sales was up by 8% to HK\$4,509 million (2005: HK\$4,189 million) but, as a percentage of revenue, dropped 3% to 65% (2005: 68%) due primarily to more sales with higher margin.

Gross Profit

Gross profit margin increased from 32% in 2005 to 35% in 2006. The increase was mainly due to the general rise in selling prices and the increase in the economies of scale. However, the rise in construction costs caused by the maintenance of quality improvements in new projects coupled with the disposal at competitive prices of certain investment properties whose carrying values higher than costs held back the gross margin which would otherwise have recorded a higher growth.

Other gains

Included in other gains are (1) a sum of HK\$200 million from the recognition of the excess of the interests acquired by the Group at fair value over the costs of acquisition paid for five land sites located in Shanghai and Guangzhou, (2) a surplus of HK\$261 million from revaluation of investment properties, and (3) tax grants totalling HK\$44 million from government authorities in the mainland.

Operating Costs

The net operating costs relating to expenses for selling, marketing, general and administration amounted to HK\$525 million, a decrease of 3% from 2005 of HK\$543 million. The decrease was made possible by a substantial exchange gain of HK\$111 million recorded in 2006 due to the strengthening of Renminbi. Excluding the exchange gain, there was a general increase in the operating expenses. The increase mainly attributable to (1) greater amounts expended on promotional activities and staff costs for new projects; (2) donations made to public welfare organizations in the PRC, and (3) payments of urban real estate tax for the first time in Beijing.

Finance Costs

Gross interest expenses before capitalization increased to HK\$483 million (2005: HK\$263 million), up HK\$220 million or 84%. The increase was primarily due to the additional bank borrowings made in 2006 and the issue of Guaranteed Senior Notes of US\$350 million in November 2005. The effective interest rate in respect of the Group's borrowings was approximately 7.0% per annum (2005: 6.8%). All borrowings were used to finance development of existing projects and investment in new projects.

Operating Profit

Operating profit in 2006 increased by 44% from 2005 to HK\$2,391 million (2005: HK\$1,664 million), up HK\$727 million.

Share of profit of and other gain relating to a jointly controlled entity

The Group recorded a share of profit from a jointly controlled entity which amounted to HK\$128 million for 2006 (2005: HK\$192 million which included a gain of HK\$115 million derived from the excess of the minority interest acquired at fair value over cost). The drop was mainly attributable to the absence of a similar fair value gain recorded in 2006.

Profit attributable to equity holders of the Company

Profit attributable to equity holders was HK\$1,554 million for 2006 (2005: HK\$1,217 million), up HK\$337 million or 28%. Fully diluted earning per share rose by 12% to HK\$1.26. Excluding the effect of the gain representing the difference of fair value of the interests acquired over purchase costs amounting to HK\$200 million and the gain from investment property revaluation of HK\$261 million, underlying profit was HK\$1,093 million, up HK\$196 million or 22 % as compared with the previous year. The increase was mainly attributable to the growth of the property development business and the higher profit margin.

Segmental information

Property development remains the Group's core business activity (97%). The geographical spread of financial performance among different regions this year was similar to that of 2005. Guangdong continued its leading position as top revenue contributor within the Group (49%), followed by Beijing (31%), Shanghai (10%) and Tianjin (10%).

Financial Position

As at 31st December 2006, total assets of the Group amounted to HK\$25,481 million and its total liabilities (excluding minority interests) amounted to HK\$17,253 million, representing an increase of HK\$5,897 million and HK\$3,434 million respectively on the previous year. The increase in total assets was mainly attributable to the increase in (1) investments in new land sites located in Guangdong Province and Shanghai; (2) prepayments of land and acquisition costs for land sites located in Guangzhou, Beijing, Shanghai, and Tianjin, and (3) amounts expended on construction work-in-progress of new development projects. Aligned with this, total liabilities also increased, primarily due to (1) additional bank borrowings obtained to finance development projects and (2) a significantly large amount of deferred revenue booked.

Current ratio increased from 1.72 at last year end to 1.86 this year. Equity increased to HK\$8,228 million at 31st December 2006 from HK\$5,765 million at 31st December 2005, due mainly to (1) the contribution from the current year's profit attributable to shareholders; and (2) the issuance of new shares.

Liability and borrowings

As at 31st December 2006, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding minority interests) was 68% (2005: 71%). The net debt-to-equity ratio (i.e. total debt less cash and bank deposits over shareholders' equity) was 73% (2005: 79%).

As at 31st December 2006, the Group has cash and short-term bank deposits amounting to HK\$2,570 million (2005: HK\$2,590 million) of which approximately HK\$131 million (2005: HK\$166 million) were charged to certain banks against mortgage facilities granted by the banks to the buyers of the Group's properties. 76.7% of the cash and bank deposits was denominated in Renminbi, 19.4% in Hong Kong dollars and 3.9% in United States Dollars.

Total borrowings from banks amounted to HK\$4,770 million (2005: HK\$4,003 million) representing an increase of 19.2% or HK\$767 million over the previous year. Gearing, measured by total bank borrowings and Guaranteed Senior Notes less cash and bank deposits as a percentage of equity, decreased to 59% from last year's 71%. The improvement in gearing ratio was mainly attributable to the cash flow from operation and the issuance of new shares in November 2006.

All of the bank borrowings were either secured or covered by guarantees and were substantially denominated in Renminbi with fixed interest rates whereas the Guaranteed Senior Notes were jointly and severally guaranteed by certain subsidiaries and denominated in United States Dollars with fixed interest rate, representing approximately 56% and 31%, 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 31st December 2006 was as follows:

(HK\$'million)	As at 31st December 2006					As at 31st December 2005				
	Bank borrowings	Guaranteed Senior Notes	Other borrowings	Total		Bank borrowings	Guaranteed Senior Notes	Other borrowings	Total	
Bank borrowings										
- within 1 year	1,345	-	1,146	2,491	29%	1,837	-	452	2,289	32%
- between 1 and 2 years	2,232	-	-	2,232	26%	1,450	-	-	1,450	20%
- between 2 and 5 years	1,193	-	-	1,193	14%	716	-	-	716	10%
- over 5 years	-	2,652	-	2,652	31%	-	2,661	-	2,661	38%
Total borrowings	4,770	2,652	1,146	8,568		4,003	2,661	452	7,116	
Less: Bank deposits and cash				(2,570)					(2,590)	
Net bank borrowings				5,998					4,526	

Contingent liabilities

(a) As at 31st December 2006, the Group provided guarantees to banks for mortgage facilities granted to buyers of the Group's properties which amounted to HK\$5,297 million (2005: HK\$4,024 million).

- (b) Nambour Properties Limited (“Nambour”) and the project company of the Gallopade Park project (the “Gallopade Project Company”), each of which is a wholly-owned subsidiary of the Company, together with Guangdong Zhujiang Investment Company Limited (“Zhujiang Investment”), an affiliate of the Group, and another individual (the “Individual Defendant”), have been sued by Guangzhou Municipality Tianhe Technology Park Development Company Limited (“Tianhe Development”) in connection with the sale of the site of the Gallopade Park project in Guangzhou (the “Gallopade Site”) by the joint venture company (the “JV”) established by Zhujiang Investment and Tianhe Development to the Gallopade Project Company. The Group holds 100% of the equity in the Gallopade Project Company through Nambour. Tianhe Development has alleged that (i) Zhujiang Investment prejudiced its rights as a minority shareholder of the JV by procuring the JV to sell the Gallopade Site to the Gallopade Project Company without its consent and (ii) Nambour is jointly liable for its economic loss by accepting the sale. Tianhe Development claims damages for the value of the Gallopade Site and approximately RMB32 million in respect of the amount that was paid by Tianhe Development for the acquisition of the Gallopade Site, as well as a reinstatement of its rights under the JV’s shareholders’ agreement. The Group believes that (i) the allegation by Tianhe Development in respect of the disposal is invalid as the JV has received monetary compensation for the disposal and an earn-out entitlement from the Gallopade Project Company, (ii) Tianhe Development does not have sufficient evidence to establish Nambour’s liabilities in the shareholders’ dispute between Zhujiang Investment and Tianhe Development, and (iii) Tianhe Development does not have a sufficient basis to claim the amount of damages claimed by it. In November 2006, the trial court of the Guangdong Provincial Court ordered (i) Nambour, Zhujiang Investment and the Individual Defendant to jointly and severally pay to the JV approximately RMB144 million plus interest, (ii) Zhujiang Investment to pay to the JV approximately RMB308 million plus interest, (iii) the Gallopade Project Company to pay to the JV approximately RMB4 million plus interest, and (iv) that all other claims of Tianhe Development be rejected. The defendants are in process of appealing the court’s decision. Based on the advice of the Group’s legal advisors, the Directors will vigorously defend the case and therefore no provision has been made in the 2006 financial statements.

Treasury policies

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

- (a) On 19th January 2007, the Company granted 7,964,000 share options with an exercise price of HK\$20.75 to a director.

- (b) On 2nd February 2007, the Company completed the issue of RMB1,830.4 million aggregate principal amount of USD settled Zero Coupon Convertible Bonds due 2010 with the right to convert into ordinary shares of the Company.
- (c) On 1st March 2007, the Group completed the acquisition of the 100% equity interest in Tianjin Babo Real Estate Development Limited for a consideration of approximately HK\$215 million (equivalent to RMB215 million) which owned the land use right of a site located in Nan Kai District, Tianjin with a GFA of approximately 90,000 square metres.

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. 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 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 2006, the Group, excluding its associate and jointly controlled entity, employed a total of 5,083 (as at 31st December 2005: 4,078) staff, the great majority of which were employed in mainland China. Employees' costs (including Directors' emoluments) amounted to HK\$240 million (2005: HK\$188 million) for the year ended 31st December 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct regarding Directors' securities transactions during the year under review. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31st December 2006.

CORPORATE GOVERNANCE

Throughout the year ended 31st December 2006, 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 as described below.

Code 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 are not appointed for a specific term except for Mr. Steven Shafran who is appointed for a term of three years subject to re-election. All the independent non-executive Directors are not appointed for specific term. 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 should attend annual general meetings. The Chairman of the Board did not attend the annual general meeting for the year 2006 due to other business commitment.

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 2006.

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 financial statements for the year ended 31st December 2006 with the Directors.

REVIEW OF THE PRELIMINARY ANNOUNCEMENT BY AUDITORS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31st December 2006 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

REMUNERATION COMMITTEE

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 12th June 2007 to Friday, 15th June 2007, during which period no transfer of shares will be registered. In order to qualify for the proposed final 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, 11th June 2007.

ANNUAL REPORT

The 2006 annual 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 year under review the amount of public float as required under the Listing Rules.

DIRECTORS

As at the date of this announcement, the Board is composed of seven executive Directors, namely Mr. Chu Mang Yee (Chairman), Mr. Wu Jiesi (Chief Executive Officer), Mr. Xiang Bin, Mr. Au Wai Kin, Mr. Chen Chang Ying, Mr. Tam Lai Ling and Ms. Xiao Yan Xia, one non-executive Director, namely Mr. Steven Shafran 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, 17th April 2007

* *for identification purpose only*