THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Hopson Development Holdings Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

HOPSON DEVELOPMENT HOLDINGS LIMITED

合生創展集團有限公司*

(Stock Code: 754)

(Incorporated in Bermuda with limited liability)

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

MAJOR AND CONNECTED TRANSACTIONS

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

CAPITAL

CSC Asia Limited

A letter from the Chairman of Hopson Development Holdings Limited is set out on pages 4 to 17 of this circular. A letter from the independent board committee of Hopson Development Holdings Limited is set out on page 18 of this circular. A letter from CSC Asia Limited containing its advice to the independent board committee and the independent shareholders of Hopson Development Holdings Limited is set out on pages 19 to 28 of this circular.

30th June, 2004

* *for identification purposes only*

CONTENTS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

"Announcement"	the announcement of the Company in respect of the Zhujiang Transaction and the Qiaodao Transaction published on 24th June, 2004
"Associates"	the meaning given to that term in the Listing Rules
"Circular"	this circular
"Company"	Hopson Development Holdings Limited
"CSC Asia"	CSC Asia Limited, a licensed corporation for type 6 (advising on corporate finance) of the regulated activities under the SFO, which has been appointed as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders in relation to the Zhujiang Transaction and the Qiaodao Transaction
"Directors"	the directors of the Company
"DTZ"	DTZ Debenhem Tie Leung, an independent valuer
"Enlarged Group"	the Group and Qiaodao
"GAAP"	Generally Accepted Accounting Principles
"GD Zhujiang"	Guangdong Zhujiang Investment Company, a company established in the PRC
"Golden Bridge"	Guangdong Golden Bridge Certified Public Accountants Co., Ltd., an independent assets appraisal firm in the PRC
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HKSSAP"	Hong Kong Statement of Standard Accounting Practices
"Independent Board Committee"	an independent committee of the Board comprising Messrs. Yuen Pak Yiu, Philip, Lee Tsung Hei, David and Wong Shing Kay, Oliver, who do not have any interest in either the Zhujiang Transaction or the Qiaodao Transaction, established to review and consider the Zhujiang Transaction and the Qiaodao Transaction
"Independent Shareholders" or "Shareholders"	shareholders of the Company

"JV Companies"	(i) Guangdong Huajingxincheng Real Estate Limited (廣東華景新城房地產有限公司), (ii) Guangdong Hopson Yuehua Real Estate Limited (廣東合生越華房地產有限公司), (iii) Guangdong Hopson Lejing Real Estate Limited (廣東合生樂景房地產有限公司), (iv) Guangdong New Tai An Real Estate Limited (廣東新泰安房地產有限公司), (v) Guangzhou Hopson Yijing Real Estate Limited (廣州合生逸景房地產有限公司), (vi) Guangdong Huanan New City Real Estate Limited (廣東華南新城房地產有限公司), (vii) Beijing Hopson Lu Zhou Real Estate Development Limited (北京合生綠洲房地產開發有限公司), (viii) Beijing Hopson Beifang Real Estate Development Limited (北京合生北方房地產開發有限公司) and (ix) Beijing Hopson YuJing Real Estate Development Limited (北京合生愉景房地產開發有限公司), each of which is a sino-foreign co-operative joint venture established in the PRC
"Latest Practicable Date"	22nd June, 2004, being the latest practicable date prior to the printing of the Circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Qiaodao"	廣州珠江僑都房地產有限公司 (Guangzhou Zhujiang Qiaodao Real Estate Limited), a sino-foreign co-operative joint venture established in the PRC
"Qiaodao Agreement"	the conditional agreement dated 23rd June, 2004 entered into between the Group and each of GD Zhujiang and Shanlian
"Qiaodao Consideration"	the aggregate consideration payable by the Group to GD Zhujiang and Shanlian of approximately RMB496,900,000 (equivalent to approximately HK$468,775,000) in respect of the Qiaodao Transaction, being the aggregate of the Qiaodao Zhujiang Consideration and the Qiaodao Shanlian Consideration in accordance with the Qiaodao Agreement
"Qiaodao Shanlian Consideration"	the consideration payable by the Group to Shanlian which amounts to approximately RMB135,000,000 (equivalent to approximately HK$127,360,000) in accordance with the Qiaodao Agreement
"Qiaodao Transaction"	the transaction under the Qiaodao Agreement

"Qiaodao Zhujiang Consideration"	the consideration payable by the Group to GD Zhujiang which amounts to approximately RMB361,900,000 (equivalent to approximately HK$341,415,000) in accordance with the Qiaodao Agreement
"Relevant Periods"	the three years ended 31st December, 2003
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Shanlian"	廣州三聯華僑房產有限公司(Guangzhou Shanlian Hua Qiao Real Estate Limited), a company established in the PRC and a connected person of the Company as defined in the Listing Rules
"Shares"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Sounda"	Sounda Properties Limited, a company incorporated in the British Virgin Islands
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Valuation Report"	the valuation report prepared by DTZ dated 30th June, 2004
"Zhujiang Agreement"	the conditional agreement dated 23rd June, 2004 entered into between the Group and GD Zhujiang for the acquisition of Zhujiang Group's interests in the JV Companies
"Zhujiang Consideration"	the total consideration payable by the Group to Zhujiang Group of approximately RMB351,124,000 (equivalent to approximately HK$331,254,000) in respect of the Zhujiang Transaction in accordance with the Zhujiang Agreement
"Zhujiang Group"	GD Zhujiang and its subsidiaries
"Zhujiang Transaction"	the transaction under the Zhujiang Agreement
"HK$"	Hong Kong dollars
"RMB"	Renminbi, the lawful currency of the PRC
"sq.m."	square metre(s)

For illustrative purposes of the Circular, RMB1.06 = HK$1.00

HOPSON DEVELOPMENT HOLDINGS LIMITED
合 生 創 展 集 團 有 限 公 司*

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(Incorporated in Bermuda with limited liability)
website:http://www.irasia.com/listco/hk/hopson

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XIANG Bin *(Deputy Chairman)*
AU Wai Kin
CHEN Chang Ying
XIAO Yan Xia

Independent Non-executive Directors:
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LEE Tsung Hei, David
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30th June, 2004

To the Shareholders

Dear Sir and Madam,

MAJOR AND CONNECTED TRANSACTIONS

A. INTRODUCTION

It was announced on 23rd June, 2004 that the Group entered into (i) the (conditional) Zhujiang Agreement with GD Zhujiang for the acquisition of Zhujiang Group's interests in the JV Companies and (ii) the (conditional) Qiaodao Agreement with each of GD Zhujiang and Shanlian for the acquisition of the respective interests of GD Zhujiang and Shanlian in Qiaodao.

B. ZHUJIANG TRANSACTION

1. Background

On 23rd June, 2004, the Group entered into the Zhujiang Agreement for the acquisition of Zhujiang Group's respective interests in the JV Companies.

* *for identification purposes only*

The Group and Zhujiang Group had established the JV Companies in the PRC. Details of the date of establishment of each of the JV Companies, existing ratio of equity interests held by the Group and Zhujiang Group in each of the JV Companies, the percentage of equity interests in each of the JV Companies to be acquired by the Group and the relevant consideration payable by the Group pursuant to the Zhujiang Agreement are set out below:–

Name of the JV Companies	Date of Establishment	Existing percentage of equity interests held by the Group	Existing percentage of equity interests held by Zhujiang Group	Percentage of equity interest to be acquired by the Group from Zhujiang Group	Consideration *(approximately RMB million)*
1. Guangdong Huajingxincheng Real Estate Limited (廣東華景新城房地產有限公司) ("JV Company 1")	4/6/1996	90%	10%	10%	36.8
2. Guangdong Hopson Yuehua Real Estate Limited (廣東合生越華房地產有限公司) ("JV Company 2")	1/8/1997	90%	10%	10%	Nil
3. Guangdong Hopson Lejing Real Estate Limited (廣東合生樂景房地產有限公司) ("JV Company 3")	1/8/1997	74.5%	25.5%	25.5%	35.4
4. Guangdong New Tai An Real Estate Limited (廣東新泰安房地產有限公司) ("JV Company 4")	4/1/2000	52%	48%	48%	3
5. Guangzhou Hopson Yijing Real Estate Limited (廣州合生逸景房地產有限公司) ("JV Company 5")	27/2/2001	65%	35%	34.5%	36.3

Name of the JV Companies	Date of Establishment	Existing percentage of equity interests held by the Group	Existing percentage of equity interests held by Zhujiang Group	Percentage of equity interest to be acquired by the Group from Zhujiang Group	Consideration *(approximately RMB million)*
6. Guangdong Huanan New City Real Estate Limited (廣東華南新城房地產有限公司) ("JV Company 6")	9/6/2000	60%	40%	39%	113.6
7. Beijing Hopson Lu Zhou Real Estate Development Limited (北京合生綠洲房地產開發有限公司) ("JV Company 7")	6/2/2002	70%	30%	30%	62.3
8. Beijing Hopson Beifang Real Estate Development Limited (北京合生北方房地產開發有限公司) ("JV Company 8")	25/6/2002	70%	30%	30%	32.0
9. Beijing Hopson YuJing Real Estate Development Limited (北京合生愉景房地產開發有限公司) ("JV Company 9")	25/6/2002	70%	30%	30%	31.7

JV Company 1 is engaged in the development and construction of commodity (commercial and residential) properties called Huajing New City on a site located in 105 Zhongshan Avenue, Tianhe District, Guangzhou, the PRC.

JV Company 2 is engaged in the development and construction of commodity (commercial and residential) properties called Zhujiang International Building on a site located in Yuehua Road, Yuexiau District, the PRC.

JV Company 3, 4 and 5, together with two other joint venture companies, are jointly engaged in the development and construction of commodity (commercial and residential) properties called Pleasant View Garden on a site located in west side of Guangzhou Avenue, Haizhu District, Guangzhou, the PRC.

JV Company 6 is engaged in the development and construction of commodity (commercial and residential) properties called Huanan New City on a site located in Panyu District, Guangzhou, the PRC.

JV Company 7 is engaged in the development and construction of commodity (commercial and residential) properties called Beijing Fresh Life Garden on a site located in Bangzijing Village of the Sanjianfang Town in the Chaoyang District, Beijing, the PRC.

JV Company 8 is engaged in the development and construction of commodity (commercial and residential) properties called Beijing Regal Court on a site located in Xidawang Road in the Chaoyang District, Beijing, the PRC.

JV Company 9 is engaged in the development and construction of commodity (commercial and residential) properties called Beijing Citta Eterna on a site located in Qingnian Road in the Chaoyang District, Beijing, the PRC.

2. Condition

The Zhujiang Agreement is conditional upon the approval of the Shareholders (excluding those Shareholders prohibited by the Listing Rules from voting on the resolution) voting at a special general meeting convened to approve the Zhujiang Agreement on the terms specified therein, or a waiver being granted by the Stock Exchange from the requirement under the Listing Rules for the Company to hold a general meeting to seek Shareholders' approval in respect of the Zhujiang Agreement, by no later than 30th September, 2004 (or such later date as the parties shall agree) ("Condition 1").

Pursuant to Rules 14.44 and 14A.43 of the Listing Rules, a written independent shareholders approval may be accepted in lieu of holding a general meeting on the basis that no Shareholder is required to abstain from voting if the Company was to convene a general meeting for the approval of the Zhujiang Transaction and written approval from the Independent Shareholder holding more than 50 per cent. of the issued share capital of the Company will be obtained.

3. Principal terms of the Zhujiang Agreement

Date:	23rd June, 2004
Parties:	(i) the Group; and (ii) GD Zhujiang
Interest Acquired:	The Group agrees to purchase and GD Zhujiang agrees to sell Zhujiang Group's entire equity interests in the JV Companies, except for JV Company 5 and JV Company 6 in which Zhujiang Group will remain interested in 0.5 per cent. and one per cent. thereof respectively.

Rights and Obligations:	The Group will assume Zhujiang Group's rights and obligations under the relevant existing joint venture terms of each of the JV Companies and be entitled to share the profits and be responsible for the loss arising from or in connection with each of the JV Companies except for JV Company 6 in which Zhujiang Group will remain entitled to share 1 per cent. of the profits and be responsible for 1 per cent. of the loss of JV Company 6.
Board:	The existing directors nominated by Zhujiang Group to the board of directors of each of the JV Companies (save for each of JV Company 5 and JV Company 6 in which one director nominated by Zhujiang Group will remain on the board) will resign from directorship within 15 days upon fulfillment of Condition 1. The Group will appoint new directors to the board of directors of each of the JV Companies.
Zhujiang Consideration:	The total consideration payable by the Group to Zhujiang Group will be approximately RMB351,124,000 (equivalent to approximately HK$331,254,000), being the aggregate of the considerations as set out in the sub-paragraph headed "Background" under the paragraph headed "Zhujiang Transaction".

As a result of the acquisition of the said equity interests, the percentage of equity interests to be held by the Group in each of the JV Companies will be as follow:–

Name of the JV Companies	Percentage of equity interests to be held by the Group
1. Guangdong Huajingxincheng Real Estate Limited (廣東華景新城房地產有限公司)	100%
2. Guangdong Hopson Yuehua Real Estate Limited (廣東合生越華房地產有限公司)	100%
3. Guangdong Hopson Lejing Real Estate Limited (廣東合生樂景房地產有限公司)	100%
4. Guangdong New Tai An Real Estate Limited (廣東新泰安房地產有限公司)	100%
5. Guangzhou Hopson Yijing Real Estate Limited (廣州合生逸景房地產有限公司)	99.5% *Note 1*
6. Guangdong Huanan New City Real Estate Limited (廣東華南新城房地產有限公司)	99% *Note 2*

Name of the JV Companies	Percentage of equity interests to be held by the Group
7. Beijing Hopson Lu Zhou Real Estate Development Limited (北京合生綠洲房地產開發有限公司)	100%
8. Beijing Hopson Beifang Real Estate Development Limited (北京合生北方房地產開發有限公司)	100%
9. Beijing Hopson YuJing Real Estate Development Limited (北京合生愉景房地產開發有限公司)	100%

Notes:

1. The remaining 0.5 per cent. equity interest is held by Zhujiang Group.

2. The remaining 1 per cent. equity interest is held by Zhujiang Group.

4. Zhujiang Consideration

The Zhujiang Consideration was determined on an arm's length basis between the parties and with reference to (i) the amount of capital contributed to each of the JV Companies by Zhujiang Group, amounting to approximately RMB235,000,000 (equivalent to approximately HK$221,700,000) in aggregate, and (ii) a premium determined mainly with reference to the amount of accumulated profits that Zhujiang Group is entitled to in the respective JV Companies from their date of incorporation and up to 31st December, 2003 which represents approximately a return of 10 per cent. per annum on the amount of capital contributed by Zhujiang Group over an average investment period of four years. As Zhujiang Group has not made any capital contribution to JV Company 2 and JV Company 2 has not generated any profits, the consideration payable by the Group for the acquisition of Zhujiang Group's interest in JV Company 2 is nil. The aggregate audited net assets value of the JV Companies was approximately HK$1,464,300,000 as at 31st December, 2003. Zhujiang Group's share of net assets value to be acquired by the Group as recorded in the audited accounts of the JV Companies amounted to approximately HK$372,020,000 in aggregate as at 31st December, 2003. With reference to the valuation on the properties of the JV Companies prepared on the open market value basis by direct comparative approach taken into account the construction costs expended as at 31st December, 2003 as assessed by DTZ, the fair market value of Zhujiang Group's interests in the JV Companies to be acquired by the Group as at 31st December, 2003, net of the deferred tax effect on the fair value adjustment thereon, was approximately HK$487,829,000. Accordingly, the Zhujiang Consideration, amounting to approximately RMB351,124,000 (equivalent to approximately HK$331,254,000), represents an approximately 32 per cent. discount to the market value of Zhujiang Group's interests to be acquired by the Group in the JV Companies as at 31st December, 2003 as assessed by DTZ, namely approximately HK$487,829,000.

15 per cent. of the Zhujiang Consideration, amounting to approximately RMB52,669,000 (equivalent to approximately HK$49,688,000) will be payable by the Group within 15 days upon the signing between the parties of the individual share transfer agreement in respect of the acquisitions of each of the JV Companies and the relevant amendments to the existing joint venture terms of each of the JV Companies. The remaining balance of the Zhujiang Consideration will be payable by the Group within 12 months after completion of the necessary registration and filing procedures in the PRC and the relevant approvals have been obtained in respect of the acquisitions of each of the JV Companies in the following manner: 7 per cent. of the Zhujiang Consideration, amounting to approximately RMB24,578,000 (equivalent to approximately HK$23,188,000) will be payable for each of the first eleven consecutive months and 8 per cent. of the Zhujiang Consideration, amounting approximately to RMB28,089,000 (equivalent to approximately HK$26,499,000) will be payable for the twelveth month. The payment of the Zhujiang Consideration will be funded by internal resources of the Group and bank loans. It is estimated by the Group that approximately 40 per cent. of the Zhujiang Consideration will be funded by internal resources of the Group and the remaining by bank loans.

5. Reasons for Zhujiang Transaction

The Group is principally engaged in property development and property investment in various cities in the PRC including Guangzhou, Beijing, Shanghai and Tianjin.

GD Zhujiang, being a substantial shareholder of certain subsidiaries of the Company, has granted the Group a first right of refusal to invest in and jointly develop any property development projects in the PRC, in which GD Zhujiang has or may have development rights. Zhujiang Group is desirous of disposing its minority interests in the JV Companies in order to refocus on and strengthen its own business activities. Zhujiang Group is principally engaged in property developments in the PRC and the investment in highway infrastructure, broadband transmission network and building construction in the PRC. The Directors consider that the Zhujiang Transaction will be beneficial to the Group for the following reasons:

(a) the Directors recognise that a sustained income growth of household income in the cities in the PRC will boost the growth in the residential property markets. As Guangzhou and Beijing are two of the fastest growing and affluent cities in the PRC, the Directors consider that the property markets in these cities will continue to grow positively in the next few years. The acquisition of additional interests in the JV Companies will enable the Group to capture opportunities arising from the growing property demand; and

(b) the properties development and construction projects engaged by the JV Companies, including Pleasant View Garden, Beijing Fresh Life Garden, Beijing Regal Court and Beijing Citta Eterna, are profit generating. In view of the sale potentials of the projects engaged by the JV Companies, the Directors consider that the Zhujiang Transaction will have a positive impact on the profits of the Group in the near future.

The aggregate audited profits after taxation and extraordinary items attributable to shareholders of the JV Companies for the two years ended 31st December, 2003 were approximately HK$74,700,000 and HK$221,100,000 respectively. The aggregate audited profits before taxation and extraordinary items of the JV Companies for the two years ended 31st December, 2003 were approximately HK$131,500,000 and HK$351,900,000 respectively. No dividends were paid to the shareholders of the JV Companies for the two years ended 31st December, 2003. The aggregate audited net assets value of the JV Companies was approximately HK$1,464,300,000 as at 31st December, 2003. The aggregate total assets value of the JV Companies as at 31st December, 2003 to be acquired by the Group from Zhujiang Group amounted to approximately HK$2,313,755,000. As of 30th April, 2004, approximately 18.5 per cent. of the gross floor area of the projects of the JV Companies had been sold.

6. Connection between the parties and the connected transaction

GD Zhujiang, being a substantial shareholder of the JV Companies (all of which are subsidiaries of the Group), is a connected person of the Company under the Listing Rules. Accordingly, the Zhujiang Agreement constitutes a connected transaction of the Company under the Listing Rules.

7. Major Transaction

In accordance with Rule 14A.26(1) of the Listing Rules and based on the aggregate results of the "five tests" for the Zhujiang Transaction and the Qiaodao Transaction, the Zhujiang Transaction and the Qiaodao Transaction in aggregate constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules and is conditional upon the approval of the Shareholders (excluding those Shareholders prohibited by the Listing Rules from voting on the resolution) voting at a special general meeting convened to approve the Zhujiang Agreement and the Qiaodao Agreement on the terms specified therein pursuant to Rule 14.40 of the Listing Rules. No Shareholder will be required to abstain from voting.

The Directors consider that the terms of the Zhujiang Agreement have been arrived at after arm's length negotiation and are normal commercial terms which are fair and reasonable so far as the Shareholders are concerned and are in the interest of the Company.

C. QIAODAO TRANSACTION

1. Background

On 23rd June, 2004, the Group entered into the Qiaodao Agreement with each of GD Zhujiang and Shanlian for the acquisition of GD Zhujiang's 29.5 per cent. and Shanlian's 30 per cent. equity interests in Qiaodao respectively.

Qiaodao, which was established on 12th January, 1998, is engaged in the development and construction of commodity (commercial and residential) properties called Regal Riviera (formerly known as "Riverside New City") on a site located on the east side of Guangzhou Avenue, Chigang, Haizhu District, Guangzhou, Guangdong Province, the PRC comprising a site area of approximately 410,000 square meters, on which a residential complex together with hotel clubhouse and ancillary facilities will be developed. Qiaodao is owned as to 40 per cent. by the Group, 30 per cent. by GD Zhujiang and 30 per cent. by Shanlian.

2. Condition

The Qiaodao Agreement is conditional upon the approval of the Shareholders (excluding those Shareholders prohibited by the Listing Rules from voting on the resolution) voting at a special general meeting convened to approve the Qiaodao Agreement on the terms specified therein, or a waiver being granted by the Stock Exchange from the requirement under the Listing Rules for the Company to hold a general meeting to seek Shareholders' approval in respect of the Qiaodao Agreement, by no later than 30th September, 2004 (or such later date as the parties shall agree) ("Condition 2").

Pursuant to Rules 14.44 and 14A.43 of the Listing Rules, a written independent shareholders approval may be accepted in lieu of holding a general meeting on the basis that no Shareholder is required to abstain from voting if the Company was to convene a general meeting for the approval of the Qiaodao Transaction and written approval from the Independent Shareholder holding more than 50 per cent. of the issued share capital of the Company will be obtained.

3. Principal terms of the Qiaodao Agreement

Date:	23rd June, 2004
Parties:	(i) the Group; (ii) GD Zhujiang; and (iii) Shanlian
Interest Acquired:	The Group agrees to purchase and (i) GD Zhujiang agrees to sell 29.5 per cent. of its 30 per cent. equity interests in Qiaodao and (ii) Shanlian agrees to sell its 30 per cent. equity interests in Qiaodao. As a result of the said acquisitions, Qiaodao will become owned by the Group as to 99.5 per cent. and GD Zhujiang as to 0.5 per cent.
Rights and Obligations:	The Group will assume the respective rights and obligations of GD Zhujiang and Shanlian under the existing joint venture terms for Qiaodao and be entitled to share the profits and be responsible for the loss arising from or in connection with Qiaodao except that GD Zhujiang will remain entitled to share 0.5 per cent. of the profits and be responsible for 0.5 per cent. of the loss of Qiaodao.
Board:	The existing directors respectively nominated by GD Zhujiang and Shanlian to the board of directors of Qiaodao will resign from directorship within 15 days upon fulfillment of the Condition 2 save that one director nominated by GD Zhujiang shall remain on the board. The Group will appoint new directors to the board of directors of Qiaodao.

Qiaodao Consideration:	The aggregate consideration payable by the Group to GD Zhujiang and Shanlian will be approximately RMB496,900,000 (equivalent to approximately HK$468,775,000), being the aggregate of (i) the consideration payable by the Group to GD Zhujiang which amounts to approximately RMB 361,900,000 (equivalent to approximately HK$341,415,000) and (ii) the consideration payable by the Group to Shanlian which amounts to approximately RMB135,000,000 (equivalent to approximately HK$127,360,000).

4. Reasons for Qiaodao Transaction

As the Group is principally engaged in property development and property investment in various cities in the PRC including, Shanghai, Beijing, Tianjin and Guangzhou, the Qiaodao Transaction is in the ordinary and usual course of business of the Group. The audited profits after taxation and extraordinary items attributable to shareholders of Qiaodao for the two years ended 31st December, 2003 were approximately HK$122,813,000 and HK$140,191,000 respectively. The aggregate audited profits before taxation and extraordinary items of Qiaodao for the two years ended 31st December, 2003 were approximately HK$228,966,000 and HK$277,305,000 respectively. The audited net asset value of Qiaodao as at 31st December, 2003 was approximately HK$715,300,000. The total assets value of Qiaodao as at 31st December, 2003 amounted to approximately HK$1,977,078,000. As of 31st December, 2003, 17.4 per cent. of the gross floor area of the Regal Rivera (formerly known as "Riverside New City") had been sold.

In view of the encouraging economic condition, the growth in the property values in Guangzhou, the PRC and the increase in demand for good quality commodity properties in Guangzhou, PRC, the Directors consider that Regal Riviera (formerly known as "Riverside New City") will have a good sale potential and thus will have a positive impact on the profits of the Group in the long term by acquiring additional equity interests in Qiaodao.

5. Qiaodao Consideration

The Qiaodao Consideration was determined on an arm's length basis between the parties, primarily based on (i) the amount of capital contributed to Qiaodao by GD Zhujiang and Shanlian and (ii) the appraisal report dated 3rd January, 2004 on the market value of Shanlian's 30 per cent. equity interest in Qiaodao as at 25th December, 2003 prepared by Golden Bridge. As Shanlian has not made any contribution to the registered capital of Qiaodao, the Qiaodao Shanlian Consideration, namely approximately RMB135,000,000 (equivalent to approximately HK$127,360,000) was determined with reference to the market value of Shanlian's 30 per cent. equity interest in Qiaodao as assessed by Golden Bridge, which was approximately RMB120,700,000 (equivalent to approximately HK$ $113,900,000) as of 25th December, 2003. On the other hand, GD Zhujiang has contributed approximately RMB229,000,000 (equivalent to approximately HK$216,000,000) to the registered capital of Qiaodao. In determining the value of GD

Zhujiang's 29.5 per cent. interest in Qiaodao, the Group used the Qiaodao Shanlian Consideration (which represents 30 per cent. equity interest in Qiaodao) as a reference. Accordingly, the Qiaodao Zhujiang Consideration, namely approximately RMB361,900,000 (equivalent to approximately HK$341,415,000) was determined with reference to the said amount of capital contributed to Qiaodao by GD Zhujiang, namely approximately RMB229,000,000 (equivalent to approximately HK$216,000,000), and the Qiaodao Shanlian Consideration.

15 per cent. of the Qiaodao Zhujiang Consideration amounting to approximately RMB54,285,000 (equivalent to approximately HK$51,212,000) will be payable by the Group to GD Zhujiang within 10 days upon the signing between the parties of a share transfer agreement in respect of the acquisition of Qiaodao and the relevant amendments to the existing joint venture terms of Qiaodao after fulfillment of Condition 2. The remaining balance of the Qiaodao Zhujiang Consideration will be payable by the Group to GD Zhujiang within 12 months after completion of the necessary registration and filing procedures in the PRC and the approval has been obtained in respect of the acquisition of Qiaodao in the following manner: 7 per cent. of each of the Qiaodao Zhujiang Consideration amounting to approximately RMB25,333,000 (equivalent to approximately HK$23,899,000) will be payable for each of the first eleven consecutive months and 8 per cent. of the Qiaodao Zhujiang Consideration amounting to approximately RMB28,952,000 (equivalent to approximately HK$27,313,000) will be payable for the twelve month.

50 per cent. of the Qiaodao Shanlian Consideration amounting to approximately RMB67,500,000 (equivalent to approximately HK$ 63,680,000) will be payable by the Group to Shanlian within 10 days upon the signing between the parties of a share transfer agreement in respect of the acquisition of Qiaodao and the relevant amendments to the existing joint venture terms of Qiaodao after fulfillment of Condition 2. The remaining balance of the Qiaodao Shanlian Consideration amounting to approximately RMB67,500,000 (equivalent to approximately HK$63,680,000) will be payable by the Group to Shanlian within 15 days after submission to the relevant authority in the PRC for amending the registration details of Qiaodao and the approval in respect of the acquisition of Qiaodao has been obtained.

The payment of the Qiaodao Consideration will be funded by internal resources of the Group and bank loans. It is estimated by the Group that approximately 40 per cent. of the Qiaodao Consideration will be funded by internal resources of the Group and the remaining by bank loans.

The Directors report that there was a typo-error in the Announcement regarding the timing for making the first payment of 15 per cent. of the Qiaodao Zhujiang Consideration to GD Zhujiang and 50 per cent. of Qiaodao Shanlian Consideration to Shanlian respectively. It was announced in the Announcement that such payment shall be made within 15 days upon the signing between the parties of a share transfer agreement in respect of the acquisition of Qiaodao and the relevant amendments to the existing joint venture terms of Qiaodao after fulfillment of Condition 2. The Directors report that such payments shall instead be made within 10 days upon the signing between the parties of a share transfer agreement in respect of the acquisition of Qiaodao and the relevant amendments to the existing joint venture terms of Qiaodao after fulfillment of Condition 2.

6. Connection between the parties and the connected transaction

GD Zhujiang, being a substantial shareholder of the JV Companies, is a connected person of the Company. As Qiaodao is a jointly-controlled entity of the Company, Shanlian, being a substantial shareholder of Qiaodao, is a connected person of the Company. Accordingly, the Qiaodao Transaction constitutes a connected transaction of the Company under the Listing Rules.

7. Major transaction

In accordance with Rule 14A.26(1) of the Listing Rules and based on the results of the aggregate "five tests" for the Zhujiang Transaction and the Qiaodao Transaction, the Zhujiang Transaction and the Qiaodao Transaction in aggregate constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules and is conditional upon the approval of the Shareholders (excluding those Shareholders prohibited by the Listing Rules from voting on the resolution) voting at a special general meeting convened to approve the Zhujiang Agreement and the Qiaodao Agreement on the terms specified therein pursuant to Rule 14.40 of the Listing Rules. No Shareholder will be required to abstain from voting.

The Directors consider that the terms of the Qiaodao Agreement have been arrived at after arm's length negotiation and are normal commercial terms which are fair and reasonable so far as the Shareholders are concerned and are in the interest of the Company.

D. EFFECT OF THE QIAODAO TRANSACTION AND THE ZHUJIANG TRANSACTION ON THE NET ASSET VALUE, GEARING POSITION AND EARNINGS OF THE GROUP

The Directors consider that the Qiaodao Transaction and the Zhujiang Transaction will have no material effect on the net asset value of the Group.

On the other hand, the Group's gearing ratio (calculated as a ratio of dividing total bank borrowings by the equity) would increase from 113 per cent. as of 31st December, 2003 before the Qiaodao Transaction and Zhujiang Transaction to a pro-forma gearing ratio of 148 per cent. on the assumption of immediate full payment of the Zhujiang Consideration and the Qiaodao Consideration. However, based on the actual payment terms of the Zhujiang Consideration and the Qiaodao Consideration, the Group will enjoy deferred payments after 1st January, 2005 amounting to approximately HK$336,354,000 in aggregate, the pro forma gearing ratio as at 31st December, 2004 would be approximately 136 per cent. Moreover, the Directors are of the view that with foreseeable net proceeds as generated from the sales of the acquired properties in the next twelve months, the bank borrowings of the Group may reduce and thus will in turn improve the Group's gearing position arising from the profit generating property development and construction projects engaged by the JV Companies and Qiaodao.

The Directors also consider that the Qiaodao Transaction and the Zhujiang Transaction will have a positive effect on the Group's earnings. Before the Qiaodao Transaction and Zhujiang Transaction, approximately HK$615,000,000, representing approximately 68.8 per cent. of the Group's consolidated gross profit was contributed by the JV Companies for the year ended 31st December, 2003. On the other hand, an aggregate amount of approximately HK$112,024,000, representing approximately 16.8 per cent. of the Group's aggregate profit after taxation attributable to the Shareholders for the three years ended 31st December, 2003, was contributed by Qiaodao. In view of the profits generated by the JV Companies and Qiaodao, the Directors believe that the Zhujiang Transaction and the Qiaodao Transaction will have a positive effect on the future earnings of the Group.

E. WORKING CAPITAL

Taking into account the Enlarged Group's existing cash and bank balances and the financial resources available, including internally generated funds and the available banking facilities, the Directors are of the view that in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for its present requirement and completion of the Zhujiang Transaction and Qiaodao Transaction.

F. WAIVER

Sounda, which beneficially owns 637,500,000 Shares, representing approximately 63.56 per cent. of the issued share capital of the Company as of the date hereof, has confirmed in writing that in the event that Shareholders' approval in respect of each of the Zhujiang Agreement and the Qiaodao Agreement is required, it will vote, or procure the voting of the Shares in which Sounda and its associates are interested, in favour of the Zhujiang Agreement and the Qiaodao Agreement. Sounda does not have any interest in either the Zhujiang Transaction or the Qiaodao Transaction and does not have any interest which is different from those of the other Shareholders.

GD Zhujiang is a connected person of the Company only by virtue of its interests in the JV Companies and Qiaodao. Other than being interested in the JV Companies and Qiaodao, GD Zhujiang and its associates has no connection with the Group. Since none of GD Zhujiang, its directors, shareholders or associates has any interest in the Shares, no Shareholder would be required to abstain from voting.

Shanlian is a connected person of the Company only by virtue of its interests in Qiaodao. Other than being interested in Qiaodao, Shanlian and its associates has no connection with the Group. Since none of Shanlian, its directors, shareholders or associates has any interest in the Shares, no Shareholder would be required to abstain from voting.

Since the passing of any resolution in respect of each of the Zhujiang Agreement and the Qiaodao Agreement by the Shareholders will be a foregone conclusion and no Shareholder will be required to abstain from voting, the expense to the Company of holding a Shareholders' meeting would be an unnecessary expense. In view of the aforesaid, the Company has applied to the Stock Exchange pursuant to Rules 14.44 and 14A.43 of the Listing Rules for a waiver from the requirement under the Listing Rules for the Company to hold a general meeting to seek Shareholders' approval in respect of the Zhujiang Agreement and the Qiaodao Agreement pursuant to Rules 14.44 and 14A.43 of the Listing Rules on the basis that that no Shareholder is required to abstain from voting if the Company was to convene a general meeting for the approval of the Zhujiang Transaction and the Qiaodao Transaction and written approval from the Independent Shareholder holding more than 50 per cent. of the issued share capital of the Company will be obtained.

G. FURTHER INFORMATION

CSC Asia has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on whether the terms of each of the Zhujiang Agreement and the Qiaodao Agreement are fair and reasonable so far as the Shareholders are concerned. DTZ has been appointed to prepare a valuation report in respect of the properties of the JV Companies and the property of Qiaodao respectively.

Your attention is drawn to the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders set out on page 18 of this Circular and the advice from CSC Asia to the Independent Board Committee and the Independent Shareholders set out on pages 19 to 28 of this circular.

Your attention is also drawn to the Valuation Report set out in appendix I, the accountants reports and financial information of the Group set out in appendices II to VI, the indebtedness of the Group set out in appendix V, the unaudited pro forma financial information of the Group set out in appendix VI and the general information set out in appendix VII to this circular.

By Order of the Board
Chu Mang Yee
Chairman

HOPSON DEVELOPMENT HOLDINGS LIMITED
合生創展集團有限公司*

(Stock Code: 754)
(Incorporated in Bermuda with limited liability)
website:http://www.irasia.com/listco/hk/hopson

30th June, 2004

To the Shareholders

Dear Sir and Madam,

MAJOR AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to the circular dated 30th June, 2004 issued by the Company, of which this letter forms part ("Circular"). Terms used in this letter shall have the same meanings defined elsewhere in the Circular unless the context requires otherwise.

The Independent Board Committee comprising Messrs. Yuen Pak Yiu, Philip, Lee Tsung Hei, David and Wong Shing Kay, Oliver has been appointed to advise you in respect of the Zhujiang Transaction and the Qiaodao Transaction, details of which are set out in the Circular. CSC Asia Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Zhujiang Transaction and the Qiaodao Transaction.

RECOMMENDATION

We wish to draw your attention to the Letter from the Chairman as set out on pages 4 to 17 of this Circular, and the letter from CSC Asia Limited which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Zhujiang Transaction and the Qiaodao Transaction as set out on pages 19 to 28 of this Circular. Your attention is also drawn to the general information contained in the appendix VII to this Circular.

Having taking into account the advice of CSC Asia Limited and the principal factors and reasons considered by CSC Asia Limited, we consider that the terms of the Zhujiang Transaction and the Qiaodao Transaction are fair and reasonable so far as the Shareholders are concerned. Accordingly, we recommend the Shareholders to vote in favour of the Zhujiang Agreement and the Qiaodao Agreement if a Shareholders' meeting is required to be held.

Yours faithfully,
for and on behalf of
the Independent Board Committee

Yuen Pak Yiu, Philip	**Lee Tsung Hei, David**	**Wong Shing Kay, Oliver**
Director	*Director*	*Director*

* *for identification purposes only*

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from CSC Asia dated 30th June, 2004 prepared for incorporation in this circular.

CAPITAL

CSC Asia Limited
Units 3204-3207
32/F., Cosco Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

30th June, 2004

To the Independent Board Committee
and the Independent Shareholders of
Hopson Development Holdings Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Zhujiang Transaction and the Qiaodao Transaction, details of which are set out in the circular to the Shareholders dated 30th June, 2004 (the "Circular"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

On 23rd June, 2004, the Group entered into two conditional agreements, namely the Zhujiang Agreement with GD Zhujiang for the acquisition of Zhujiang Group's interests in the JV Companies and the Qiaodao Agreement with each of GD Zhujiang and Shanlian for the acquisition of the GD Zhujiang and Shanlian's interests in Qiaodao respectively. Immediately after the Zhujiang Transaction, the Group will hold the entire 100 per cent. equity interests in the JV Companies except for JV Company 5 (Guangzhou Hopson Yijing Real Estate Limited (廣州合生逸景房地產有限公司)) and JV Company 6 (Guangzhou Huanan New City Real Estate Limited (廣東華南新城房地產有限公司)) in which Zhujiang Group will retain 0.5 per cent. and 1 per cent. interest therein respectively. After the completion of the Qiaodao Transaction, Qiaodao will be owned by the Group and GD Zhujiang in a split of 99.5 per cent. and 0.5 per cent. respectively. Before the completion of the Qiaodao Transaction, Qiaodao is originally owned as to 40 per cent. by the Group, 30 per cent. by GD Zhujiang and 30 per cent. by Shanlian.

GD Zhujiang, being a substantial shareholder of the JV Companies (all of which are subsidiaries of the Group), is a connected person of the Company. As Qiaodao is a jointly-controlled entity of the Company, Shanlian, which is a substantial shareholder of Qiaodao, is also a connected person of the Company. Accordingly, each of the Zhujiang Transaction and the

* *for identification purposes only*

Qiaodao Transaction constitutes a connected transaction of the Company under the Listing Rules. Moreover, based on the aggregate results of the "five tests" for the Zhujiang Transaction and the Qiaodao Transaction, both of the Zhujiang Transaction and the Qiaodao Transaction constitute a major transaction of the Company under rule 14.06(3) of the Listing Rules and is conditional upon the approval of the Shareholders voting at a special general meeting.

Sounda, which beneficially owns approximately 63.56 per cent. of the issued share capital of the Company as of the date hereof, has confirmed in writing that in the event that Shareholders' approval in respect of each of the Zhujiang Agreement and the Qiaodao Agreement is required, it will vote, or procure the voting of the Shares in which Sounda and its associates are interested, in favour of the Zhujiang Agreement and the Qiaodao Agreement. Sounda does not have any interest in either the Zhujiang Transaction or the Qiaodao Transaction and does not have any interest which is different from those of the other Shareholders.

As stated in the section headed "Letter from the Chairman" in the Circular, the Company has applied to the Stock Exchange pursuant to Rules 14.44 and 14A.43 of the Listing Rules for a wavier from the requirement under the Listing Rules for the Company to hold a general meeting to seek Shareholders' approval in respect of the Zhujiang Agreement and the Qiaodao Agreement pursuant to Rules 14.44 and 14A.43 of the Listing Rules on the basis that no Shareholders is required to abstain from voting if the Company was to convene a general meeting for the approval of the Zhujiang Transaction and the Qiaodao Transaction and written approval from the Independent Shareholder holding more than 50 per cent. of the issued share capital of the Company will be obtained.

In formulating our recommendation, we have relied upon the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made by the Group and the Directors were true, accurate and complete at the time they were made and continue to be so as at the date of the Circular.

We have reviewed, among other things, the Valuation Report as set out in Appendix I of the Circular, the accountants' report on JV Companies as set out in Appendix II, the accountants' report on Qiaodao as set out in Appendix III, the Zhujiang Agreement, the Qiaodao Agreement and the Company's annual report (the "Annual Report") for the year ended 31st December, 2003 and other financial information provided by the Company.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our recommendation. We have also assumed that all statements of belief, opinion and intention made by the Directors and the management of the Company in the Circular were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular, nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company. We have not, however, conducted an independent in-depth investigation into the business affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS CONSIDERED

In arriving at our advice in respect of the terms of each of the Zhujiang Agreement and the Qiaodao Agreement, we have considered the following factors:

(1) Financial and Business Highlights

The Group is principally engaged in property development and property investment in various cities in the PRC including Shanghai, Beijing, Tianjin and Guangzhou.

As stated in the Annual Report, the Group has a consolidated turnover of approximately HK$3,325,922,000 for the year ended 31st December, 2003, representing an increase of approximately 56.38 per cent. when compared to the consolidated turnover of approximately HK$2,126,789,000 for the year ended 31st December, 2002. The Company also recorded a consolidated profit attributable to Shareholders of approximately HK$315,354,000 for the year ended 31st December, 2003, representing an increase of approximately 37.66 per cent. when compared to the approximately HK$229,082,000, being the consolidated profit attributable to Shareholders recorded during the year ended 31st December, 2002. The growth in the profit is mainly attributable to the increase of approximately 56.18 per cent. in the sale of Group's property to approximately HK$3,238,906,000 for the year ended 31st December, 2003 from approximately HK$2,073,847,000 for the year ended 31st December, 2002.

During the financial year of 2003, the Group delivered to the buyers completed properties, including the properties developed under five projects in Guangzhou and Beijing as scheduled by the Group. The projects developed under all of these five projects are residential and commodity properties. The Group also commenced a large-scale project in Tianjin integrating holiday resort, travel and residential. As at 31st December, 2003, the gross floor area of the Group's projects under development was approximately 2,660,718 sq. m. and that on 3rd June, 2004, other than the above-mentioned property project, the Group has announced the acquisition of the remaining interest of 25 per cent. in Shanghai Lung Meng Company Limited ("Shanghai Lung Meng"), a sino-foreign co-operative joint venture established in the PRC, from Shanghai Hungkang North Bridge Property Company Limited. Upon fulfilment of the relevant conditions precedent, the Group will obtain full control of Shanghai Lung Meng which owns a piece of land with an area of approximately 517,475 sq. m. ("Land"). A circular containing details of such transaction were despatched to the Shareholders on 24th June, 2004. It is the Directors' intention to carry out at once its proposed development plans of converting the Land into a commodity property of high-end residential buildings.

It is the intention of the Group to continue to capture new business opportunities with high earning potentials in the PRC property market in the future so as to strengthen its established brand name and in turn benefit the Group and the Shareholders in the long run.

(2) Reasons for the Transactions

(a) High growing potential of the PRC property market

To be able to understand the recent performance of the PRC property industry, we had taken reference of a latest survey conducted by the National Bureau of Statistics of China. The survey has indicated that the National Realty Boom Index (全國房地產開發景氣指數) for May 2004 was 105.92, representing an increase of 0.15 point as compared to that of April, 2004. Moreover, the Commercial Housing Selling Price Index Number (商品房銷售價格分類指數) for May 2004 had first jumped over 100 points since September, 2001 to 101.51. The national commercial housing average selling price for the period from January to May, 2004 had increased by 10.7 per cent. as compared to the same period in 2003. In addition, the national average total income per household has increased by approximately 2.07 per cent. in May, 2004 as compared to that of April, 2004. The regional average total income per household for Guangdong area has increased by approximately 3.71 per cent. as compared to that of April, 2004. Such figures suggested that despite the implementation of the austerity measure imposed by the PRC Government, unless the PRC economy loses its growth momentum, the PRC property market is likely to continue booming over the next decade.

For instance, take Qiaodao as an example. Qiaodao is engaged in the development and construction of commodity properties, namely the Regal Riviera (formerly known as "Riverside New City"), a site which is located in the Guangdong Province, comprising a site area of approximately 410,000 sq. m. whereby a residential complex together with hotel clubhouse and ancillary facilities will be developed. The encouraging economic condition, the growth in the property value in Guangzhou, and the increase in demand for good quality commodity properties there, all being factors that considered by the Directors as the reasons attributable to the good sales performance of Regal Riviera in the future. As of 31st December, 2003, 17.4 per cent. of the gross floor area of the Regal Riviera had been sold. Given the Group's existing equity interest of only 40 per cent. in Qiaodao, the sale of 17.4 per cent. during the period from year 2001 to year 2003, had already contributed a substantial aggregate amount of profit after taxation of approximately HK$112,024,000 to the Group's profit attributable to Shareholders for the three years ended 31st December, 2003. Based on such fact, upon the completion of the Qiaodao Transaction when the Group will own 99.5 per cent. of Qiaodao, the Group ought to enjoy more than a double of the profit contribution from further sale of the gross floor area of Regal Riviera.

As it is also mentioned in the "Letter from the Chairman", the Directors recognise that there is a sustained income growth of household income in the cities in the PRC which will boost the growth in the residential property markets. As Guangzhou and Beijing are two of the fastest growing and affluent cities in the PRC, the Directors consider that the property markets in these cities will continue to grow positively in the next few years. Since the properties development and construction projects engaged by the JV Companies are focusing on Guangzhou and Beijing areas and in view of the sale potentials of these projects, the Group ought to benefit from the Zhujiang Transaction.

In view of all the above, we are of the opinion that upon the completion of the Zhujiang Transaction and the Qiaodao Transaction, the Group will have the capacity to capture the opportunities arising from the growing demand in the PRC property market and positive impacts on the overall financial position of the Group will be brought about in the future.

(b) Increased flexibility in the control of projects

After the completion of the Zhujiang Transaction, the Group will be holding the entire equity interests in each of the JV Companies except for the JV Company 5 and JV Company 6 in which Zhujiang Group will remain interested in 0.5 per cent. and 1 per cent. thereof respectively. As stated in the "Letter from the Chairman", each of the JV Companies is engaged in specific properties development and construction projects, mainly in Guangzhou and Beijing. By acquiring additional interests in the JV Companies, the Group will have a greater control over such projects which in turn will provide the Group with more flexibility in terms of development of the projects. Same principle applies to the Qiaodao Transaction, the Group will enjoy a greater flexibility in developing the project of Qiaodao through its 99.5 per cent. ownership of Qiaodao which will in turn facilitate the Group's future development in the PRC property industry.

In view of the above, together with the fact that the Zhujiang Transaction and the Qiaodao Transaction are in fact in line with the Group's mission as stated in the Annual Report that the Group would continue to implement various quality and large-scale property development projects in strategically selected cities such as Beijing and Guangzhou in order to capture the enormous opportunities brought forth by the strong economic growth in the PRC. We are of the view that both the Zhujiang Transaction and the Qiaodao Transaction will provide a great opportunity to the Group in terms of facilitating its future development.

(c) Enhancing the overall financial position of the Group

Since the existing properties development and construction projects engaged by the JV Companies, including Pleasant View Garden, Beijing Fresh Life Garden, Beijing Regal Court and Beijing Citta Eterna are profit generating as stated in the "Letter from the Chairman", we concur with the Directors' view that the Zhujiang Transaction will have a positive impact on the Group's profit in the near future.

Since Regal Riviera, being Qiaodao's sole property development and construction project was offered for sale in August, 2001, 17.4 per cent. of the gross floor area of the Regal Riviera had been sold as at 31st December, 2003. On the other hand, as at 30th April, 2004, 18.5 per cent. of the total gross floor area of the projects of the JV Companies had been sold in which a majority of the projects engaged by the JV Companies were offered for sale from 2001 to 2003, except for the projects engaged by JV Company 1 of which the sale commenced in August, 1996 and JV Company 2 in which the sale will not commence till the fourth quarter of 2004. With reference to the latest sentiment of the PRC property market and the growth of the property value as supported by the National Bureau of Statistics of China figures as mentioned above, we concur with the Directors' view that the Regal Riviera project and the projects being developed by the JV Companies would have a good sales potential and therefore will have a positive impact on the profits of the Group in the long term.

(3) Terms of the Agreements

(a) Zhujiang Agreement

(i) Basis of the Zhujiang Consideration

Pursuant to the Zhujiang Agreement, the total consideration payable by the Group to Zhujiang Group will be approximately RMB351,124,000 (equivalent to approximately HK$331,254,000) ("Zhujiang Consideration"). According to the Directors, the Zhujiang Consideration was determined on an arm's length basis between the parties and with reference to (i) the amount of capital contributed to each of the JV Companies by Zhujiang Group, amounting to approximately RMB235,000,000 (equivalent to approximately HK$221,700,000) in aggregate, and (ii) a premium determined mainly with reference to the amount of accumulated profits that Zhujiang Group is entitled to in the respective JV Companies from their date of incorporation and up to 31st December, 2003 which represents approximately a return of 10 per cent. per annum on the amount of capital contributed by Zhujiang Group over an average investment period of four years. As Zhujiang Group has not made any capital contribution to JV Company 2 (廣東合生越華房地產有限公司) and JV Company 2 has not generated any profits, the consideration payable by the Group for the acquisition of Zhujiang Group's interest in JV Company 2 is nil. The aggregate audited net assets value of the JV Companies was approximately HK$1,464,300,000 as at 31st December, 2003. Zhujiang Group's share of net assets value to be acquired by the Group as recorded in the audited accounts of the JV Companies amounted to approximately HK$372,020,000 as at 31st December, 2003. With reference to the valuation on the properties of the JV Companies prepared on the open market value basis by direct comparative approach taken into account the construction costs expended as at 31st December, 2003 as assessed by DTZ, the fair market value of Zhujiang Group's interests in the JV Companies to be acquired by the Group as at 31st December, 2003, net of the deferred tax effect on the fair value adjustment thereon, was approximately HK$487,829,000. Accordingly, the Zhujiang Consideration, amounting to approximately RMB351,124,000 (equivalent to approximately HK$331,254,000) represents a discount of approximately 32 per cent. to the market value of Zhujiang Group's interests to be acquired by the Group in the JV Companies of approximately HK$487,829,000 as at 31st December, 2003 as assessed by DTZ.

(ii) Payment terms of the Zhujiang Consideration

Pursuant to the Zhujiang Agreement, 15 per cent. of the Zhujiang Consideration, amounting to approximately RMB52,669,000 (equivalent to approximately HK$49,688,000) will be payable by the Group within 15 days upon the signing between the parties of the individual share transfer agreement in respect of the acquisitions of each of the JV Companies and the relevant amendments to the existing joint venture terms of each of the JV Companies. The remaining balance of the Zhujiang Consideration will be payable by the

Group within 12 months after completion of the necessary registration and filing procedures in the PRC and the relevant approvals have been obtained in respect of the acquisitions of each of the JV Companies in the following manner: 7 per cent. of the Zhujiang Consideration, amounting to approximately RMB24,578,000 (equivalent to approximately HK$23,188,000) will be payable for each of the first eleven consecutive months and 8 per cent. of the Zhujiang Consideration, amounting to approximately RMB28,089,000 (equivalent to approximately HK$26,499,000) will be payable for the twelveth month. The payment of the Zhujiang Consideration will be funded by internal resources of the Group and bank loans. It is estimated by the Group that approximately 40 per cent. of the Zhujiang Consideration will be funded by internal resources of the Group and the remaining by means of bank loans.

(b) Qiaodao Agreement

(i) Basis of the Qiaodao Consideration, Qiaodao Zhujiang Consideration and Qiaodao Shanlian Consideration

Pursuant to the Qiaodao Agreement, the aggregate consideration payable by the Group to GD Zhujiang and Shanlian will be approximately RMB496,900,000 (equivalent to approximately HK$468,775,000) ("Qiaodao Consideration"), being the aggregate of (i) the consideration payable by the Group to GD Zhujiang which amounts to approximately RMB361,900,000 (equivalent to approximately HK$341,415,000) ("Qiaodao Zhujiang Consideration") and (ii) the consideration payable by the Group to Shanlian which amounts to approximately RMB 135,000,000 (equivalent to approximately HK$127,360,000) ("Qiaodao Shanlian Consideration"). According to the Directors, the Qiaodao Consideration was determined on an arm's length basis between the parties, primarily based on (i) the amount of capital contributed to Qiaodao by GD Zhujiang and Shanlian and (ii) the appraisal report dated 3rd January, 2004 on the market value of Shanlian's 30 per cent. equity interest in Qiaodao as at 25th December, 2003 prepared by Golden Bridge.

However, given that Golden Bridge is an asset appraisal firm in the PRC which does not carry on such business in Hong Kong, we will not rely on its valuation in arriving at our opinion. With reference to the valuation as at 31st December, 2003 as assessed by DTZ, the aggregate fair market value of Zhujiang Group's and Shanlian's interests in Qiaodao to be acquired by the Group as at 31st December, 2003, net of the deferred tax effect on the fair value adjustment thereon, was approximately HK$720,682,000. Accordingly, the aggregate of Qiaodao Shanlian Consideration and Qiaodao Zhujiang Consideration amounting to approximately HK$468,775,000, represents approximately 35 per cent. discount to the aggregate fair market value of Zhujiang Group's and Shanlian's interests in Qiaodao to be acquired by the Group of approximately HK$720,682,000 as at 31st December, 2003 as assessed by DTZ.

(ii) Payment terms of the Qiaodao Consideration, Qiaodao Zhujiang Consideration and Qiaodao Shanlian Consideration

Pursuant to the Qiaodao Agreement, 15 per cent. of the Qiaodao Zhujiang Consideration amounting to approximately RMB54,285,000 (equivalent to approximately HK$51,212,000) will be payable by the Group to GD Zhujiang within 10 days upon the signing between the parties of a share transfer agreement in respect of the acquisition of Qiaodao and the relevant amendments to the existing joint venture terms of Qiaodao after fulfillment of Condition 2. The remaining balance of the Qiaodao Zhujiang Consideration will be payable by the Group to GD Zhujiang within 12 months after completion of the necessary registration and filing procedures in the PRC and the approval has been obtained in respect of the acquisition of Qiaodao in the following manner: 7 per cent. of each of the Qiaodao Zhujiang Consideration amounting to approximately RMB25,333,000 (equivalent to approximately HK$23,899,000) will be payable for each of the first eleven consecutive months and 8 per cent. of Qiaodao Zhujiang Consideration amounting to approximately RMB28,952,000 (equivalent to approximately HK$27,313,000) will be payable for the twelve month.

50 per cent. of the Qiaodao Shanlian Consideration amounting to approximately RMB67,500,000 (equivalent to approximately HK$63,680,000) will be payable by the Group to Shanlian within 10 days upon the signing between the parties of a share transfer agreement in respect of the acquisition of Qiaodao and the relevant amendments to the existing joint venture terms of Qiaodao after fulfillment of Condition 2. The remaining balance of the Qiaodao Shanlian Consideration amounting to approximately RMB67,500,000 (equivalent to approximately HK$63,680,000) will be payable by the Group to Shanlian within 15 days after submission to the relevant authority in the PRC for amending the registration details of Qiaodao and the approval in respect of the acquisition of Qiaodao has been obtained.

The payment of the Qiaodao Consideration will be funded by internal resources of the Group and bank loans. It is estimated by the Group that approximately 40 per cent. of the Qiaodao Consideration will be funded by internal resources of the Group and the remaining by bank loans.

Having taking into account that (i) the Zhujiang Consideration, the Qiaodao Consideration and the Qiaodao Shanlian Consideration were all arrived at after arm's length negotiation between the parties; (ii) valuation on the properties of the JV Companies and the valuation on the properties of Qiaodao were conducted by an independent professional valuer namely DTZ; (iii) the payment terms of the Considerations; (iv) the Group is able to acquire the additional interests in both the Zhujiang Transaction and the Qiaodao Transaction at more than 30 per cent. discount of the fair market value; (v) the profit generating property development and construction projects engaged by the JV Companies and Qiaodao and (vi) the Directors are of the view that upon completion of the Zhujiang Transaction and the Qiaodao Transaction, the Company will have sufficient working capital to satisfy its present requirements, we consider that the Zhujiang Consideration, the Qiaodao Zhujiang Consideration and the Qiaodao Shanlian Consideration are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

4. Financial effect of the Transactions

(a) Effect on net asset value

The pro forma net asset value of the Enlarged Group as set out in Appendix VI of the Circular would be amounted to HK$2,733,099,000 as at 31 December, 2003 which represents approximately 1.44 per cent. increase as compared to the audited net asset value of HK$2,694,378,000 reported by the Group as at even date. Upon completion of the Zhujiang Transaction and the Qiaodao Transaction, the Enlarged Group will record the excess of the fair market value of the acquired assets over the total consideration as a negative goodwill, which has already been dealt with in arriving at the pro forma net asset value and therefore, we consider that, both the Zhujiang Transaction and the Qiaodao Transaction, in theory, should not have any material effect on the net asset value of the Group.

(b) Effect on gearing position

As at 31st December, 2003, the Group recorded a gearing ratio of approximately 113 per cent. (as calculated from dividing the total bank loans by the Shareholders' equity ratio). Based on the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31st December, 2003 as set out in Appendix VI to the Circular, the pro forma gearing ratio would be approximately 148 per cent. on the assumption of immediate full payment of the Zhujiang Consideration and the Qiaodao Consideration. However, based on the actual payment terms of the Zhujiang Consideration and the Qiaodao Consideration as described above, the Group is in fact able to enjoy deferred payments after 1st January, 2005 amounting to HK$336,354,000 in aggregate, the pro forma gearing ratio as at 31st December, 2004 would be approximately 136 per cent. Moreover, the Directors are of the view that with foreseeable net proceeds as generated from the sales of the acquired properties in the next twelve months, the total bank loans of the Group may reduce and thus will in turn improve the Group's gearing position in the said period. Having taking into account the Group's advantage over the payment of each of the Zhujiang Consideration and the Qiaodao Consideration as well as the anticipated improvement in the gearing position of the Group arising from the profit generating property development and construction projects engaged by the JV Companies and Qiaodao, we are of the view that the high pro forma gearing ratio of approximately 136 per cent. is still acceptable.

(c) Effect on earnings

As at 31st December, 2003, the Group recorded a consolidated gross profit amounted to approximately HK$894,310,000, in which approximately 68.8 per cent. was contributed by the JV Companies as stated in the combined profit and loss accounts of the accountants' report on JV Companies as set out in Appendix II to the

Circular. As stated in the accountants' report on Qiaodao as set out in Appendix III to the Circular, Qiaodao had recorded a gross profit amounting to approximately HK$324,983,000 for the year ended 31st December, 2003. In relation to the Group's existing equity interest of 40 per cent. in Qiaodao, Qiaodao had already contributed a substantial aggregate amount of profit after taxation of approximately HK$112,024,000 to the Group's profit attributable to shareholders for the three years ended 31st December, 2003. Based on the historical high profitability of the JV Companies and Qiaodao and the latest sentiment of the PRC property market, we are of the view that the JV Companies and Qiaodao should be able to sustain their profitability in the future. Thus, upon the completion of the Zhujiang Transaction and the Qiaodao Transaction whereby the Group will own additional equity interests in the JV Companies and Qiaodao as clearly stated in the "Letter from the Chairman", there would be a positive effect on the Group's earnings.

RECOMMENDATION

Having considered the principal factors set out above, in particular:

- The high growth potential in the PRC property market;
- The increased flexibility in control of the projects through increased ownership in the JV Companies and Qiaodao;
- The enhancement of the overall financial position of the Group in the long run;
- The prolonged payment terms of each of the Zhujiang Consideration and the Qiaodao Zhujiang Consideration;
- No material impact on the net asset value of the Group;
- The increase in the gearing ratio of the Group upon the completion of the Zhujiang Transaction and Qiaodao Transaction, and the foreseeable improvement in the gearing position of the Group resulted from the sale of the profit generating property development and construction projects in the future; and
- Positive earnings effect on the Group.

After all, having considered the principal factors set out above, we conclude, on balance, that the terms of the Zhujiang Transaction and the Qiaodao Transaction are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole.

Yours faithfully,
For and on behalf of
CSC Asia Limited
Andrew Chiu
Managing Director

The following is the text of a letter, summary of valuations and valuation certificate prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent valuer, in connection with their valuations as at 30th April, 2004 of the property interests to be acquired by the Group.

DTZ Debenham Tie Leung 戴德梁行
International Property Advisers

Formerly C Y Leung & Company
原梁振英測量師行

30th June, 2004

The Directors
Hopson Development Holdings Limited
19th Floor
Wyndham Place
44 Wyndham Street
Central
Hong Kong

Dear Sirs,

Re : Property Valuation

Instructions, Purpose & Date of Valuation

In accordance with the instructions of Hopson Development Holdings Limited (the "Company") for us to value the interest proposed to be acquired by the Company and its subsidiaries (hereinafter together referred to as the "Group") in the various properties (as per the "Summary of Valuations" set out below) situated in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of these property interests as at 30th April, 2004 (the "date of valuation") for the incorporation in the circular of the Company dated 30th June, 2004.

Basis of Valuation

Our valuation of each of the properties represents its open market value which we would define as intended to mean "an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:–

(a) a willing seller;

(b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;

(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

(d) that no account is taken of any additional bid by a purchaser with a special interest; and

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion."

Valuation Assumptions

Our valuations have been made on the assumption that the owner sells the property interests on the open market without the benefit of a deferred terms contract, leaseback, management agreement, joint venture or any similar arrangements which would serve to increase the value of such property interests.

In valuing the properties which are situated in the PRC, we have assumed that transferable land use rights in respect of the properties for respective specific terms at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have also assumed that the grantees or the users of the respective properties have free and uninterrupted rights to use or to assign the properties for the whole of the unexpired term as granted. We have relied on the advice given by the Group and 廣東法則明律師事務所 on PRC law regarding the title to and the Group's proposed interest in the respective properties.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature which could affect value.

Method of Valuation

In valuing the properties in Group I which are completed and held for sale and/or investment by the Group, we have valued each of them by Direct Comparison Method by making reference to comparable sales evidences as available in the relevant market and where appropriate, by capitalizing the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the respective properties.

The properties in Group II which are held under construction or for future development by the Group have been valued on the basis that these properties will be developed and completed in accordance with the Group's respective latest development proposals provided to us. In arriving at our opinion of the open market value, we have valued each of them by Direct Comparison Approach by making reference to the comparable transactions in the relevant locality. In addition, we have also taken into account the construction costs expended on the respective proposed developments up to the date of valuation.

Source of Information We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, development potential, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in the valuation certificate attached are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information supplied. Unless otherwise stated, we have not been able to carry out on-site measurement to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of the documents handed to us are correct.

Title Investigation We have been provided with copies of documents in relation to the titles to the respective properties. However, we have not carried out searches to verify the ownership of the properties and to ascertain any amendment which may not appear on the copies handed to us.

Site Inspection We have inspected the properties. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc. for the future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no unexpected extraordinary expenses or delays will be incurred during the construction period.

Currency & Exchange Rate Unless otherwise stated, all money amounts stated herein are in Renminbi ("RMB") which is the lawful currency of the PRC. For reference purpose, the exchange rate between Hong Kong dollars and RMB was HK$1=RMB1.06 which was the approximate exchange rate prevailing as at the date of valuation and there has been no significant fluctuation in such exchange rate between that date and the date of this letter.

Our valuations are summarised below and the valuation certificate is attached.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K. F. Chan
Registered Professional Surveyor (GP),
MSc., M.H.K.I.S., M.R.I.C.S.
Director

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has extensive experience in valuation of properties in the PRC.

SUMMARY OF VALUATIONS

	Property	Capital value in existing state as at 30th April, 2004 *HK$*	Interest proposed to be acquired by the Group	Capital value proposed to be acquired by the Group as at 30th April, 2004 *HK$*
Group I – Properties completed and held for sale or investment by the Group				
1.	The unsold portion of Phase 1, Huanan New City, Panyu District, Guangzhou, Guangdong Province, the PRC	613,000,000	39%	239,070,000
2.	The unsold portion of Phases 5 and 6, Huajing New City, No. 105 Zhongshan Avenue, Tianhe District, Guangzhou, Guangdong Province, the PRC	1,073,000,000	10%	107,300,000
3.	The unsold portion of East and Central Areas of Pleasant View Garden, west of Guangzhou Avenue, Haizhu District, Guangzhou, Guangdong Province, the PRC	403,000,000	24.65%	99,339,500
4.	The unsold portion of Phases I and II, Regal Riviera, east side of Guangzhou Avenue, Chigang, Haizhu District, Guangzhou, Guangdong Province, the PRC	680,400,000	59.5%	404,838,000
5.	The unsold portion of Central Area of Beijing Fresh Life Garden, No. 18 Bangzijing Village, Sanjianfang Town, Chaoyang District, Beijing, the PRC	81,300,000	30%	24,390,000
	Sub-total:			**874,937,500**

	Property	Capital value in existing state as at 30th April, 2004 *HK$*	Interest proposed to be acquired by the Group	Capital value proposed to be acquired by the Group as at 30th April, 2004 *HK$*
Group II – Properties held under construction or for future development by the Group				
6.	The remaining portion of Huanan New City, Panyu District, Guangzhou, Guangdong Province, the PRC	706,000,000	39%	275,340,000
7.	The remaining portion of Huajing New City, No. 105 Zhongshan Avenue, Tianhe District, Guangzhou, Guangdong Province, the PRC	302,000,000	10%	30,200,000
8.	The remaining portion of Pleasant View Garden, west of Guangzhou Avenue, Haizhu District, Guangzhou, Guangdong Province, the PRC	820,000,000	24.65%	202,130,000
9.	The remaining portion of Regal Riviera, east side of Guangzhou Avenue, Chigang, Haizhu District, Guangzhou, Guangdong Province, the PRC	1,279,600,000	59.5%	761,362,000
10.	Zhujiang International Building, Nos. 114-116 Yuehua Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	175,000,000	10%	17,500,000
11.	The remaining portion of Beijing Fresh Life Garden, No. 18 Bangzijing Village, Sanjianfang Town, Chaoyang District, Beijing, the PRC	361,700,000	30%	108,510,000

Property	Capital value in existing state as at 30th April, 2004 *HK$*	Interest proposed to be acquired by the Group	Capital value proposed to be acquired by the Group as at 30th April, 2004 *HK$*
Group II – Properties held under construction or for future development by the Group			
12. The remaining portion of Citta Eterna, No. 1, Gan Lu Yuan, Qingnian Road, Chaoyang District, Beijing, the PRC	592,000,000	30%	177,600,000
13. The remaining portion of Beijing Regal Court, No. 23 Xidawang Road, Chaoyang District, Beijing, the PRC	1,690,000,000	30%	507,000,000
Sub– total:			**2,079,642,000**
Grand total:			**2,954,579,500**

VALUATION CERTIFICATE

Group I – Properties completed and held for sale or investment by the Group

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th April, 2004
1. The unsold portion of Phase 1 of Huanan New City, Panyu District, Guangzhou, Guangdong Province, the PRC	The property comprises the unsold commercial and residential portions and club house together with 1,366 car parking spaces in Phase 1 of Huanan New City which is a comprehensive residential development comprising various 3-storey villas and 10-storey residential towers with commercial podium and basement. The buildings were completed in 2002. As advised by the Group, the unsold commercial and residential portions of the property comprise gross floor areas of 18,783 sq.m. (202,180) sq.ft.) and 110,775 sq.m. (1,192,382 sq.ft.) respectively, the club house has a gross floor area of 3,320 sq.m. (35,736 sq.ft.). In addition, the car parking spaces have a total area of 29,138 sq.m. (313,641 sq.ft.). The land use rights of the property have been granted for respective terms due to expire on 28th September, 2071 and 27th September, 2071.	Various commercial units and car parking spaces of the property are currently leased on various terms of tenancies whilst the remaining portion of the property is currently vacant.	HK$613,000,000 (39% interest proposed to be acquired by the Group: HK$239,070,000)

Notes:–

(1) According to Certificate for the Use of State-owned Land No. (2002) G05-000232 issued by the People's Government of Panyu District, Guangzhou on 24th June, 2002, the land use rights of a portion of the property, comprising a site area of 103,782.50 sq.m., have been granted to Guangdong Huanan New City Real Estate Limited (廣東華南新城房地產有限公司) for a term of years due to expire on 28th September, 2071 for "Commercial/Residential" use.

According to Certificate for the Use of State-owned Land No. (2002) G05-000272 issued by the People's Government of Panyu District, Guangzhou on 18th September, 2002, the land use rights of a portion of the property, comprising a site area of 37,789.70 sq.m., have been granted to Guangdong Huanan New City Real Estate Limited (廣東華南新城房地產有限公司) for a term due to expire on 8th August, 2071 for "Commodity Residential" use.

(2) According to Contract for Grant of State-owned Land Use Rights No. (2001) 293 entered into between Guangzhou Land Resources and Real Estate Administrative Bureau (the "Grantor") and Guangdong Huanan New City Real Estate Limited (the "Grantee") on 28th September, 2001, the Grantor agreed to grant the land use rights of the property, comprising a site area of 332,322 sq.m. for "Real Estate Development" use, to the Grantee at a land grant fee of RMB38,217,030.

According to Contract for Grant of State-owned Land Use Rights No. (2002) 182 entered into between the Grantor and the Grantee on 9th August, 2002, the Grantor agreed to grant the land use rights of the property, comprising a site area of 332,174 sq.m. for "Commodity Residential" use, to the Grantee at a land grant fee of RMB38,200,010.

(3) According to Co-operative Contract entered into between Panyu Zhujiang Real Estate Limited (番禺珠江房地產有限公司) ("Party A") and Archibald Properties Limited (愛寶置業有限公司) ("Party B") on 16th February, 2000, the parties have agreed to incorporate a co-operative joint venture company. The salient terms and conditions stipulated in the said contract are cited, inter alia, as follows:–

(i)	Name of the company	:	Guangdong Huanan New City Real Estate Limited (廣東華南新城房地產有限公司) ("Huanan JV")		
(ii)	Period of operation	:	20 years from the date of issue of the business licence		
(iii)	Total investment amount	:	RMB1,394,110,200		
(iv)	Registered capital	:	RMB464,750,000		
(v)	Capital contribution	:	Party A	:	RMB185,900,000 (40% of registered capital)
			Party B	:	RMB278,850,000 (60% of registered capital)
(vi)	Profit/Loss sharing	:	Party A	:	40%
			Party B	:	60%

(4) According to Business Licence No. 302075, Huanan JV has been incorporated with a registered capital of RMB464,750,000 and an operation period from 9th June, 2000 to 9th June, 2020.

(5) The opinion of the Group's legal adviser on PRC law states, inter alia, that:–

(i) Huanan JV is legally formed and registered and has been approved by the relevant authorities for business of property developments.

(ii) According to Planning Permits for Construction Land Nos. (2002) 00726 and (2001) 01724, Guangzhou Town Planning Bureau had approved a site area of 1,363,405.5 sq.m. to Huanan JV for the development of commodity housing purpose.

(iii) Three Certificates for the Use of State-owned Land Nos. G05-000232, G05-000329 and G05-000331 respectively with a total site area of 336,456.6 sq.m. have been issued to Huanan JV and the land premium for this portion of land was fully paid. Whereas, according to the payment terms stated in the Contracts for Grant of State-owned Land Use Rights No. (2002) 182, the remaining Certificate for the Use of State-owned Land will be obtained upon full settlement of the land premium.

(iv) The design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities and Huanan JV has obtained the pre-sale approval from the Land Resources And Real Estate Administrative Bureau of Guangzhou .

(6) We have relied on the information provided by the Group and the aforesaid legal opinion and prepared our valuation on the following assumptions:–

(i) Huanan JV is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;

(ii) all land premium and other costs of ancillary utilities services of the property have been settled in full;

(iii) the development scale of the property is in compliance with the local planning regulations and has been approved by the relevant authorities; and

(iv) the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(v) the property, whether as a whole or on a strata-titled basis, may be disposed of freely to third parties.

(7) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:–

Certificate for the Use of State-owned Land	Yes
Contract for Grant of State-owned Land Use Rights	Yes
Planning Permit for Construction Land	Yes
Planning Permit for Construction Works	Yes
Building Ownership Certificate/Real Estate Certificate	N/A
Permit for Pre-sale	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th April, 2004
2. The unsold portion of Phases 5 and 6, Huajing New City, No. 105 Zhongshan Avenue, Tianhe District, Guangzhou, Guangdong Province, the PRC	The property comprises various unsold commercial and residential units and 2,117 car parks in various blocks of Phases 5 and 6 of Huajing New City. The buildings in Phases 5 and 6 comprise medium-rise and high-rise residential towers plus basements and were completed between 1997 and 2000. As advised by the Group, the unsold commercial and residential portions of the property comprise gross floor areas of 47,672 sq.m. (513,141) sq.ft.) and 15,660 sq.m. (168,564 sq.ft.) respectively, the club house has a gross floor area of 9,786 sq.m. (105,337 sq.ft.) whilst the car parking spaces have a total area of 67,670 sq.m. (728,400 sq.ft.). The land use rights of Huajing New City have been granted for respective terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other uses from 9th August, 1996 and 6th October, 1997 respectively.	Various commercial units and car parking spaces of the property are currently leased on various terms of tenancies whilst the remaining unsold portion of the property is currently vacant.	HK$1,073,000,000 (10% interest proposed to be acquired by the Group: HK$107,300,000)

Notes:–

(1) According to Certificate for the Use of State-owned Land No. (1996) S029 issued by the People's Government of Guangzhou on 8th October, 1996, the land use rights of Phase 5 of Huajing New City, comprising a site area of 52,845 sq.m., have been granted to Guangdong Huajingxincheng Real Estate Limited (廣東華景新城房地產有限公司) for respective terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other uses.

According to Certificate for the Use of State-owned Land No. (1997) S042 issued by the People's Government of Guangzhou on 30th December, 1997, the land use rights of Phase 6 of Huajing New City, comprising a site area of 112,104.28 sq.m., have been granted to Guangdong Huajingxincheng Real Estate Limited (廣東華景新城房地產有限公司) for respective terms of 70 years for residential use, 40 years for commercial and tourism uses and 50 years for other uses.

(2) According to Contract for Grant of State-owned Land Use Rights Nos. (1997) 356, (1996) 046 and Supplementary Agreements entered into between Guangzhou Land Administrative Bureau (the "Grantor") and Guangdong Huajingxincheng Real Estate Limited (廣東華景新城房地產有限公司) (the "Grantee"), the Grantor agreed to grant the land use rights of the property, comprising a site area of 172,828 sq.m. for commercial/residential uses.

(3) According to Co-operative Contract and the Supplemental Contract both entered into between Guangdong Zhujiang Investment Company Limited (廣東珠江投資有限公司) ("Party A") and Hopeson Holdings Limited (合生集團有限公司) ("Party B") on 30th October, 1995 and 26th June, 1997 respectively, the parties have agreed to incorporate a co-operative joint venture company. The salient terms and conditions stipulated in the said contract as amended by the said supplemental contract are cited, inter alia, as follows:–

(i)	Name of the company	:	Guangdong Huajingxincheng Real Estate Limited (廣東華景新城房地產有限公司) ("Huajingxincheng JV")
(ii)	Period of operation	:	30 years from the date of issue of the business licence
(iii)	Total investment amount	:	RMB238,870,000
(iv)	Registered capital	:	RMB93,500,000
(v)	Party A's responsibility	:	to contribute the land use rights of Huajing New City
(vi)	Party B's responsibility	:	to provide the entire of the development capital
(vii)	Profit sharing	:	10% and 90% for Party A and Party B respectively

(4) According to Business Licence No. 002799, Huajingxincheng JV has been incorporated with a registered capital of RMB93,500,000 and an operation period from 4th June, 1996 to 3th June, 2026.

(5) The opinion of the Group's legal adviser on PRC law states, inter alia, that:–

(i) Huajingxincheng JV is legally formed and registered and has been approved by the relevant authorities for business of property developments.

(ii) According to three Planning Permits for Construction Land Nos. (1994) 310, (1997) 102 and (1998) 35, Guangzhou Town Planning Bureau had approved a total site area of 192,170 sq.m. to Guangdong Zhujiang Investment Company and Huajingxincheng JV for the development of commercial/residential land uses.

(iii) Two Certificates for the Use of State-owned Land Nos. (1996) S029 and (1997) S042 respectively with a total site area of 164,949 sq.m. have been issued to Huajingxincheng JV and the land premium for this portion of land was fully paid.

(iv) The design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities and the property has obtained the pre-sale approval from the Land Resources And Real Estate Administrative Bureau of Guangzhou.

(6) We have relied on the information provided by the Group and prepared our valuation on the following assumptions:–

(i) Huajingxincheng JV is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;

(ii) all land premium and other costs of ancillary utilities services of the property have been settled in full;

(iii) the development scale of the property is in compliance with the local planning regulations and has been approved by the relevant authorities;

(iv) the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(v) the property, whether as a whole or on a strata-titled basis, may be disposed of freely to third parties.

(7) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:–

Certificate for the Use of State-owned Land	Yes (part)
Contract for Grant of State-owned Land Use Rights	Yes (part)
Planning Permit for Construction Land	Yes
Planning Permit for Construction Works	Yes
Building Ownership Certificate/Real Estate Certificate	N/A
Permit for Overseas Pre-sale	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th April, 2004
3. The unsold portion of East and Central Areas of Pleasant View Garden, west of Guangzhou Avenue, Haizhu District, Guangzhou, Guangdong Province, the PRC	The property comprises the unsold commercial and residential portions together with 336 car parking spaces in the East and Central Areas of Pleasant View Garden which is a commercial/ residential development planned to comprise various medium-rise to high-rise residential towers with commercial units and car park basement. The buildings were completed between 2002 and 2003. As advised by the Group, the unsold commercial and residential portions of the property comprise a total gross floor area of 4,702 sq.m. (50,612 sq.ft.) and 77,232 sq.m. (831,325 sq.ft.), whilst the car parking spaces have a total area of 11,093 sq.m. (119,405 sq.ft.). The land use rights of the property have been granted for respective terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other uses.	Various commercial units and car parking spaces of the property are currently leased on various terms of tenancies whilst the remaining unsold portion of the property is currently vacant.	HK$403,000,000 (24.65% Interest proposed to be acquired by the Group: HK$99,339,500)

Notes:–

(1) According to various Planning Permits for Construction Land issued by the Urban Planning Bureau of Guangzhou, the whole development of Pleasant View Garden comprises the following pieces of land:–

Permit No.	Date of issue	Land user	Site area *sq.m.*	Road area *sq.m.*
1996-706	1996/06/06	廣州安信工程顧問有限公司	15,397	1,771
1996-599	1997/01/15	廣州市粵騰房地產有限公司	19,640	5,615
1996-730	1998/01/21	廣州市粵騰房地產有限公司 廣東建設實業集團公司	6,281	783
1996-4	1998/05/19	廣州市海珠區人民政府 廣東珠江投資公司	81,668	14,491
1996-666	1998/01/21	廣東珠江實業發展公司	14,177	712
1995-28	1997/08/20	廣東珠江實業發展公司	21,440	2,743
1996-586	1997/01/14	廣州新南方房地產開發有限公司	12,078	1,823

Permit No.	Date of issue	Land user	Site area *sq.m.*	Road area *sq.m.*
1996-585	1998/01/21	廣州通瑞達房地產實業有限公司	18,365	4,710
1998-319	1998/08/25	廣州葉劍英史料研究會 廣東珠江投資公司	25,299	6,809
1996-569	1997/01/14	廣州珠光房地產開發有限公司	16,249	1,823
1995-165	1995/10/18	廣東珠江投資公司	27,402	7,892
1994-489	1995/04/13	廣東珠江投資公司	14,174	1,799
1996-86	1996/05/02	廣東珠江投資公司廣州開發中心	4,465	971
1998-76	1998/07/15	廣東珠江投資公司	106,788	24,258

(2) According to Reply Document No. (1999) 28 issued by the Urban Planning Bureau of Guangzhou in April 1999, the development scale of Pleasant View Garden is permitted to comprise high-rise buildings with an average plot ratio of 2.8 – 3 whilst the plot ratio for residential is 2.2.

(3) As advised by the Group, Pleasant View Garden is owned by four co-operative joint-venture companies, namely Guangzhou Hopson Yijing Real Estate Limited (廣州合生逸景房地產有限公司) ("Hopson Yijing"), Guangdong Hopson Lejing Real Estate Limited (廣東合生樂景房地產有限公司) ("Hopson Lejing"), Guangdong New Tai An Real Estate Limited (廣東新泰安房地產有限公司) ("New Tai An"), and Guang Zhou Hopson Cuijing Real Estate Limited (廣州合生翠景房地產有限公司) ("Hopson Cuijing") and a Chinese enterprise, Guangzhou Zhuguang Real Estate Development Company Limited (廣州珠光房地產開發有限公司) ("Guangzhou Zhuguang").

(4) According to a copy of Supplemental Agreement of Joint Development dated 15th February, 2002 provided by the Group, the various land lots comprising the subject development will be contributed by the above-mentioned joint venture companies of the Group, namely Hopson Yijing, Hopson Lejing, New Tai An and Hopson Cuijing, and the aforesaid Chinese enterprise Guangzhou Zhuguang. The proposed equity sharings of the respective companies in the property will be in accordance with their respective contributions as follows:–

Company	Site area to be contributed	Equity sharing in the property
Hopson Yijing	93,746 sq.m.	26.18%
Hopson Lejing	192,637 sq.m.	53.79%
New Tai An	14,174 sq.m.	3.96%
Guangzhou Zhuguang	16,249 sq.m.	4.54%
Hopson Cuijing	41,318 sq.m.	11.53%

The site area attributable to the joint venture companies in which the Group has interests is 358,124 sq.m..

(5) As advised by the Group, Hopson Yijing, Hopson Lejing, New Tai An, Guangzhou Zhuguang and Hopson Cuijing are in the course of obtaining the land use rights of the respective land lots of Pleasant View Garden and will contribute the same to the development of the property.

(6) The opinion of the Group's legal adviser on PRC law states, inter alia, that:–

(i) Guangzhou Town Planning Bureau had approved by various Planning Permits for Construction Land with a total site area of 300,577 sq.m. in favour of Hopson Yijing, Hopson Lejing and New Tai An for the development of commercial/residential land uses.

(ii) The above companies have been granted by the Land Resources And Real Estate Administrative Bureau of Guangzhou various Contracts for Grant of State-owned Land Use Rights with a total site area of 114,091.51 sq.m.

(iii) Five Certificates for the Use of State-owned Land with a total site area of 71,170.5 sq.m. have been issued to Hopson Yijing, Hopson Lejing and New Tai An and the land premium for this portion of land was fully paid.

(iv) The design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities and the property has obtained the pre-sale approval from the Land Resources And Real Estate Administrative Bureau of Guangzhou.

(7) We have based on the information provided by the Group and prepared our valuation on the following assumptions:–

(i) Hopson Yijing, Hopson Lejing, New Tai An, Guangzhou Zhuguang and Hopson Cuijing are in possession of proper legal titles to the property and are entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;

(ii) all land premium and other costs of ancillary utilities services of the property have been settled in full;

(iii) the development scale of the property is in compliance with the local planning regulations and has been approved by the relevant authorities;

(iv) the property may be disposed of freely to both local and overseas purchasers and

(v) the proposed joint venture companies as mentioned in Note (4) above have been lawfully incorporated and the Group's interests in the respective proposed joint venture companies are legally binding.

(8) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows :–

Certificate for the Use of State-owned Land	Yes (part)
Contract for Grant of State-owned Land Use Rights	Yes
Building Ownership Certificate/Real Estate Certificate	N/A
Planning Permit for Construction Land	Yes
Planning Permit for Construction Works	Yes
Permit for Overseas Pre-sale	Yes
Business Licence	N/A

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th April, 2004
4. The unsold portion of Phases I and II, Regal Riviera, east side of Guangzhou Avenue, Chigang, Haizhu District, Guangzhou, Guangdong Province, the PRC	The property comprises the unsold commercial and residential portions, hotel/club house and 690 car parking spaces in Phases I and II of Regal Riviera. Phases I and II of the development comprise 49 residential/composite buildings of 14 or 19 stores plus a basement and a 4-storey plus basement hotel/club house which were completed between 2002 and 2004. As advised by the Group, the unsold commercial and residential portions and the hotel/club house of the property comprise gross floor areas of 12,162 sq.m. (130,912 sq.ft.), 158,208 sq.m. (1,702,951 sq.ft.) and 32,338 sq.m. (348,086 sq.ft.) respectively, whilst the unsold car parking spaces have a total area of 50,733 sq.m. (546,090 sq.ft.). The land use rights of the property have been granted for respective terms of 70 years for residential use and 50 years for other uses from the date of issue of the Approval Letter for Construction Land.	Various commercial units and car parking spaces of the property are currently leased on various terms of tenancies whilst the remaining unsold portion of the property is currently vacant.	HK$680,400,000 (59.5% Interest proposed to be acquired by the Group: HK$404,838,000)

Notes:–

(1) According to Certificate for the Use of State-owned Land No. (2000) S063 issued by the People's Government of Guangzhou in May 2000, the land use rights of a portion of the property, comprising a site area of 249,262 sq.m., have been granted to Guangzhou Zhujiang Qiaodao Real Estate Limited (廣州珠江僑都房地產有限公司) for respective terms of 70 years for residential use, 40 years for commercial/tourism/entertainment uses and 50 years for other uses.

(2) According to Contract for Grant of State-owned Land Use Rights No.(98) 490 entered into between Guangzhou Land Bureau ("the Grantor") and 廣州三聯華僑房產有限公司 ("the Grantee") on 31st December, 1998, the Grantor agreed to grant the land use rights of the property, comprising a site area of 618,861 sq.m. and with respective land use terms of 70 years for residential use, 40 years for commercial/tourism/entertainment uses and 50 years for industrial and other uses, to the Grantee at a land grant fee of RMB230,707,212.

(3) According to Document No. (2000) 24 issued by Guangzhou Land and Real Estate Administrative Bureau on 14th February, 2000, consent has been given to Guangzhou Zhujiang Qiaodao Real Estate Limited (廣州珠江僑都房地產有限公司) for being the land user in lieu of 廣州三聯華僑房產有限公司 to occupy the land situated on the east of Guangzhou Avenue, south of Pearl River, north of Xinshitou Village and west of Chigangchong and with an area of 654,107 sq.m..

(4) According to two Approval Letters for Construction Land Nos. (2000) 120 and (2000) 236 dated 20th April, 2000 and 19th June, 2000 respectively, the land user of two portions of the property, comprising site areas of 312,887 sq.m. and 212,570 sq.m. respectively, is Guangzhou Zhujiang Qiaodao Real Estate Limited (廣州珠江僑都房地產有限公司).

(5) According to Co-operative Contract entered into between 廣州三聯華僑房產有限公司 ("Party A"), Guangdong Zhujiang Investment Company Limited (廣東珠江投資有限公司) ("Party B") and Outward Expanse Investments Limited (廣大投資有限公司) on 12th January, 1998, the parties have agreed to incorporate a co-operative joint venture company. The salient terms and conditions stipulated in the said contract as amended by various supplemental contracts are cited, inter alia, as follows:–

(i)	Name of the company	:	Guangzhou Zhujiang Qiaodao Real Estate Limited (廣州珠江僑都房地產有限公司) ("Qiaodao JV")		
(ii)	Period of operation	:	25 years from the date of issue of the business licence		
(iii)	Total investment amount	:	RMB1,600,000,000		
(iv)	Registered capital	:	RMB534,000,000		
(v)	Capital contribution	:	Party A	:	to provide the land use rights of the property
			Party B	:	42.86% of all development capital
			Party C	:	57.14% of all development capital
(vi)	Profit sharing	:	Party A	:	30%
			Party B	:	30%
			Party C	:	40%
(vii)	Loss sharing	:	Party B	:	42.86%
			Party C	:	57.14%

(6) According to Business Licence No. 005246, Qiaodao JV was incorporated with a registered capital of RMB534,000,000 and an operation period from 16th January, 1998 to 16th January, 2023 and its scope of business includes development, construction, sale, leasing and management of the property.

(7) The opinion of the Group's legal adviser on PRC law states, inter alia, that:–

(i) Qiaodao JV is legally formed and registered and has been approved by the relevant authorities for business of property developments.

(ii) According to three Planning Permits for Construction Land Nos. (91) 0745 and (91) 0766, Guangzhou Town Planning Bureau had approved a total site area of 654,107 sq.m. to Qiaodu JV for composite developments. However, according to a document No. (2003) 3310 dated 1st September, 2003 issued to the Land Resources And Real Estate Administrative Bureau of Guangzhou, it was requested by Guangzhou Town Planning Bureau to take back a site area of 223,648.2 sq.m.. The procedure for such a request is processing.

(iii) Two Certificates for the Use of State-owned Land with a total site area of 424,667 sq.m. have been issued to Qiaodao JV and the land premium for this portion of land was partly paid.

(iv) The design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities and the property has obtained the pre-sale approval from the Land Resources And Real Estate Administrative Bureau of Guangzhou.

(8) We have relied on the information provided by the Group and prepared our valuation on the following assumptions:–

(i) Qiaodao JV is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;

(ii) all land premium and other costs of ancillary utilities services have been settled in full;

(iii) the development scale of the property is in compliance with the local planning regulations and has been approved by the relevant authorities;

(iv) the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(v) the property may be disposed of freely to both local and overseas purchasers.

(9) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:–

Certificate for the Use of State-owned Land	Yes (part)
Contract for Grant of State-owned Land Use Rights	Yes (part)
Planning Permit for Construction Land	Yes
Planning Permit for Construction Works	Yes
Building Ownership Certificate/Real Estate Certificate	N/A
Permit for Overseas Pre-sale	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th April, 2004
5. The unsold portion of Central Area of Beijing Fresh Life Garden, Bangzijing Village, Sanjianfang Town, Chaoyang District, Beijing, the PRC	The property comprises the unsold commercial and residential portions and club house in the Central Area of Beijing Fresh Life Garden providing various medium-rise residential towers with a commercial podium completed in 2003. As advised by the Group, the unsold commercial and residential portions of the property comprise a total gross floor area of 1,938 sq.m. (20,861 sq.ft.) and 13,859 sq.m. (149,178 sq.ft.) respectively, whilst the club house has a gross floor area of 4,767 sq.m. (51,312 sq.ft.). The land use rights of the property will be granted for respective terms of 70 years for residential use, 40 years for commercial use and 50 years for other uses due to expire on 2nd July, 2072 and 3rd July, 2072 respectively.	Various commercial units and car parking spaces of the property are currently leased on various terms of tenancies whilst the remaining unsold portion of the property is currently vacant.	HK$81,300,000 (30% interest proposed to be acquired by the Group: HK$24,390,000)

Notes:–

(1) According to the Agreement entered into between BJ Zhujiang ("Party A") and Pomeroy Properties Limited (邦萊置業有限公司) ("Party B") on 8th January, 2002, the parties shall establish a co-operative joint venture company to develop the property. The salient terms and conditions stipulated in the proposed co-operative joint venture contract attached to the said agreement are cited, inter alia, as follows:–

(i)	Name of the company	:	Beijing Hopson Lu Zhou Real Estate Development Limited (北京合生綠洲房地產開發有限公司) ("Lu Zhou JV")
(ii)	Period of operation	:	30 years from the date of issue of the business licence
(iii)	Total investment amount	:	RMB300,000,000
(iv)	Registered capital	:	RMB100,000,000

(v)	Capital contribution	:	Party A	:	RMB30,000,000 (30% of registered capital)
			Party B	:	RMB70,000,000 (70% of registered capital)
(vi)	Profit/Loss sharing	:	Party A	:	30%
			Party B	:	70%
(vii)	Period of operation	:	30 years from the date of issue of the business licence		

As advised by the Group, BJ Zhujiang is responsible for the payment of a compensation amount of RMB168,000,000, of which approximately RMB111,000,000 has been paid to date and approximately RMB57,000,000 remain outstanding and payable by BJ Zhujiang. Such amount will ultimately be borne by Lu Zhou JV by reimbursement to BJ Zhujiang. Lu Zhou JV will also be responsible for the land grant fee in an estimated amount of RMB30,000,000, subject to the negotiation between Lu Zhou JV and the local land bureau.

(2) The opinion of the Group's legal adviser on PRC law states, inter alia, that:–

(i) Lu Zhou JV is legally formed and registered and has been approved by the relevant authorities for business of property developments.

(ii) Beijing Town Planning Committee had approved a total site area of 59,640 sq.m. in favour of Lu Zhou JV for residential uses.

(iii) Lu Zhou JV has been granted by the People's Government of Beijing four Certificates for the Use of State-owned Land with a total site area of 47,110.5 sq.m.

(iv) The design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities and the property has obtained the pre-sale approval from the Land Resources And Real Estate Administrative Bureau of Beijing.

(3) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:–

(i) Lu Zhou JV is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;

(ii) all land premium and other costs of ancillary utilities services of the property have been settled in full;

(iii) the development scale of the property is in compliance with the local planning regulations and has been approved by the relevant authorities; and

(iv) the planning and design of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities;

(v) the property may be disposed of freely to third parties; and

(4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:–

Certificate for the Use of State-owned Land	Yes (part)
Contract for Grant of State-owned Land Use Rights	Yes (part)
Planning Permit for Construction Land	Yes
Planning Permit for Construction Works	Yes
Building Ownership Certificate/Real Estate Certificate	N/A
Permit for Pre-sale	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Properties held under construction or for future development by the Group

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th April, 2004
6. The remaining portion of Huanan New City, Panyu District, Guangzhou, Guangdong Province, the PRC	The property comprises the remaining portion (other than the sold and completed portion) of Huanan New City which is planned to comprise a total site area of 1,363,405.5 sq.m. (14,675,697 sq.ft.). As advised by the Group, the property is proposed to be developed into a commercial/ residential development with the remaining planned total gross floor areas of 26,628 sq.m. (286,624 sq.ft.) for commercial uses and 2,043,707 sq.m. (21,998,462 sq.ft.) for residential use together with car parking spaces of 257,930 sq.m. (2,776,359 sq.ft.). The land use rights of the property have been granted for respective terms due to expire on 28th September, 2071 and 27th September, 2071.	The property is currently either under construction or undeveloped.	HK$706,000,000 (39% interest proposed to be acquired by the Group: HK$275,340,000)

Notes:–

(1) According to Certificate for the Use of State-owned Land No. (2002) G05-000232 issued by the People's Government of Panyu District, Guangzhou on 24th June, 2002, the land use rights of a portion of the property, comprising a site area of 103,782.50 sq.m., have been granted to Guangdong Huanan New City Real Estate Limited (廣東華南新城房地產有限公司) for a term of years due to expire on 28th September, 2071 for "Commercial/Residential" use.

According to Certificate for the Use of State-owned Land No. (2002) G05-000272 issued by the People's Government of Panyu District, Guangzhou on 18th September, 2002, the land use rights of a portion of the property, comprising a site area of 37,789.70 sq.m., have been granted to Guangdong Huanan New City Real Estate Limited (廣東華南新城房地產有限公司) for a term due to expire on 8th August, 2071 for "Commodity Residential" use.

(2) According to Contract for Grant of State-owned Land Use Rights No. (2001) 293 entered into between Guangzhou Land Resources and Real Estate Administrative Bureau (the "Grantor") and Guangdong Huanan New City Real Estate Limited (廣東華南新城房地產有限公司) (the "Grantee") on 28th September, 2001, the Grantor agreed to grant the land use rights of the property, comprising a site area of 332,322 sq.m. for "Real Estate Development" use, to the Grantee at a land grant fee of RMB38,217,030.

According to Contract for Grant of State-owned Land Use Rights No. (2002) 182 entered into between the Grantor and the Grantee on 9th August, 2002, the Grantor agreed to grant the land use rights of the property, comprising a site area of 332,174 sq.m. for "Commodity Residential" use, to the Grantee at a land grant fee of RMB38,200,010.

(3) According to Co-operative Contract entered into between Panyu Zhujiang Real Estate Limited (番禺珠江房地產有限公司) ("Party A") and Archibald Properties Limited (愛寶置業有限公司) ("Party B") on 16th February, 2000, the parties have agreed to incorporate a co-operative joint venture company. The salient terms and conditions stipulated in the said contract are cited, inter alia, as follows:–

(i)	Name of the company	:	Guangdong Huanan New City Real Estate Limited (廣東華南新城房地產有限公司) ("Huanan JV")		
(ii)	Period of operation	:	20 years from the date of issue of the business licence		
(iii)	Total investment amount	:	RMB1,394,110,200		
(iv)	Registered capital	:	RMB464,750,000		
(v)	Capital contribution	:	Party A	:	RMB185,900,000 (40% of registered capital)
			Party B	:	RMB278,850,000 (60% of registered capital)
(vi)	Profit/Loss sharing	:	Party A	:	40%
			Party B	:	60%

(4) According to Business Licence No. 302075, Huanan JV has been incorporated with a registered capital of RMB464,750,000 and an operation period from 9th June, 2000 to 9th June, 2020.

(5) The opinion of the Group's legal adviser on PRC law states, inter alia, that:–

(i) Huanan JV is legally formed and registered and has been approved by the relevant authorities for business of property developments.

(ii) According to Planning Permits for Construction Land Nos. (2002) 00726 and (2001) 01724, Guangzhou Town Planning Bureau had approved a site area of 1,363,405.5 sq.m. to Huanan JV for the development of commodity housing purpose.

(iii) Upon complying with the relevant laws and regulations, Huanan JV is entitled to obtain the land use rights of the property by phases after entering into Contracts for Grant of State-owned Land Use Rights with the relevant land administrative bureau and settlement of land grant fee. Such procedure has yet to be completed.

(iv) the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities and the property has obtained the pre-sale approval from the Land Resources And Real Estate Administrative Bureau of Guangzhou .

(6) We have relied on the information provided by the Group and the aforesaid legal opinion and prepared our valuation on the following assumptions:–

(i) Huanan JV will be in possession of a proper legal title to the property and will be entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;

(ii) all land premium and other costs of ancillary utilities services would have been settled in full;

(iii) the development scale of the property is in compliance with the local planning regulations and has been approved by the relevant authorities; and

(iv) the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(v) the property, whether as a whole or on a strata-titled basis, may be disposed of freely to third parties.

(7) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:–

Certificate for the Use of State-owned Land	Yes (part)
Contract for Grant of State-owned Land Use Rights	Yes (part)
Planning Permit for Construction Land	Yes
Planning Permit for Construction Works	Yes
Building Ownership Certificate/Real Estate Certificate	N/A
Permit for Overseas Pre-sale	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th April, 2004
7. The remaining portion of Huajing New City, No. 105 Zhongshan Avenue, Tianhe District, Guangzhou, Guangdong Province, the PRC	The property comprises the remaining portion (other than the sold and completed portion) of Huajing New City which is planned to comprise a total site area of 192,170 sq.m. (2,068,518 sq.ft.). As advised by the Group, the property is proposed to be developed into a commercial/residential development with the remaining planned total gross floor areas of 9,820 sq.m. (105,702 sq.ft.) for commercial uses and 224,559 sq.m. (2,417,153 sq.ft.) for residential use together with car parking spaces of 20,939 sq.m. (225,387 sq.ft.). The land use rights of Huajing New City have been granted for respective terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other uses from 9th August, 1996 and 6th October, 1997 respectively.	The property is either currently under construction or undeveloped.	HK$302,000,000 (10% interest proposed to be acquired by the Group: HK$30,200,000)

Notes:–

(1) According to Certificate for the Use of State-owned Land No. (1996) S029 issued by the People's Government of Guangzhou on 8th October, 1996, the land use rights of Phase 5 of Huajing New City, comprising a site area of 52,845 sq.m., have been granted to Guangdong Huajingxincheng Real Estate Limited (廣東華景新城房地產有限公司) for respective terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other uses.

(2) According to another Certificate for the Use of State-owned Land No. (1997) S042 issued by the People's Government of Guangzhou on 30th December, 1997, the land use rights of Phase 6 of Huajing New City, comprising a site area of 112,104.28 sq.m., have been granted to Guangdong Huajingxincheng Real Estate Limited (廣東華景新城房地產有限公司) for respective terms of 70 years for residential use, 40 years for commercial and tourism uses and 50 years for other uses.

(3) According to Co-operative Contract and the Supplemental Contract both entered into between Guangdong Zhujiang Investment Company Limited (廣東珠江投資有限公司) ("Party A") and Hopeson Holdings Limited (合生集團有限公司) ("Party B") on 30th October, 1995 and 26th June, 1997 respectively, the parties have agreed to incorporate a co-operative joint venture company. The salient terms and conditions stipulated in the said contract as amended by the said supplemental contract are cited, inter alia, as follows:–

(i)	Name of the company	:	Guangdong Huajingxincheng Real Estate Limited (廣東華景新城房地產有限公司) ("Huajingxincheng JV")
(ii)	Period of operation	:	30 years from the date of issue of the business licence
(iii)	Total investment amount	:	RMB238,870,000
(iv)	Registered capital	:	RMB93,500,000
(v)	Party A's responsibility	:	to contribute the land use rights of Huajing New City
(vi)	Party B's responsibility	:	to provide the entire of the development capital
(vii)	Profit sharing	:	10% and 90% for Party A and Party B respectively

(4) According to Business Licence No. 002799, Huajingxincheng JV has been incorporated with a registered capital of RMB93,500,000 and an operation period from 4th June, 1996 to 3rd June, 2026.

(5) The opinion of the Group's legal adviser on PRC law states, inter alia, that:–

(i) Huajingxincheng JV is legally formed and registered and has been approved by the relevant authorities for business of property developments.

(ii) According to three Planning Permits for Construction Land Nos. (1994) 310, (1997) 102 and (1998) 35, Guangzhou Town Planning Bureau had approved a total site area of 192,170 sq.m. to Guangdong Zhujiang Investment Company and Huajingxincheng JV for the development of commercial/residential land uses.

(iii) Upon complying with the relevant laws and regulations, Huajingxincheng JV is entitled to obtain the land use rights of the property by phases after entering into Contracts for Grant of State-owned Land Use Rights with the relevant land administrative bureau and settlement of land grant fee. Such procedure has yet to be completed.

(iv) The design and construction of the development under construction are in compliance with the local planning regulations and have been approved by the relevant authorities and the property has obtained the pre-sale approval from the Land Resources And Real Estate Administrative Bureau of Guangzhou.

(6) We have relied on the information provided by the Group and prepared our valuation on the following assumptions:–

(i) Huajingxincheng JV will be in possession of a proper legal title to the property and will be entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;

(ii) all land premium and other costs of ancillary utilities services would have been settled in full;

(iii) the development scale of the property is in compliance with the local planning regulations and has been approved by the relevant authorities;

(iv) the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(v) the property, whether as a whole or on a strata-titled basis, may be disposed of freely to third parties.

(7) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:–

Certificate for the Use of State-owned Land	Yes (part)
Contract for Grant of State-owned Land Use Rights	Yes (part)
Building Ownership Certificate/Real Estate Certificate	Yes
Planning Permit for Construction Land	Yes
Planning Permit for Construction Works	Yes
Permit for Overseas Pre-sale	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th April, 2004
8. The remaining portion of Pleasant View Garden, west of Guangzhou Avenue, Haizhu District, Guangzhou, Guangdong Province, the PRC	The property comprises the remaining portion (other than the sold and completed portion) of Pleasant View Garden which is planned to comprise a total site area of approximately 358,124 sq.m. (3,854,847 sq.ft.). As advised by the Group, the property is proposed to be developed into a commercial/ residential development with the remaining planned total gross floor areas of 36,809 sq.m. (396,212 sq.ft.) for commercial uses and 665,712 sq.m. (7,165,724 sq.ft.) for residential use together with club house of 5,079 sq.m. (54,670 sq.ft.) and car parking spaces of 66,752 sq.m. (718,519 sq.ft.). The land use rights of the property have been granted for respective terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other uses.	The property is currently either under construction or undeveloped.	HK$820,000,000 (24.65% Interest proposed to be acquired by the Group: HK$202,130,000)

Notes:–

(1) According to various Planning Permits for Construction Land issued by the Urban Planning Bureau of Guangzhou, the whole development of Pleasant View Garden comprises the following pieces of land:–

Permit No.	Date of issue	Land user	Site area *sq.m.*	Road area *sq.m.*
1996-706	1996/06/06	廣州安信工程顧問有限公司	15,397	1,771
1996-599	1997/01/15	廣州市粵騰房地產有限公司	19,640	5,615
1996-730	1998/01/21	廣州市粵騰房地產有限公司 廣東建設實業集團公司	6,281	783
1996-4	1998/05/19	廣州市海珠區人民政府 廣東珠江投資公司	81,668	14,491
1996-666	1998/01/21	廣東珠江實業發展公司	14,177	712
1995-28	1997/08/20	廣東珠江實業發展公司	21,440	2,743
1996-586	1997/01/14	廣州新南方房地產開發有限公司	12,078	1,823

Permit No.	Date of issue	Land user	Site area *sq.m.*	Road area *sq.m.*
1996-585	1998/01/21	廣州通瑞達房地產實業有限公司	18,365	4,710
1998-319	1998/08/25	廣州葉劍英史料研究會 廣東珠江投資公司	25,299	6,809
1996-569	1997/01/14	廣州珠光房地產開發有限公司	16,249	1,823
1995-165	1995/10/18	廣東珠江投資公司	27,402	7,892
1994-489	1995/04/13	廣東珠江投資公司	14,174	1,799
1996-86	1996/05/02	廣東珠江投資公司廣州開發中心	4,465	971
1998-76	1998/07/15	廣東珠江投資公司	106,788	24,258

(2) According to Reply Document No. (1999) 28 issued by the Urban Planning Bureau of Guangzhou in April 1999, the development scale of Pleasant View Garden is permitted to comprise high-rise buildings with an average plot ratio of 2.8 – 3 whilst the plot ratio for residential is 2.2.

(3) As advised by the Group, Pleasant View Garden is owned by four co-operative joint-venture companies, namely Guangzhou Hopson Yijing Real Estate Limited (廣州合生逸景房地產有限公司) ("Hopson Yijing"), Guangdong Hopson Lejing Real Estate Limited (廣東合生樂景房地產有限公司) ("Hopson Lejing"), Guangdong New Tai An Real Estate Limited (廣東新泰安房地產有限公司) ("New Tai An"), and Guang Zhou Hopson Cuijing Real Estate Limited (廣州合生翠景房地產有限公司) ("Hopson Cuijing") and a Chinese enterprise, Guangzhou Zhuguang Real Estate Development Company Limited (廣州珠光房地產開發有限公司) ("Guangzhou Zhuguang").

(4) According to a copy of Supplemental Agreement of Joint Development dated 15th February, 2002 provided by the Group, the various land lots comprising the subject development will be contributed by the above-mentioned joint venture companies of the Group, namely Hopson Yijing, Hopson Lejing, New Tai An and Hopson Cuijing, and the aforesaid Chinese enterprise Guangzhou Zhuguang. The proposed equity sharings of the respective companies in the property will be in accordance with their respective contributions as follows:–

Company	Site area to be contributed	Equity sharing in the property
Hopson Yijing	93,746 sq.m.	26.18%
Hopson Lejing	192,637 sq.m.	53.79%
New Tai An	14,174 sq.m.	3.96%
Guangzhou Zhuguang	16,249 sq.m.	4.54%
Hopson Cuijing	41,318 sq.m.	11.53%

The site area attributable to the joint venture companies in which the Group has interests is 358,124 sq.m..

(5) As advised by the Group, Hopson Yijing, Hopson Lejing, New Tai An, Guangzhou Zhuguang and Hopson Cuijing are in the course of obtaining the land use rights of the respective land lots of Pleasant View Garden and will contribute the same to the development of the property.

(6) The opinion of the Group's legal adviser on PRC law states, inter alia, that:–

(i) Hopson Yijing, Hopson Lejing and New Tai An are legally formed and registered and have been approved by the relevant authorities for business of property developments

(ii) According to Planning Permits for Construction Land Nos. (1996) 586, (1996) 004, (1995) 028, (1995) 165, (1996) 585, (1996) 666, (1998) 076, (1996) 086 and (1994) 489, Guangzhou Town Planning Bureau had approved a total site area of 300,577 sq.m. to Hopson Yijing, Hopson Lejing and New Tai An for the development of commercial/residential land uses.

(iii) Upon complying with the relevant laws and regulations, the above Companies are entitled to obtain the land use rights of the property by phases after entering into Contracts for Grant of State-owned Land Use Rights with the relevant land administrative bureau and settlement of land grant fee. Such procedure has yet to be completed.

(iv) The design and construction of the development under construction are in compliance with the local planning regulations and have been approved by the relevant authorities and the property has obtained the pre-sale approval from the Land Resources And Real Estate Administrative Bureau of Guangzhou.

(7) We have based on the information provided by the Group and prepared our valuation on the following assumptions:–

(i) Guangzhou Hopson Yijing Real Estate Limited, Guangdong Hopson Lejing Real Estate Limited, Guangdong New Tai An Real Estate Limited, Guangzhou Zhuguang Real Estate Development Limited Co., Ltd. and Guang Zhou Hopson Cuijing Real Estate Limited will be in possession of proper legal titles to the property and will be entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;

(ii) all land premium and other costs of ancillary utilities services would have been settled in full;

(iii) the development scale of the property is in compliance with the local planning regulations and has been approved by the relevant authorities;

(iv) the property may be disposed of freely to both local and overseas purchasers and

(v) the proposed joint venture companies as mentioned in Note (4) above will be lawfully incorporated and the Group's interests in the respective proposed joint venture companies will be legally binding.

(8) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows :–

Certificate for the Use of State-owned Land	Yes (part)
Contract for Grant of State-owned Land Use Rights	Yes
Building Ownership Certificate/Real Estate Certificate	N/A
Planning Permit for Construction Land	Yes
Planning Permit for Construction Works	Yes
Permit for Overseas Pre-sale	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th April, 2004
9. The remaining portion of Regal Riviera, east side of Guangzhou Avenue, Chigang, Haizhu District, Guangzhou, Guangdong Province, the PRC	The property comprises the remaining portion (other than the sold and completed portion) of The Regal Riviera which is planned to comprise a total site area of approximately 424,667 sq.m. (4,571,116 sq.ft.). As advised by the Group, the property is proposed to be developed into a commercial/ residential development with the remaining planned total gross floor areas of 8,717 sq.m. (93,830 sq.ft.) for commercial uses and 671,831 sq.m. (7,231,589 sq.ft.) for residential use together with car parking spaces of 121,638 sq.m. (1,309,311 sq.ft.). The land use rights of the property have been granted for respective terms of 70 years for residential use and 50 years for other uses from the date of issue of the Approval Letter for Construction Land.	The property is either currently under construction or undeveloped.	HK$1,279,600,000 (59.5% Interest proposed to be acquired by the Group: HK$761,362,000)

Notes:–

(1) According to Certificate for the Use of State-owned Land No. (2000) S063 issued by the People's Government of Guangzhou in May 2000, the land use rights of a portion of the property, comprising a site area of 249,262 sq.m., have been granted to Guangzhou Zhujiang Qiaodao Real Estate Limited (廣州珠江僑都房地產有限公司) for respective terms of 70 years for residential use, 40 years for commercial/tourism/entertainment uses and 50 years for other uses.

According to Certificate for the Use of State-owned Land No. (2001) S059 issued by the People's Government of Guangzhou in March 2001, the land use rights of a portion of the property, comprising a site area of 175,405 sq.m., have been granted to Guangzhou Zhujiang Qiaodao Real Estate Limited (廣州珠江僑都房地產有限公司) for respective terms of 70 years for residential use, 40 years for commercial/tourism/ entertainment uses and 50 years for other uses.

(2) According to Contract for Grant of State-owned Land Use Rights No.(98) 490 entered into between Guangzhou Land Bureau ("the Grantor") and 廣州三聯華僑房產有限公司 ("the Grantee") on 31st December, 1998, the Grantor agreed to grant the land use rights of the property, comprising a site area of 618,861 sq.m. and with respective land use terms of 70 years for residential use, 40 years for commercial/ tourism/entertainment uses and 50 years for industrial and other uses, to the Grantee at a land grant fee of RMB230,707,212.

(3) According to Document No. (2000) 24 issued by Guangzhou Land and Real Estate Administrative Bureau on 14th February, 2000, consent has been given to Guangzhou Zhujiang Qiaodao Real Estate Limited (廣州珠江僑都房地產有限公司) for being the land user in lieu of 廣州三聯華僑房產有限公司 to occupy the land situated on the east of Guangzhou Avenue, south of Pearl River, north of Xinshitou Village and west of Chigangchong and with an area of 654,107 sq.m..

(4) According to two Approval Letters for Construction Land Nos. (2000) 120 and (2000) 236 dated 20th April, 2000 and 19th June, 2000 respectively, the land user of two portions of the property, comprising site areas of 312,887 sq.m. and 212,570 sq.m. respectively, is Guangzhou Zhujiang Qiaodao Real Estate Limited (廣州珠江僑都房地產有限公司).

(5) According to Co-operative Contract entered into between 廣州三聯華僑房產有限公司 ("Party A"), Guangdong Zhujiang Investment Company Limited (廣東珠江投資有限公司) ("Party B") and Outward Expanse Investments Limited (廣大投資有限公司) ("Party C") on 12th January, 1998, the parties have agreed to incorporate a co-operative joint venture company. The salient terms and conditions stipulated in the said contract as amended by various supplemental contracts are cited, inter alia, as follows:–

(i)	Name of the company	:	Guangzhou Zhujiang Qiaodao Real Estate Limited (廣州珠江僑都房地產有限公司) ("Qiaodao JV")		
(ii)	Period of operation	:	25 years from the date of issue of the business licence		
(iii)	Total investment amount	:	RMB1,600,000,000		
(iv)	Registered capital	:	RMB534,000,000		
(v)	Capital contribution	:	Party A	:	to provide the land use rights of the property
			Party B	:	42.86% of all development capital
			Party C	:	57.14% of all development capital
(vi)	Profit sharing	:	Party A	:	30%
			Party B	:	30%
			Party C	:	40%
(vii)	Loss sharing	:	Party B	:	42.86%
			Party C	:	57.14%

(6) According to Business Licence No. 005246, Qiaodao JV was incorporated with a registered capital of RMB534,000,000 and an operation period from 16th January, 1998 to 16th January, 2023 and its scope of business includes development, construction, sale, leasing and management of the property.

(7) The opinion of the Group's legal adviser on PRC law states, inter alia, that:–

(i) Qiaodao JV is legally formed and registered and has been approved by the relevant authorities for business of property developments.

(ii) According to three Planning Permits for Construction Land Nos. (91) 0745 and (91) 0766, Guangzhou Town Planning Bureau had approved a total site area of 654,107 sq.m. to Qiaodu JV for composite developments. However, according to a document No. (2003) 3310 dated 1st September, 2003 issued to the Land Resources And Real Estate Administrative Bureau of Guangzhou, it was requested by Guangzhou Town Planning Bureau to take back a site area of 223,648.2 sq.m.. The procedure for such a request is processing.

(iii) Upon complying with the relevant laws and regulations, Qiaodao JV is entitled to obtain the land use rights of the property by phases after entering into Contracts for Grant of State-owned Land Use Rights with the relevant land administrative bureau and settlement of land grant fee. Such procedure has yet to be completed.

(iv) The design and construction of the development under construction are in compliance with the local planning regulations and have been approved by the relevant authorities and the property has obtained the pre-sale approval from the Land Resources And Real Estate Administrative Bureau of Guangzhou.

(8) We have relied on the information provided by the Group and prepared our valuation on the following assumptions:–

(i) Qiaodao JV will be in possession of a proper legal title to the property and will be entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;

(ii) all land premium and other costs of ancillary utilities services would have been settled in full;

(iii) the development scale of the property is in compliance with the local planning regulations and has been approved by the relevant authorities;

(iv) the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(v) the property may be disposed of freely to both local and overseas purchasers.

(9) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:–

Certificate for the Use of State-owned Land	Yes (part)
Contract for Grant of State-owned Land Use Rights	Yes (part)
Planning Permit for Construction Land	Yes
Planning Permit for Construction Works	Yes
Building Ownership Certificate/Real Estate Certificate	N/A
Permit for Overseas Pre-sale	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th April, 2004
10. Zhujiang International Building, Nos. 114-116 Yuehua Road, Yuexiu District, Guanzhou, Guangdong Province, the PRC	The property comprises an irregular-shaped site with an area of 6,560 sq.m. (70,612 sq.ft.). The proposed development is planned to comprise a commercial development with a total gross floor area of approximately 82,298 sq.m. (885,856 sq.ft.) together with car parking spaces of 19,862 sq.m. (213,795 sq.ft.). The land use rights of the property have been granted for respective terms of 70 years for residential use and 40 years for commercial, tourism and entertainment uses from 5th October, 1997.	The property comprises a vacant site currently under construction.	HK$175,000,000 (10% interest proposed to be acquired by the Group: HK$17,500,000)

Notes:–

(1) According to the Certificate for the Use of State-owned Land No. (1997) S044 issued by the People's Government of Guangzhou on 30th December, 1997, the land use rights of the property, comprising a site area of 4,717.83 sq.m., have been granted to Guangdong Hopson Yuehua Real Estate Limited (廣東合生越華房地產有限公司) for respective terms of 70 years for residential use and 40 years for commercial, tourism and entertainment uses.

(2) According to the Contract for Grant of State-owned Land Use Rights No. (1997) 354 entered into between the Land Bureau of Guangzhou ("Party A") and Guangdong Hopson Yuehua Real Estate Limited (廣東合生越華房地產有限公司) ("Party B") on 25th September, 1997, Party A agreed to grant the land use rights of the property, comprising a site area of 6,560 sq.m. to Party B at a land grant fee of RMB41,531,680.

(3) According to Document No. (1995) 759 issued by the Urban Planning Administrative Bureau of Guangzhou on 2nd November, 1995, the development scale of the property is permitted to comprise a total gross floor area of 100,624 sq.m.

(4) According to Co-operative Contract and the Supplemental Contract entered into between Guangdong Zhujiang Investment Company Limited (廣東珠江投資有限公司) ("Party A") and Sound Zone Properties Limited (尚駿置業有限公司) ("Party B") on 26th June, 1997 and a Transfer Agreement between Party A, Party B and Nambour Properties Limited (南博置業有限公司) ("Party C") on 20th February, 2004 respectively, the parties have agreed to incorporate a co-operative joint-venture company ("the CJV"). The salient conditions as stipulated in the said contract as amended by the supplemental contract are, inter alia, cited as follows:–

(i)	Name of the CJV	:	Guangdong Hopson Yuehua Real Estate Limited (廣東合生越華房地產有限公司) ("the CJV")
(ii)	Period of operation	:	30 years from the date of issue of the business licence
(iii)	Total investment amount	:	RMB97,120,000

(iv) Registered capital : RMB41,500,000

(v) Party A's responsibility : to provide the development rights to the property and be responsible for submitting application to the relevant government departments

(vi) Party C's responsibility : to provide the entire of the development capital

(vii) Profit sharing : Party A and Party C are entitled to 10% and 90% equity interest in the CJV after compensation of 14,380 sq.m. of gross floor area plus 40% of the basement area of Guangdong Light Textile Factory

(5) According to the Business Licence No. 002948 dated 19th February, 1998, the CJV was incorporated with a registered capital of RMB41,500,000 and an operation period from 1st August, 1997 to 31st July, 2027 and its scope of business includes development, construction, leasing, sale and management of the property.

(6) The opinion of the Group's legal adviser on PRC law states, inter alia, that:–

(i) The CJV has been lawfully incorporated a registered capital of RMB41,500,000 and an operation term of 30 years from 1st August, 1997 to 31st July, 2027 pursuant to a business licence.

(ii) The CJV shall compensate a gross floor area of 14,380 sq.m. (excluding basement) to Guangdong Light Textile Factory. Sound Zone Properties Ltd., a subsidiary of the Group, is entitled to 90% equity sharing in the CJV after the aforesaid compensation.

(iii) The CJV was granted a Contract for Grant of State-owned Land Use Rights with a site area of 6,560 sq.m. of which 4,717.83 sq.m. had been issued with the Certificate for the Use of State-owned Land. Upon full settlement of the land premium according to the land grant contract, the remaining 1,842.17 sq.m. will be granted the Certificate for the Use of State-owned Land.

(7) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:–

(i) The CJV will be in possession of a proper legal title to the property and will be entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;

(ii) all land premium and other costs of ancillary utilities services would have been settled in full;

(iii) the development scale of the property is in compliance with the local planning regulations and has been approved by the relevant authorities;

(iv) the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(v) the property may be disposed of freely to both local and overseas purchasers, even though the Certificate for the Use of State-owned Land is conditional on full payment of the land grant fee.

(8) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and its legal adviser on PRC law are as follows:–

Certificate for the Use of State-owned Land	Yes (part)
Contract for Grant of State-owned Land Use Rights	Yes
Building Ownership Certificate/Real Estate Certificate	N/A
Planning Permit for Construction Land	Yes
Planning Permit for Construction Works	Yes
Approval Notice of Planning Design	Yes
Permit for Overseas Pre-sale	N/A
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th April, 2004
11. The remaining portion of Beijing Fresh Life Garden, Bangzijing Village, Sanjianfang Town, Chaoyang District, Beijing, the PRC	The property comprises the remaining portion (other than the sold and completed portion) of Beijing Fresh Life Garden which is planned to comprise a total site area of approximately 206,310 sq.m. (2,220,721 sq.ft.). As advised by the Group, the property is proposed to be developed into a residential development with the remaining planned total gross floor areas of 168,764 sq.m. (1,816,576sq.ft.) for residential use together with car parking spaces of 21,180 sq.m. (227,982 sq.ft.). The land use rights of the property will be granted for respective terms of 70 years for residential use, 40 years for commercial use and 50 years for other uses due to expire on 2nd July, 2072 and 3rd July, 2072 respectively.	The property is either currently under construction or undeveloped.	HK$361,700,000 (30% interest proposed to be acquired by the Group: HK$108,510,000)

Notes:–

(1) According to the Agreement entered into between BJ Zhujiang ("Party A") and Pomeroy Properties Limited (邦萊置業有限公司) ("Party B") on 8th January, 2002, the parties shall establish a co-operative joint venture company to develop the property. The salient terms and conditions stipulated in the proposed co-operative joint venture contract attached to the said agreement are cited, inter alia, as follows:–

(i)	Name of the company	:	Beijing Hopson Lu Zhou Real Estate Development Limited (北京合生綠洲房地產開發有限公司) ("Lu Zhou JV")
(ii)	Period of operation	:	30 years from the date of issue of the business licence
(iii)	Total investment amount	:	RMB300,000,000
(iv)	Registered capital	:	RMB100,000,000
(v)	Capital contribution	:	Party A : RMB30,000,000 (30% of registered capital) Party B : RMB70,000,000 (70% of registered capital)
(vi)	Profit/Loss sharing	:	Party A : 30% Party B : 70%

As advised by the Group, BJ Zhujiang is responsible for the payment of a compensation amount of RMB168,000,000, of which approximately RMB111,000,000 has been paid to date and approximately RMB57,000,000 remain outstanding and payable by BJ Zhujiang. Such amount will ultimately be borne by Lu Zhou JV by reimbursement to BJ Zhujiang. Lu Zhou JV will also be responsible for the land grant fee in an estimated amount of RMB30,000,000, subject to the negotiation between Lu Zhou JV and the local land bureau.

(2) The opinion of the Group's legal adviser on PRC law states, inter alia, that:–

(i) Lu Zhou JV is legally formed and registered and has been approved by the relevant authorities for business of property developments.

(ii) Beijing Town Planning Committee had approved a net site area of 59,640 sq.m. in favour of Lu Zhou JV for residential uses.

(iii) Lu Zhou JV has been granted by the People's Government of Beijing four Certificates for the Use of State-owned Land with a total site area of 47,110.5 sq.m.

(iv) The design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities and the property has obtained the pre-sale approval from the Land Resources And Real Estate Administrative Bureau of Beijing.

(v) Upon complying with the relevant laws and regulations, Lu Zhou JV is entitled to obtain the land use rights of the property after entering into Contract for Grant of State-owned Land Use Rights with the relevant land administrative bureau and settlement of land grant fee. The usual terms of the land use rights are 70 years for residential use, 40 years for commercial use and 50 years for industrial uses.

(3) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:–

(i) Lu Zhou JV will be in possession of a proper legal title to the property and will be entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;

(ii) all land premium and other costs of ancillary utilities services would have been settled in full;

(iii) the planning and design of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities;

(iv) the property may be disposed of freely to third parties; and

(v) the proposed co-operative joint venture contract as mentioned in Note (1) above is lawfully binding and will be executed.

(4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:–

Certificate for the Use of State-owned Land	Yes (part)
Contract for Grant of State-owned Land Use Rights	Yes (part)
Planning Permit for Construction Land	Yes
Planning Permit for Construction Works	Yes
Building Ownership Certificate/Real Estate Certificate	N/A
Permit for Pre-sale	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th April, 2004
12. The remaining portion of Citta Eterna, the west side of Qingnian Road, Chaoyang District, Beijing, the PRC	The property is planned to comprise a site with an area of approximately 206,344 sq.m. (2,221,087 sq.ft.). As advised by the Group, the property is proposed to be developed into a commercial/ residential development with remaining (other than the pre-sold gross floor area of 52,684 sq.m.) planned total gross floor areas of 28,271 sq.m. (304,309 sq.ft.) for commercial uses and 360,183 sq.m. (3,877,010 sq.ft.) for residential use, together with club house of 7,452 sq.m. (80,213 sq.ft.) and car parking spaces of 30,276 sq.m. (325,891 sq.ft.). The land use rights of the property will be granted for respective terms of 70 years for residential use, 40 years for commercial use and 50 years for other uses from the date of issue of the Certificate for the Use of State-owned Land.	The property is either currently under construction or undeveloped.	HK$592,000,000 (30% interest proposed to be acquired by the Group: HK$177,600,000)

Notes:–

(1) According to the Agreement entered into between BJ Zhujiang ("Party A") and Hopeson Holdings Limited (合生集團有限公司) ("Party B") on 8th January, 2002, the parties shall establish a co-operative joint venture company to develop the property. The salient terms and conditions stipulated in the proposed co-operative joint venture contract attached to the said agreement are cited, inter alia, as follows:–

(i)	Name of the company	:	Beijing Hopson YuJing Real Estate Development Limited (北京合生愉景房地產開發有限公司) ("YuJing JV")		
(ii)	Period of operation	:	30 years from the date of issue of the business licence		
(iii)	Total investment amount	:	USD30,000,000		
(iv)	Registered capital	:	USD12,000,000		
(v)	Capital contribution	:	Party A	:	USD3,600,000 (30% of registered capital)
			Party B	:	USD8,400,000 (70% of registered capital)
(vi)	Profit/Loss sharing	:	Party A	:	30%
			Party B	:	70%

As advised by the Group, BJ Zhujiang is responsible for the payment of a compensation amount of RMB325,000,000, of which approximately RMB40,000,000 has been paid to date and approximately RMB285,000,000 remain outstanding and payable by BJ Zhujiang. Such amount will ultimately be borne by YuJing JV by reimbursement to BJ Zhujiang. YuJing JV will also be responsible for the land grant fee in an estimated amount of RMB42,000,000, subject to the negotiation between YuJing JV and the local land bureau.

(2) The opinion of the Group's legal adviser on PRC law states, inter alia, that:–

(i) 北京市煤炭總公司一廠 (Beijing Coal General Company First Factory) has entered into a transfer of development rights contract (the "Contract") with BJ Zhujiang dated 1st August, 2000 and the Contract is legally binding.

(ii) Pursuant to the Contract, Beijing Coal General Company First Factory has agreed to transfer the land use rights of the property to BJ Zhujiang and BJ Zhujiang has agreed to pay the compensation fees.

(iii) BJ Zhujiang and Hopeson Holdings Limited (合生集團有限公司) have established a co-operative joint venture company named YuJing JV which shall develop real estate project on the site comprising the property. By virtue of obtaining written consent of Beijing Coal General Company 1st Factory, such change in development scenario does not contradict with the terms and conditions stipulated in the Contract.

(iv) YuJing JV is legally formed and registered and has been approved by the relevant authorities for business of property developments.

(v) According to two Planning Permits for Construction Land Nos. (2002) 0308 and (2002) 0436, Beijing Town Planning Committee had approved a total net site area of 138,824 sq.m. in favour of YuJing JV for residential uses.

(vi) YuJing JV has been granted by the People's Government of Beijing two Certificates for the Use of State-owned Land with a total site area of 71,242.22 sq.m.

(vii) The design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities and the property has obtained the pre-sale approval from the Land Resources And Real Estate Administrative Bureau of Beijing.

(viii) Upon performing its responsibilities stated in the Contract and complying with the relevant laws and regulations, YuJing JV is entitled to obtain the land use rights of the property after entering into Contract for Grant of State-owned Land Use Rights with the relevant land administrative bureau and settlement of land grant fee. The usual terms of the land use rights are 70 years for residential use, 40 years for commercial use and 50 years for industrial uses.

(ix) By virtue of obtaining the land use rights of the property, YuJing JV may transfer, let and/or mortgage such land use rights.

(3) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:–

(i) YuJing JV will be in possession of a proper legal title to the property and will be entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;

(ii) all land premium and other costs of ancillary utilities services would have been settled in full;

(iii) the planning and design of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities;

(iv) the property may be disposed of freely to third parties; and

(v) the proposed co-operative joint venture contract as mentioned in Note (1) above is lawfully binding and has been executed.

(4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:–

Certificate for the Use of State-owned Land	Yes (part)
Contract for Grant of State-owned Land Use Rights	Yes (part)
Planning Permit for Construction Land	Yes
Planning Permit for Construction Works	Yes
Building Ownership Certificate/Real Estate Certificate	N/A
Permit for Pre-sale	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th April, 2004
13. The remaining portion of Beijing Regal Court, No. 23 Xidawang Road, Chaoyang District, Beijing, the PRC	The property is planned to comprise a site with an area of approximately 306,914.88 sq.m. (3,303,632 sq.ft.). As advised by the Group, the property is proposed to be developed into a commercial/ residential development with remaining (other than the pre-sold gross floor area of 82,957 sq.m.) planned total gross floor area of 54,737 sq.m. (589,189 sq.ft.) for commercial uses and 778,982 sq.m. (8,384,962 sq.ft.) for residential use, together with club house of 35,250 sq.m. (379,431 sq.ft.) and car parking spaces of 72,043 sq.m. (775,471 sq.ft.). The land use rights of the property will be granted for respective terms of 70 years for residential use, 40 years for commercial use and 50 years for other uses from the date of issue of the Certificate for the Use of State-owned Land.	The property is either currently under construction or undeveloped.	HK$1,690,000,000 (30% interest proposed to be attributable to the Group: HK$507,000,000)

Notes:–

(1) According to the Agreement entered into between 北京珠江房地產開發有限公司 (Beijing Zhujiang Real Estate Development Co., Ltd.) ("BJ Zhujiang") ("Party A") and Nambour Properties Limited (南博置業有限公司) ("Party B") on 8th January, 2002, the parties shall establish a co-operative joint venture company to develop the property. The salient terms and conditions stipulated in the proposed co-operative joint venture contract attached to the said agreement are cited, inter alia, as follows:–

(i)	Name of the company	:	Beijing Hopson Beifang Real Estate Development Limited (北京合生北方房地產開發有限公司) ("Beifang JV")
(ii)	Period of operation	:	30 years from the date of issue of the business licence
(iii)	Total investment amount	:	USD30,000,000
(iv)	Registered capital	:	USD12,000,000
(v)	Capital contribution	:	Party A : USD3,600,000 (30% of registered capital) Party B : USD8,400,000 (70% of registered capital)

(vi) Profit/Loss sharing	:	Party A	:	30%
		Party B	:	70%

As advised by the Group, BJ Zhujiang is responsible for the payment of a compensation amount of RMB775,000,000 and site clearance cost of RMB10,000,000, of which approximately RMB210,000,000 has been paid to date and approximately RMB575,000,000 remain outstanding and payable by BJ Zhujiang. Such amount will ultimately be borne by Beifang JV by reimbursement to BJ Zhujiang. Beifang JV will also be responsible for the land grant fee in an estimated amount of RMB180,000,000, subject to the negotiation between Beifang JV and the local land bureau.

(2) The opinion of the Group's legal adviser on PRC law states, inter alia, that:–

(i) 北京化工實驗廠 (Beijing Chemical Factory) and 北京化學工業集團有限責任公司 (Beijing Chemical Group Company Limited) are entitled to entered into a land use rights transfer contract and its 1st supplemental agreement both dated 26th April, 2000 (the "Transfer Contract") with BJ Zhujiang and the Transfer Contract is legally binding.

(ii) Pursuant to the Transfer Contract, Beijing Chemical Factory and Beijing Chemical Group Company Limited have agreed to transfer the land use rights of the property to BJ Zhujiang and BJ Zhujiang has agreed to pay the resettlement compensation and demolition fees.

(iii) Upon performing its responsibilities stated in the Transfer Contract and complying with the relevant laws and regulations, BJ Zhujiang is entitled to obtain the land use rights of the property after entering into Contract for Grant of State-owned Land Use Rights with the relevant land administrative bureau and settlement of land grant fee. The usual terms of land use rights are 70 years for residential use, 40 years for commercial use and 50 years for industrial uses.

(iv) BJ Zhujiang and Nambour Properties Limited (南博置業有限公司) have established a co-operative joint venture company named Beifang JV which shall develop real estate project on the site comprising the property. By virtue of obtaining written consent of 北京化工實驗廠 (Beijing Chemical Factory) and 北京化學工業集團有限責任公司 (Beijing Chemical Group Company Limited), such change in development scenario does not contradict with the terms and conditions stipulated in the Transfer Contract.

(v) Beifang JV is legally formed and registered and has been approved by the relevant authorities for business of property developments.

(vi) According to Planning Permit for Construction Land No. (2002) 0324, Beijing Town Planning Committee had approved net site area of 227,991.65 sq.m. in favour of Beifang JV for residential uses.

(vii) The design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities and the property has obtained the pre-sale approval from the Land Resources And Real Estate Administrative Bureau of Beijing.

(viii) By virtue of obtaining the land use rights of the property, Beifang JV may transfer, let and/or mortgage such land use rights.

(3) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:–

(i) Beifang JV will be in possession of a proper legal title to the property and will be entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;

(ii) all land premium and other costs of ancillary utilities services would have been settled in full;

(iii) the planning and design of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities;

(iv) the property may be disposed of freely to third parties; and

(v) the proposed co-operative joint venture contract as mentioned in Note (1) above is lawfully binding and will be executed.

(4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:–

Certificate for the Use of State-owned Land	Yes (part)
Contract for Grant of State-owned Land Use Rights	Yes (part)
Planning Permit for Construction Land	Yes
Planning Permit for Construction Works	Yes
Building Ownership Certificate/Real Estate Certificate	N/A
Permit for Pre-sale	Yes
Business Licence	Yes

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

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30th June, 2004

The Directors
Hopson Development Holdings Limited

Dear Sirs,

We set out below our report on the combined financial information relating to Beijing Hopson Beifang Real Estate Development Limited, Beijing Hopson Lu Zhou Real Estate Development Limited, Beijing Hopson YuJing Real Estate Development Limited, Guangdong Huajingxincheng Real Estate Limited, Guangdong Huanan New City Real Estate Limited, Guangdong Hopson Lejing Real Estate Limited, Guangdong New Tai An Real Estate Limited, Guangdong Hopson Yuehua Real Estate Limited and Guangzhou Hopson Yijing Real Estate Limited (the "JV Companies") for the years ended 31st December, 2001, 2002 and 2003 (the "Relevant Periods") for inclusion in the circular of Hopson Development Holdings Limited dated 30th June, 2004 (the "Circular") in connection with the proposed acquisitions by certain wholly owned subsidiaries of Hopson Development Holdings Limited of the interests in the JV Companies held by Guangdong Zhujiang Investment Limited and/or its subsidiaries as indicated in Section I – Note 1.

At the date of this report, the JV Companies were owned by certain wholly owned subsidiaries of Hopson Development Holdings Limited and Guangdong Zhujiang Investment Limited and/or its subsidiaries. They were subsidiaries of Hopson Development Holdings Limited during the Relevant Periods. The corporate information of and the shareholdings in the JV Companies during the Relevant Periods are described in Section I – Note 1.

The statutory accounts of the JV Companies for the Relevant Periods were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in mainland China, and were audited by certified public accountants registered in mainland China as described in Section I – Note 1. For the purpose of this report, the Directors of Hopson Development Holdings Limited have prepared the combined accounts of the JV Companies for the Relevant Periods in accordance with the basis and accounting policies set out in Section I – Note 1 and Section I – Note 2 below respectively (the "Combined Accounts"). We have audited, in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants, the Combined Accounts of the JV Companies for the Relevant Periods.

We have examined the audited accounts of the JV Companies for the Relevant Periods, and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Society of Accountants.

The financial information as set out in Section I below (the "Financial Information") has been prepared based on the Combined Accounts on the basis set out in Section I – Note 1 below.

The Directors of the JV Companies, during the Relevant Periods, are responsible for preparing the accounts of the respective companies so as to give a true and fair view. In preparing these accounts, it is fundamental that appropriate accounting policies are selected and applied consistently. The Directors of Hopson Development Holdings Limited are responsible for preparing the Combined Accounts and the Financial Information. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, has been properly prepared in accordance with the basis and accounting policies set out in Section I – Note 1 and Section I – Note 2 below respectively.

I FINANCIAL INFORMATION ABOUT THE JV COMPANIES

The following is the Combined Accounts of the JV Companies as at 31st December, 2001, 2002 and 2003, and for the years ended 31st December, 2001, 2002 and 2003, prepared on the basis set out in Note 1 below:

Combined profit and loss accounts

	Note	**Year ended 31st December** **2001** *HK$'000*	**2002** *HK$'000*	**2003** *HK$'000*
Turnover	4	438,396	950,370	2,241,052
Cost of sales		(294,642)	(613,601)	(1,626,182)
Gross profit		143,754	336,769	614,870
Other revenue	4	451	1,147	2,643
Selling and marketing expenses		(48,830)	(154,628)	(184,620)
General and administrative expenses		(27,667)	(40,295)	(68,325)
Operating profit	5	67,708	142,993	364,568
Share of loss of an associate	16	–	–	(1,118)
Finance costs	6	–	–	–
Profit before taxation		67,708	142,993	363,450
Taxation	9	(24,126)	(60,662)	(134,468)
Profit after taxation		43,582	82,331	228,982
Minority interests		117	287	377
Profit for the year		43,699	82,618	229,359

Combined balance sheets

	Note	As at 31st December 2001 HK$'000	2002 HK$'000	2003 HK$'000
Non-current assets				
Properties and equipment	11	10,566	18,821	20,709
Investment properties	12	649,000	953,665	1,188,142
Rights to receive rental income	13	–	48,524	–
Properties under development for long-term investment	14	470,690	758,850	1,260,650
Investment in an associate	16	1,888	1,888	770
Goodwill	18	6,587	6,108	4,072
Total non-current assets		1,138,731	1,787,856	2,474,343
Current assets				
Properties under development for sale	19	1,343,164	2,334,315	2,980,696
Completed properties for sale	20	48,843	498,947	500,713
Accounts receivable	21	84,781	69,161	276,783
Due from related companies	3	117,578	158,522	433,258
Prepayments, deposits and other current assets	22	21,932	78,083	46,786
Investment in securities	23	–	–	943
Pledged/charged bank deposits	24	21,709	57,672	194,657
Cash and other bank deposits	24	227,867	74,908	182,567
Total current assets		1,865,874	3,271,608	4,616,403
Current liabilities				
Short-term bank loans	25	(357,058)	(366,674)	(872,698)
Long-term bank loans, current portion	26	(73,585)	(268,923)	(99,604)
Accounts and bills payable	27	(265,260)	(859,885)	(1,525,863)
Land premium payable, current portion		(223,042)	(336,467)	(50,749)
Accruals and other payables		(46,111)	(84,186)	(154,031)
Due to related companies	3	(353,075)	(994,490)	(910,326)
Due to an associate	3	(7,802)	(1,109)	(2,226)
Taxation payable	28	(10,012)	(16,706)	(62,470)
Deferred income		(72,948)	(228,372)	(372,931)
Total current liabilities		(1,408,893)	(3,156,812)	(4,050,898)
Net current assets		456,981	114,796	565,505
Total assets less current liabilities		1,595,712	1,902,652	3,039,848
Non-current liabilities				
Long-term bank loans, non-current portion	26	(459,729)	(388,636)	(1,034,094)
Land premium payable, non-current portion		–	(30,011)	–
Deferred taxation	29	(326,781)	(379,020)	(505,467)
Total non-current liabilities		(786,510)	(797,667)	(1,539,561)
Minority interests		39	326	703
Net assets		809,241	1,105,311	1,500,990
Represented by:				
Capital	30	312,799	464,197	540,947
Reserves	31	496,442	641,114	960,043
Equity		809,241	1,105,311	1,500,990

Combined cash flow statements

	Note	2001	2002	2003
		Year ended 31st December		
		HK$'000	*HK$'000*	*HK$'000*
Operating activities				
Net cash outflow generated from operations	32(a)	(261,394)	(834,340)	(294,285)
Interest received		451	1,147	2,643
Mainland China enterprise income tax paid		(18,786)	(28,226)	(59,444)
Mainland China land appreciation tax paid		–	(2,115)	(1,298)
Net cash outflow from operating activities		(279,729)	(863,534)	(352,384)
Investing activities				
Additions of properties and equipment		(9,143)	(11,801)	(6,794)
Increase in rights to receive rental income		–	(49,627)	–
Acquisition of an associate		(1,888)	–	–
Acquisition of investment in securities		–	–	(943)
Decrease/(increase) in amounts due from related companies		13,063	(40,944)	(274,736)
Increase in pledged/charged bank deposits		(21,709)	(35,963)	(136,985)
Increase in investment in jointly controlled assets		–	(1,946)	–
Net cash outflow from investing activities		(19,677)	(140,281)	(419,458)
Net cash outflow before financing activities		(299,406)	(1,003,815)	(771,842)
Financing activities	32(b)			
New capital contributions		54,960	151,398	76,750
New short-term bank loans		403,566	362,995	930,529
Repayment of short-term bank loans		(360,906)	(353,379)	(424,505)
New long-term bank loans		488,910	271,193	878,727
Repayment of long-term bank loans		(26,245)	(146,948)	(402,588)
Advances from an associate		7,802	–	1,117
Repayment to an associate		–	(6,693)	–
Advances from related companies		48,000	831,865	230,000
Repayments to related companies		(82,256)	(190,450)	(314,164)
Interest paid		(37,649)	(69,125)	(96,365)
Net cash inflow from financing activities		496,182	850,856	879,501
Increase/(decrease) in cash and cash equivalents		196,776	(152,959)	107,659
Cash and cash equivalents at beginning of year		31,091	227,867	74,908
Cash and cash equivalents at end of year	32(c)	227,867	74,908	182,567

Combined statements of changes in equity

		Year ended 31st December		
	Note	**2001**	**2002**	**2003**
		HK$'000	*HK$'000*	*HK$'000*
Total equity as at 1st January		711,350	809,241	1,105,311
Profit for the year		43,699	82,618	229,359
Net gain/(loss) not recognised in the profit and loss account – Surplus/(deficit) on revaluation of investment properties, net	31	(768)	62,054	92,095
Investment property revaluation reserve transferred to the combined profit and loss account upon disposal of investment properties		–	–	(2,525)
Increase in paid-in capital	30	54,960	151,398	76,750
Total equity as at 31st December		809,241	1,105,311	1,500,990

NOTES TO THE FINANCIAL INFORMATION

1 Basis of presentation

The Financial Information has been prepared on a combined basis to present the combined state of affairs, combined results and combined cash flows of the JV Companies.

Details of the JV Companies as at 31st December, 2003 are as follows:

Name	Place and date of establishment	Paid-in capital	Shareholdings held by Hopson Development Holdings Limited and its subsidiaries	Shareholdings held by Guangdong Zhujiang Investment Limited and its subsidiaries	Name of statutory auditors
Beijing Hopson Beifang Real Estate Development Limited (北京合生北方房地產開發有限公司)	Beijing, mainland China 25th June, 2002	US$ 7,860,000	70%	30%	Zhongchengxin Certified Public Accountants Co., Ltd. (中誠信會計師事務所有限責任公司)
Beijing Hopson Lu Zhou Real Estate Development Limited (北京合生綠洲房地產開發有限公司)	Beijing, mainland China 6th February, 2002	Rmb 40,500,000	70%	30%	Beijing Weltone Certified Public Accountants (北京萬全會計師事務所有限責任公司)
Beijing Hopson YuJing Real Estate Development Limited (北京合生愉景房地產開發有限公司)	Beijing, mainland China 25th June, 2002	US$ 6,300,000	70%	30%	Zhongchengxin Certified Public Accountants Co., Ltd. (中誠信會計師事務所有限責任公司)
Guangdong Huajingxincheng Real Estate Limited (廣東華景新城房地產有限公司)	Guangzhou, mainland China 4th June, 1996	Rmb 93,500,018	90%	10%	Guangdong Goldenbridge Certified Public Accountant Co., Ltd. (廣東金橋會計師事務所有限公司)
Guangdong Huanan New City Real Estate Limited (廣東華南新城房地產有限公司)	Guangzhou, mainland China 9th June, 2000	Rmb 162,378,578	60%	40%	Guangdong Goldenbridge Certified Public Accountant Co., Ltd. (廣東金橋會計師事務所有限公司)
Guangdong Hopson Lejing Real Estate Limited (廣東合生樂景房地產有限公司)	Guangzhou, mainland China 1st August, 1997	Rmb 62,590,532	74.5%	25.5%	Guangdong Goldenbridge Certified Public Accountant Co., Ltd. (廣東金橋會計師事務所有限公司)

Name	Place and date of establishment	Paid-in capital	Shareholdings held by Hopson Development Holdings Limited and its subsidiaries	Shareholdings held by Guangdong Zhujiang Investment Limited and its subsidiaries	Name of statutory auditors
Guangdong New Tai An Real Estate Limited (廣東新泰安房地產有限公司)	Guangzhou, mainland China 4th January, 2000	Rmb 2,872,587	52%	48%	Guangdong Goldenbridge Certified Public Accountant Co., Ltd. (廣東金橋會計師事務所有限公司)
Guangdong Hopson Yuehua Real Estate Limited (廣東合生越華房地產有限公司)	Guangzhou, mainland China 1st August, 1997	Rmb 24,349,231	90%	10%	Guangdong Goldenbridge Certified Public Accountant Co., Ltd. (廣東金橋會計師事務所有限公司)
Guangzhou Hopson Yijing Real Estate Limited (廣州合生逸景房地產有限公司)	Guangzhou, mainland China 27th February, 2001	Rmb 53,059,606	65%	35%	Guangdong Goldenbridge Certified Public Accountant Co., Ltd. (廣東金橋會計師事務所有限公司)

All of the JV Companies are established in mainland China as cooperative joint ventures and are principally engaged in property development and investment. All the above companies have substantial by the same characteristics as a Hong Kong incorporated private company.

All significant intercompany transactions and balances among the JV Companies are eliminated on combination.

2 Principal accounting policies

The Financial Information has been prepared on the historical cost basis, as modified by the revaluation of investment properties and investment in securities. The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of consolidation

The Combined Accounts included the accounts of the JV Companies and their subsidiaries, together with the JV Companies' share of post-acquisition results and reserves of their associates under the equity method of accounting. The results of subsidiaries and associates acquired or disposed of during the year are included in the combined profit and loss account from their effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances between the JV Companies and their subsidiaries are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the JV Companies' share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the combined profit and loss account and any related accumulated foreign currency translation reserve.

Minority interests represent the interests of outside joint venture partners in the results and net assets of subsidiaries.

(b) Intangibles

(i) Goodwill

Goodwill arises where the fair value of the consideration given exceeds the JV Companies' share of the aggregate fair values of the identifiable net assets acquired at the date of acquisition. Goodwill is recognised as an intangible asset and is amortised on a straight-line basis over its estimated economic life of five years. The carrying value of goodwill is assessed periodically or when factors indicating an impairment are present. Any impairment of goodwill is recognised as an expense in the period in which the impairment occurs.

(ii) Rights to receive rental income

Rights to receive rental income is recognised as an intangible asset and is amortised on a straight-line basis over their estimated economic life of fifteen years.

(c) Subsidiaries

Subsidiaries are those entities in which the JV Companies, directly or indirectly, control more than one half of the voting power; have the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast majority of votes at the meetings of the board of directors.

(d) Associates

An associate is a company over which the JV Companies have significant influence, but not control or joint control, over its financial and operating policy decisions. In the Combined Accounts, investment in associate is accounted for under the equity method of accounting, whereby the investment is initially recorded at cost and is adjusted thereafter to recognise the JV Companies' share of the post-acquisition results of associates, distributions received from associates, other necessary alterations in the JV Companies' proportionate interest in associates arising from changes in the equity of associates that have not been included in the profit and loss account of associates, amortisation of the difference between the cost of investment and the JV Companies' share of the aggregate fair value of the identifiable assets acquired at the date of acquisition (goodwill), and any impairment loss. The JV Companies' share of post-acquisition results of associates is included in the combined profit and loss account.

(e) Jointly controlled assets

A joint venture which does not involve the establishment of a separate entity but involves the joint control and ownership by the JV Companies' and other parties of assets contributed to, or acquired for the purpose of, the joint venture is accounted for as a jointly controlled assets. In the Combined Accounts, the JV Companies' share of jointly controlled assets and any liabilities incurred jointly with other joint venture partners are recognised and classified according to the nature of the relevant items. Income from the sale or use of the JV Companies' share of the output of jointly controlled assets is recognised when it is probable that the economic benefits associated with the transaction will flow to the JV Companies, whilst the JV Companies' share of expenses in respect of jointly controlled assets is recognised as incurred.

(f) Properties and equipment and depreciation

Properties and equipment, other than investment properties, are stated at cost less accumulated depreciation and any impairment loss. Major expenditures on modifications and betterments of properties and equipment which will increase their future economic benefits are capitalised, while expenditures on maintenance and repairs are expensed when incurred. Depreciation is provided on a straight-line basis to write off the cost less accumulated impairment losses of each asset over its estimated useful life. The principal annual rates of depreciation are as follows:

Furniture and office equipment	20%
Motor vehicles	20% to 30%

The depreciation methods and useful lives are reviewed periodically to ensure that the methods and rates of depreciation are consistent with the expected pattern of economic benefits from the properties and equipment.

The gain and loss on disposal of properties and equipment are recognised in the profit and loss account based on the net disposal proceeds less the then carrying amount of the assets.

(g) Investment properties

Investment properties are interests in land and buildings in respect of which construction and development work have been completed and which are held for their long-term investment potential, any rental income being negotiated at arm's length. These properties are included in the balance sheet at their open market value on the basis of an annual valuation by independent qualified valuers. All changes in the value of investment properties are dealt with in the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit on a portfolio basis, in which case the net deficit is charged to the profit and loss account. When an investment property is disposed of, the relevant portion of previously recognised revaluation surpluses is reversed and the gain or loss on disposal reported in the profit and loss account is determined based on the net disposal proceeds less the original cost.

No depreciation is provided for investment properties unless the unexpired lease term is 20 years or less, in which case depreciation is provided on the then carrying value over the unexpired lease term.

(h) Properties under development

Properties under development for sale, the pre-sale of which has not commenced, are included in current assets at the lower of cost and net realisable value. Properties under development for sale, the pre-sale of which has commenced, are included in current assets at cost plus attributable profits, less foreseeable losses and sale instalments received and receivable. Properties under development for long-term investment are stated at cost less any impairment loss.

The cost of properties under development consists of land costs, construction expenditures, borrowing costs directly attributable to construction of such properties and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing expenses.

No depreciation is provided on properties under development.

(i) Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. The cost of completed properties for sale consists of land costs, construction expenditures, borrowing costs directly attributable to construction of such properties and other direct costs. Net realisable value is based on estimated selling prices in the ordinary course of business as determined by management with reference to the prevailing market conditions, less selling and marketing expenses.

(j) Investment in securities

Securities that are held for the purpose of generating a profit from short-term fluctuations in price are classified as investment in securities, and are included in the balance sheet at their fair values. All changes in the fair values of investment in securities and gains and losses on disposal of investment in securities are recognised in the profit and loss account when they arise.

(k) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision, if any.

(l) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of one of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount of an asset is recognised in the profit and loss account. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the profit and loss account.

(m) Provisions and contingencies

Provisions are recognised when there is a present obligation, legal or constructive, as a result of past events and it is probable that an outflow of resources will be required to settle the obligations, and a reliable estimate of the amount can be made. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the JV Companies. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the JV Companies. Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(n) Turnover and revenue recognition

Turnover (net of applicable business tax) consists of pre-sale and sale of properties and rental income. Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the JV Companies. Revenue is recognised on the following bases:

(i) Pre-sale and sale of properties

Pre-sale of properties under development for sale under legally-binding agreements is recognised by reference to the stage of completion of the development of the properties, with the profit recognised restricted to the amount of instalments received. No revenue from pre-sale of properties is recognised until the construction has progressed to a stage when completion of the properties and the ultimate realisation of profit can be reliably estimated. Sale of completed properties held for sale is recognised when a legally-binding agreement has been executed, with the profit recognised restricted to the amount of instalments received.

When a purchaser defaults in the payment of instalments and the JV Companies exercise its right to terminate the sale, the revenue and the related profit previously recognised are reversed and the instalments received and forfeited are credited to the profit and loss account.

(ii) Rental income

Rental income is recognised on a straight-line basis over the period of the relevant leases.

(iii) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Deferred income represented amounts received for which the earning process has not been completed.

(o) Taxation

The JV Companies provided for profits tax on the basis of their profits for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(p) Advertising and promotion costs

Costs of advertising and promotion are expensed as incurred.

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The JV Companies' contributions to the defined contribution retirement plans are expensed as incurred.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisitions, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(s) Operating leases

Operating leases represent leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Rental payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the relevant leases.

Assets leased out under operating leases are included in investment properties in the balance sheet. These properties are included in the balance sheet at their open market value on the basis of an annual valuation by independent qualified valuers. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease terms.

(t) Foreign currency translation

Transactions in foreign currencies during the year are translated at the applicable rates of exchange prevailing at the time of the transactions; monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rate of exchange in effect at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account of the JV Companies.

(u) Segment reporting

In accordance with the JV Companies' internal financial reporting, the JV Companies have determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment assets consist primarily of all of the JV Companies' operating assets, while segment liabilities consist primarily of all of the JV Companies' operating liabilities. Capital expenditure comprises additions to investment properties, properties under development for long-term investment and properties and equipment.

(v) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, bank deposits/cash investments with a maturity of three months or less from the date of investment and bank overdrafts.

3 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) The JV Companies had the following significant transactions with related companies:

	Year ended 31st December,		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Property construction fees paid/payable to related companies (i)	524,000	1,570,000	1,540,000
Property design fees paid/payable to a related company (i)	7,054	19,119	15,217
Office rental paid/payable to a related company (i)	–	–	649
Property management fees paid/payable to related companies (i)	218	1,405	4,354
Interest expense paid/payable to a related company (i) (see Note 6)	–	11,948	–
Garden and floral design fees paid/payable to related companies (i)	10,680	25,620	60,215
Rental income received/receivable from a related company (i)	–	–	551

Note –

(i) These companies are the JV Companies' joint venture partners and/or their subsidiaries or fellow subsidiaries.

In the opinion of the JV Companies' Directors and management, the above related party transactions were conducted in the normal course of business of the JV Companies, on normal commercial terms, and in accordance with terms of contracts entered into by the JV Companies and the related parties.

(b) The amounts due from/(to) related companies consisted of amounts due from/(to) the JV Companies' joint venture partners and/or their subsidiaries or fellow subsidiaries:

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Due from related companies			
Amount due from subsidiaries of Hopson Development Holdings Limited, an intermediate holding company of the JV Companies	112,571	115,119	429,614
Amount due from other joint venture partners	4,721	11,463	2,688
Others	286	31,940	956
	117,578	158,522	433,258
Maximum balance outstanding during the years:			
Amount due from subsidiaries of Hopson Development Holdings Limited, an intermediate holding company of the JV Companies	135,000	128,000	455,000
Amount due from other joint venture partners	24,500	23,000	14,300
Others	286	35,000	35,000
Due to related companies			
Amount due to subsidiaries of Hopson Development Holdings Limited, an intermediate holding company of the JV Companies	348,775	800,967	896,371
Amount due to other joint venture partners	1,703	144,892	10,704
Others	2,597	48,631	3,251
	353,075	994,490	910,326
Amount due to an associate	7,802	1,109	2,226
	360,877	995,599	912,552

In addition, as at 31st December, 2001, 2002 and 2003, the JV Companies had accounts payable of approximately HK$145,044,000, HK$792,754,000 and HK$1,155,229,000, respectively, due to related companies in respect of property construction fees (see Note 27).

(c) As at 31st December, 2001, 2002 and 2003, the outstanding balances with related companies and associate were unsecured, non-interest bearing and without pre-determined repayment terms, except that Nil, approximately HK$47,533,000 and Nil, respectively, due to a related company bore interest at a rate of approximately 5.7% per annum.

(d) As at 31st December, 2001, 2002 and 2003, certain properties owned by related companies were pledged as collateral for bank loans borrowed by the JV Companies of approximately HK$382,737,000, HK$480,896,000 and HK$440,868,000, respectively (see Note 36(f)).

(e) As at 31st December, 2001, 2002 and 2003, certain related companies provided guarantees to banks for bank loans borrowed by the JV Companies of Nil, approximately HK$147,558,000 and HK$856,783,000, respectively (see Note 36(g)).

(f) As at 31st December, 2001, 2002 and 2003, certain bank deposits owned by a related company were pledged as collateral for bank loans borrowed by the JV Companies of Nil, approximately HK$10,000,000 and Nil, respectively (see Note 36(h)).

(g) As at 31st December, 2001, 2002 and 2003, the JV Companies provided guarantees to banks, in respect of bank loans borrowed by certain related companies, of approximately HK$18,868,000, HK$153,774,000 and HK$133,019,000, respectively (see Note 34).

(h) As at 31st December, 2001, 2002 and 2003, approximately HK$210,498,000, HK$209,288,000 and HK$155,762,000, respectively, of the JV Companies' investment properties were pledged as collateral for bank loans borrowed by related companies (see Note 12).

(i) As at 31st December, 2001, 2002 and 2003, Nil, Nil and approximately HK$112,813,000, respectively, of the JV Companies' properties under development for long-term investment were pledged as collateral for bank loans borrowed by a related company (see Note 14).

(j) As at 31st December, 2001, 2002 and 2003, Nil, approximately HK$4,909,000 and Nil, respectively, of the JV Companies' completed properties for sale were pledged as collateral for bank loans borrowed by a related company (see Note 20).

4 Turnover and revenue

The JV Companies are principally engaged in property development and investment.

Turnover and revenue consisted of:

	Year ended 31st December		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
– Sale/Pre-sale of properties	438,396	946,253	2,230,548
– Rental income	–	4,117	10,504
Total turnover	438,396	950,370	2,241,052
Other revenue			
– Interest income	451	1,147	2,643
Total revenue	438,847	951,517	2,243,695

No business or geographical segment analysis is presented as all of the JV Companies' revenue and results during the years ended 31st December, 2001, 2002 and 2003 are related to property development and investment in mainland China. Accordingly, there is only one business segment and one geographical segment.

5 Operating profit

Operating profit is determined after charging and crediting the following items:

	Year ended 31st December		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
After charging –			
Staff costs (including directors' emoluments) (see Note 7)	6,718	25,922	49,187
Advertising expenses	26,945	106,931	106,313
Operating lease rentals in respect of premises	388	39	649
Depreciation of properties and equipment	1,252	3,525	4,903
Loss on disposal of properties and equipment	–	21	3
Amortisation of			
– goodwill (included in general and administrative expenses) (see Note 18)	1,647	2,425	2,036
– rights to receive rental income (included in cost of sales) (see Note 13)	–	1,103	3,308
Net exchange losses	–	111	254
Auditors' remuneration	41	678	449
After crediting –			
Rental income, less outgoings	–	3,706	9,454
Gain on disposal of investment properties	–	–	4,086

6 Finance costs

	Year ended 31st December		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank loans wholly repayable within five years	37,649	57,177	96,365
Interest on balance due to a related company wholly repayable within five years (see Note 3(a))	–	11,948	–
	37,649	69,125	96,365
Less: Amount capitalised as part of the cost of properties under development	(37,649)	(69,125)	(96,365)
	–	–	–

The average interest rates of borrowing costs capitalised during the years ended 31st December 2001, 2002 and 2003 were approximately 6.4% per annum, 6.1% per annum and 5.8% per annum, respectively.

7 Staff costs (including directors' emoluments)

	Year ended 31st December		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and allowances	4,423	16,631	25,307
Sales commission and bonus	1,927	7,169	21,283
Pension costs (see Note 35)	368	2,122	2,597
	6,718	25,922	49,187

8 Directors' and senior executives' emoluments

(a) Details of emoluments paid/payable to directors of the JV Companies, all were executive directors, are:

	Year ended 31st December		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Fees	–	–	–
Other emoluments			
– Salaries and allowances	20	934	3,615
	20	934	3,615

Analysis of directors' emoluments by number of directors and emolument ranges is as follows:

	Year ended 31st December		
	2001	2002	2003
Nil to HK$1,000,000	34	55	49

During the years ended 31st December, 2001, 2002 and 2003, no directors waived or agreed to waive any emoluments.

(b) Details of remuneration of the five highest paid individuals (including directors and other employees) are:

The five highest paid individuals consisted of:

	Year ended 31st December		
	2001	2002	2003
Number of directors	–	2	5
Number of employees	5	3	–
	5	5	5

The emoluments paid/payable to the highest paid individuals who are directors of the JV Companies have been included in Note 8(a) above. Details of emoluments paid/payable to the remaining individuals are:

	Year ended 31st December		
	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Basic salaries and allowances	511	632	–
Retirement contributions	14	8	–
	525	640	–

Analysis of emoluments paid to the non-director highest paid individuals by number of individuals and emolument ranges is as follows:

	2001	2002	2003
Nil to HK$1,000,000	5	3	–

During the years ended 31st December, 2001, 2002 and 2003, no individuals waived or agreed to waive any emoluments.

(c) No emolument was paid to the directors of the JV Companies or the five highest paid individuals as an inducement to join or upon joining the JV Companies or as compensation for loss of office.

9 Taxation

The amounts of taxation charged to the combined profit and loss accounts represent:

	Year ended 31st December		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Current taxation –			
Mainland China enterprise income tax	20,178	37,111	91,155
Mainland China land appreciation tax	–	2,806	608
Deferred taxation relating to the origination/ (reversal) of temporary differences –			
Mainland China enterprise income tax	3,948	23,551	9,474
Mainland China land appreciation tax	–	(2,806)	33,231
	24,126	60,662	134,468

The taxation on the JV Companies' profit before taxation differs from the theoretical amount that would arise using the enterprise income tax rate in mainland China, where all of the JV Companies' operations were carried out, and the reconciliation was as follows:

	Year ended 31st December		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	67,708	142,993	363,450
Calculated at mainland China enterprise income tax rate of 33%	22,344	47,188	119,939
Effect of land appreciation tax deductible for calculation of income tax purposes	–	–	(11,167)
Utilisation of tax losses	–	–	(15,122)
Tax losses not recognised	–	15,122	6,485
Others	1,782	(1,648)	494
	24,126	60,662	100,629
Land appreciation tax	–	–	33,839
	24,126	60,662	134,468

(a) Mainland China income tax

The JV Companies are subject to mainland China enterprise income tax at a rate of 33% during the years ended 31st December, 2001, 2002 and 2003.

(b) Mainland China land appreciation tax

Mainland China land appreciation tax is levied 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.

10 Earnings per share

No earnings per share information is presented as the JV Companies had no shares in issue during the years ended 31st December, 2001, 2002 and 2003.

11 Properties and equipment

Movements were:

	Furniture and office equipment *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
Cost			
At 1st January, 2001	1,270	3,219	4,489
Additions	2,759	6,384	9,143
At 31st December, 2001	4,029	9,603	13,632
Additions	4,636	7,165	11,801
Disposals	(34)	–	(34)
At 31st December, 2002	8,631	16,768	25,399
Additions	2,897	3,897	6,794
Disposals	(11)	–	(11)
At 31st December, 2003	11,517	20,665	32,182
Accumulated depreciation			
At 1st January, 2001	628	1,186	1,814
Charge for the year	524	728	1,252
At 31st December, 2001	1,152	1,914	3,066
Charge for the year	1,260	2,265	3,525
Disposals	(13)	–	(13)
At 31st December, 2002	2,399	4,179	6,578
Charge for the year	1,729	3,174	4,903
Disposals	(8)	–	(8)
At 31st December, 2003	4,120	7,353	11,473
Net book value			
At 31st December, 2003	7,397	13,312	20,709
At 31st December, 2002	6,232	12,589	18,821
At 31st December, 2001	2,877	7,689	10,566

12 Investment properties

Movements were:

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Beginning of year	647,000	649,000	953,665
Transfer from properties under development for long-term investment	5,571	211,117	77,258
Disposals	–	–	(19,372)
Surplus/(deficit) on revaluation (see Note 31)	(3,571)	93,548	176,591
End of year	649,000	953,665	1,188,142

All investment properties are located in mainland China and are located on land held under land use rights expiring from 2067 through 2072. They were revalued as at 31st December 2001, 2002 and 2003 by DTZ Debenham Tie Leung Limited, independent qualified valuers, on an open market value basis, with the related surplus or deficit, net of provision for relevant taxes, recorded as investment property revaluation reserve.

As at 31st December, 2001, 2002 and 2003, approximately HK$284,283,000, HK$497,378,000 and HK$396,531,000, respectively, of the investment properties were pledged as collateral for the JV Companies' banking facilities (see Note 36(a)).

In addition, as at 31st December, 2001, 2002 and 2003, approximately HK$210,498,000, HK$209,288,000 and HK$155,762,000, respectively, of the JV Companies' investment properties were pledged as collateral for bank loans borrowed by related companies (see Note 3(h)).

The JV Companies lease out certain investment properties under operating leases, for an initial period of one to twenty years, with an option to renew on renegotiated terms. None of the leases includes contingent rentals. The JV Companies' future rental income under non-cancellable operating leases were as follows:

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	–	3,200	7,629
Later than one year and not later than five years	–	11,360	28,402
Later than five years	–	10,176	30,553
	–	24,736	66,584

13 Rights to receive rental income

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Beginning of year	–	–	48,524
Additions	–	49,627	–
Amortisation (see Note 5)	–	(1,103)	(3,308)
Disposals	–	–	(45,216)
End of year	–	48,524	–

The JV Companies had rights to receive rental income for 15 years up to 2017 in respect of certain properties developed by the JV Companies for the behalf of third parties in Beijing, mainland China. In 2003, the rights to receive rental income were disposed of.

During the years ended 31st December, 2001, 2002 and 2003, the gross rental income relating to these properties amounted to Nil, approximately HK$815,000 and HK$4,461,000, respectively.

14 Properties under development for long-term investment

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Beginning of year	271,102	470,690	758,850
Additions	205,159	499,277	584,911
Transfer to investment properties	(5,571)	(211,117)	(77,258)
Transfer to properties under development for sale	–	–	(5,853)
End of year	470,690	758,850	1,260,650

All properties under development for long-term investment are located in mainland China. As at 31st December, 2001, 2002 and 2003, properties under development for long-term investment of approximately HK$457,621,000, HK$749,688,000 and HK$1,260,650,000 respectively, were located on land held under land use rights expiring from 2067 through 2072, whilst approximately HK$13,069,000, HK9,162,000 and Nil, respectively, were related to projects located on land for which the JV Companies was in the process of applying for formal land use rights.

As at 31st December, 2001, 2002 and 2003, approximately HK$119,062,000, Nil and HK$236,071,000, respectively, of the JV Companies' properties under development for long-term investment were pledged as collateral for the JV Companies' banking facilities (see Note 36(b)).

In addition, as at 31st December, 2001, 2002 and 2003, Nil, Nil and approximately HK$112,813,000, respectively, of the JV Companies' properties under development for long-term investment were pledged as collateral for bank loans borrowed by a related company (see Note 3(i)).

15 Investment in a subsidiary

One of the JV Companies, Guangdong Huajingxincheng Real Estate Limited, had an investment in a subsidiary as at 31st December, 2001, 2002 and 2003. The results of the subsidiary had been consolidated in the Combined Accounts during the years ended 31st December 2001, 2002 and 2003.

The amount of investment in the company-only accounts is:

	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investment, at cost	259	259	259

Details of the subsidiary as at 31st December, 2001, 2002 and 2003 were as follows:

Name of company	**Place of establishment and operations**	**Paid-in capital**	**Percentage of equity interest directly held by the JV Companies**	**Principal activity**
Guangzhou Yijing Arts and Culture Company Limited (廣州藝景文化藝術發展有限公司)	Guangzhou, mainland China	Rmb500,000	55%	Organisation of artistic and cultural activities

The subsidiary had no loan capital in issue at any time during the years ended 31st December 2001, 2002 and 2003.

16 Investment in an associate

	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Share of net assets of an unlisted associate at acquisition	1,888	1,888	1,888
Share of undistributed post-acquisition results	–	–	(1,118)
	1,888	1,888	770

Details of the associate as at 31st December, 2001, 2002 and 2003 were as follows:

Name of company	**Place of establishment and operations**	**Paid-in capital**	**Percentage of equity interest directly held by the JV Companies**	**Principal activity**
Guangdong Huasheng Cultural Development Company Limited (廣東華生教育文化發展有限公司)	Guangzhou, mainland China	Rmb5,000,000	40%	Inactive

17 Investment in jointly controlled assets

Three of the JV Companies, namely Guangdong Hopson Lejing Real Estate Limited, Guangdong New Tai An Real Estate Limited and Guangzhou Hopson Yijing Real Estate Limited, entered into a jointly controlled assets arrangement with Guang Zhou Hopson Cuijing Real Estate Limited, a subsidiary of Hopson Development Holdings Limited and Guangzhou Zhuguang Real Estate Development Company Limited, an independent third party, under which each of Guangdong Hopson Lejing Real Estate Limited, Guangdong New Tai An Real Estate Limited, Guangzhou Hopson Yijing Real Estate Limited and Guang Zhou Hopson Cuijing Real Estate Limited (collectively referred to as the "Project Companies") and Guangzhou Zhuguang Real Estate Development Company Limited contributed land and other assets for the development of properties located in Guangzhou, Guangdong Province, mainland China. During the years ended 31st December, 2001, 2002 and 2003, the participating interest attributable to the Project Companies in these jointly controlled assets was 95.3%, 95.5% and 95.5%, respectively.

Details of the aggregate amount of the assets and liabilities recognised in the Combined Accounts in respect of the interest in jointly controlled assets arrangement attributable to the Project Companies were as follows:

	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Assets	689,186	650,126	1,146,876
Liabilities	(594,862)	(454,072)	(843,456)

18 Goodwill

Movements were:

	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Beginning of year	8,234	6,587	6,108
Addition	–	1,946	–
Amortisation (see Note 5)	(1,647)	(2,425)	(2,036)
End of year	6,587	6,108	4,072
Representing –			
Cost	8,234	10,180	10,180
Less: Accumulated amortisation	(1,647)	(4,072)	(6,108)
Net book value	6,587	6,108	4,072

Goodwill, arisen from investment in jointly controlled assets, represents the excess of contributions made by the Project Companies for a property development project located in Guangzhou, Guangdong Province, mainland China over the Project Companies' attributable interest in this property development project (see Note 17).

19 Properties under development for sale

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
At cost	1,539,793	2,438,948	3,613,467
Add: Attributable profits on pre-sold properties	131,958	52,125	420,008
	1,671,751	2,491,073	4,033,475
Less: Sale instalments and deposits received/receivable	(328,587)	(156,758)	(1,052,779)
	1,343,164	2,334,315	2,980,696
Costs consisted of –			
Land cost	819,674	1,641,213	1,749,092
Construction expenditures	682,668	789,729	1,763,253
Borrowing costs capitalised (i)	37,451	8,006	101,122
	1,539,793	2,438,948	3,613,467

Note –

(i) The average interest rates of borrowing costs capitalised for the years ended 31st December, 2001, 2002 and 2003 were approximately 6.4% per annum, 6.1% per annum and 5.8% per annum, respectively.

All properties under development for sale are carried at cost and are located in mainland China. As at 31st December, 2001, 2002 and 2003, properties under development for sale of approximately HK$1,228,990,000, HK$2,254,273,000 and HK$2,980,696,000, respectively, were located on land held under land use rights expiring from 2067 through 2072, whilst the remaining balance of approximately HK$114,174,000, HK$80,042,000 and Nil, respectively, were related to projects located on land for which the JV Companies was in the process of applying for formal land use rights.

As at 31st December, 2001, 2002 and 2003, approximately HK$171,448,000, Nil and HK$395,720,000, respectively, of the properties under development for sale were pledged as collateral for the JV Companies' banking facilities (see Note 36(c)).

20 Completed properties for sale

All completed properties for sale are carried at cost and are located in mainland China and are located on land held under land use rights expiring from 2067 through 2072.

As at 31st December, 2001, 2002 and 2003, approximately HK$42,910,000, HK$66,885,000 and HK$22,818,000, respectively, of the completed properties for sale were pledged as collateral for the JV Companies' banking facilities (see Note 36(d)).

In addition, as at 31st December, 2001, 2002 and 2003, Nil, approximately HK$4,909,000 and Nil, respectively, of the JV Companies' completed properties for sale were pledged as collateral for bank loans borrowed by a related company (see Note 3(j)).

21 Accounts receivable

Consideration in respect of properties sold is generally payable by the purchasers within six months subsequent to the execution of the sale and purchase agreements. Rentals in respect of leased properties are generally payable in advance by the tenants on monthly basis.

Aging analysis of accounts receivable was as follows:

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
0 to 3 months	83,385	66,888	273,990
3 to 6 months	189	1,335	954
6 to 9 months	19	–	434
9 to 12 months	75	66	122
Over 12 months	1,113	872	1,283
	84,781	69,161	276,783

22 Prepayments, deposits and other current assets

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Prepaid construction expenditures	13,914	55,859	22,744
Prepaid business tax	–	3,019	1,406
Utility and other deposits	3,914	6,147	15,281
Others	4,104	13,058	7,355
	21,932	78,083	46,786

23 Investment in securities

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investment, at fair value	–	–	943

24 Cash and bank deposits

As at 31st December, 2001, 2002 and 2003, the JV Companies' bank deposits of approximately HK$8,030,000, HK$48,134,000 and HK$157,782,000, respectively, were pledged as collateral for the JV Companies' banking facilities (see Note 36(e)). In addition, as at 31st December, 2001, 2002 and 2003, the JV Companies' bank deposits of approximately HK$13,679,000, HK$9,538,000 and HK$36,875,000, respectively, were charged in respect of the processing of mortgage facilities granted by banks to buyers of the JV Companies' properties.

As at 31st December, 2001, 2002 and 2003, cash and bank deposits of approximately HK$244,620,000, HK$127,714,000 and HK$376,155,000, respectively, were denominated in Chinese Renminbi, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China.

25 Short-term bank loans

As at 31st December, 2001, 2002 and 2003, all short-term bank loans were secured and bore interest at 5.4% to 6.8% per annum, 5.3% to 6.4% per annum and 5.0% to 6.0% per annum, respectively. Refer to Note 36 for details of collateral.

26 Long-term bank loans

	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Amounts repayable			
– within one year	73,585	268,923	99,604
– within one to two years	280,483	189,487	1,034,094
– within two to three years	179,246	199,149	–
	533,314	657,559	1,133,698
Less: Amount due within one year included under current liabilities	(73,585)	(268,923)	(99,604)
	459,729	388,636	1,034,094

As at 31st December, 2001, 2002 and 2003, all long-term bank loans were secured and bore interest at approximately 6.5% to 6.8% per annum, 5.5% to 6.8% per annum and 5.0% to 6.8% per annum, respectively. Refer to Note 36 for details of collateral.

27 Accounts and bills payable

Aging analysis of accounts and bills payable was as follows:

	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
0 to 3 months	265,260	859,885	1,525,863

As at 31st December, 2001, 2002 and 2003, approximately HK$145,044,000, HK$792,754,000 and HK$1,155,229,000, respectively, of accounts payable was due to related companies in respect of property construction fees (see Note 3(b)).

28 Taxation payable

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Mainland China enterprise income tax	2,962	11,847	43,559
Mainland China business tax	7,050	4,168	18,911
Mainland China land appreciation tax	–	691	–
	10,012	16,706	62,470

29 Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using the applicable mainland China enterprise income tax rate and land appreciation tax rate.

Movements were:

	Revaluation of investment properties	Different bases in reporting revenue (i)	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1st January, 2001	229,042	96,594	325,636
Charged to profit and loss account	–	3,948	3,948
Charged to equity (see Note 31)	(2,803)	–	(2,803)
At 31st December, 2001	226,239	100,542	326,781
Charged to profit and loss account	–	20,745	20,745
Charged to equity (see Note 31)	31,494	–	31,494
At 31st December, 2002	257,733	121,287	379,020
Charged to profit and loss account	–	42,705	42,705
Charged to equity (see Note 31)	84,496	–	84,496
Disposal of investment properties	(754)	–	(754)
At 31st December, 2003	341,475	163,992	505,467

Note –

(i) This deferred taxation represented the taxation effect on temporary difference arising from the different bases in reporting revenue with mainland China tax authorities.

As at 31st December, 2001, 2002 and 2003, there was no deferred tax asset recognised and no offsetting of balances against the deferred tax liabilities.

All deferred tax liabilities are primarily to be settled after more than twelve months.

30 Capital

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
As at 1st January	257,839	312,799	464,197
Increase in paid-in capital	54,960	151,398	76,750
As at 31st December	312,799	464,197	540,947

31 Reserves

	Retained profits	Investment property revaluation reserve	General reserve fund (i)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1st January, 2001	229,168	211,817	12,526	453,511
Profit for the year	43,699	–	–	43,699
Deficit on revaluation of investment properties				
– gross (see Note 12)	–	(3,571)	–	(3,571)
– deferred taxation (see Note 29)	–	2,803	–	2,803
As at 31st December, 2001	272,867	211,049	12,526	496,442
Profit for the year	82,618	–	–	82,618
Surplus on revaluation of investment properties				
– gross (see Note 12)	–	93,548	–	93,548
– deferred taxation (see Note 29)	–	(31,494)	–	(31,494)
As at 31st December, 2002	355,485	273,103	12,526	641,114
Profit for the year	229,359	–	–	229,359
Reserve transferred to the combined profit and loss account upon disposal of investment properties	–	(2,525)	–	(2,525)
Surplus on revaluation of investment properties				
– gross (see Note 12)	–	176,591	–	176,591
– deferred taxation (see Note 29)	–	(84,496)	–	(84,496)
As at 31st December, 2003	584,844	362,673	12,526	960,043

Note –

(i) As stipulated by regulations in mainland China, the JV Companies established and operated in mainland China can appropriate a portion of their after-tax profit (after offsetting prior year losses) to the general reserve fund and enterprise expansion fund, at rates determined by their respective board of directors.

The general reserve fund can be utilised to offset prior year losses or be utilised for the issuance of bonus shares, whilst the enterprise expansion fund can be utilised for the development of business operations.

32 Notes to the combined cash flow statement

(a) Reconciliation of profit before taxation to net cash outflow generated from operations is as follows:

	Year ended 31st December		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	67,708	142,993	363,450
Interest income	(451)	(1,147)	(2,643)
Share of loss of an associate	–	–	1,118
Depreciation of properties and equipment	1,252	3,525	4,903
Loss on disposal of properties and equipment	–	21	3
Amortisation of goodwill	1,647	2,425	2,036
Amortisation of rights to receive rental income	–	1,103	3,308
Operating profit before working capital changes	70,156	148,920	372,175
Increase in properties for long-term investment	(198,365)	(485,765)	(548,631)
Increase in properties for sale	(606,234)	(1,385,642)	(520,900)
(Increase)/decrease in accounts receivable	(38,266)	15,620	(207,622)
(Increase)/decrease in prepayments, deposits and other current assets	(6,723)	(53,132)	32,365
Increase in accounts and bills payable	257,446	594,625	665,978
Increase/(decrease) in land premium payable	188,108	143,436	(315,729)
Increase in deferred income	52,288	155,424	144,559
Increase in accruals and other payables	15,418	38,075	69,845
Increase/(decrease) in mainland China business tax payable	4,778	(5,901)	13,675
Net cash outflow generated from operations	(261,394)	(834,340)	(294,285)

(b) Analysis of changes in financing is as follows:

	Short-term bank loans *HK$'000*	**Long-term bank loans** *HK$'000*	**Due to related companies** *HK$'000*	**Due to an associate** *HK$'000*
As at 1st January, 2001	314,398	70,649	387,331	–
New loans/advances	403,566	488,910	48,000	7,802
Repayments	(360,906)	(26,245)	(82,256)	–
As at 31st December, 2001	357,058	533,314	353,075	7,802
New loans/advances	362,995	271,193	831,865	–
Repayments	(353,379)	(146,948)	(190,450)	(6,693)
As at 31st December, 2002	366,674	657,559	994,490	1,109
New loans/advances	930,529	878,727	230,000	1,117
Repayments	(424,505)	(402,588)	(314,164)	–
As at 31st December, 2003	872,698	1,133,698	910,326	2,226

(c) Cash and cash equivalents:

Cash and cash equivalents represent cash and other bank deposits and exclude pledged/charged bank deposits.

33 Commitments

(a) Capital commitments

The JV Companies had the following commitments, which have not been provided in the Combined Accounts:

	2001 *HK$'000*	**2002** *HK$'000*	**2003** *HK$'000*
Property development costs			
– Authorised and contracted for	748,902	2,718,514	1,626,419
– Authorised but not contracted for	6,997,969	8,012,635	9,367,673
	7,746,871	10,731,149	10,994,092

(b) Operating leases commitments

As at 31st December, 2001, 2002 and 2003, the JV Companies have operating lease commitments in respect of premises under various non-cancellable operating lease agreements extending to February 2008 of Nil, approximately HK$115,000 and HK$3,744,000, respectively. The commitments payable under these agreements are analysed as follows:

	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Amounts repayable			
– within one year	–	81	779
– within two to five years	–	34	2,965
	–	115	3,744

34 Contingent liabilities

Contingent liabilities not provided for in the Combined Accounts are:

	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Guarantees given to banks for mortgage facilities granted to certain buyers of the JV Companies' properties	192,114	568,849	1,356,000
Guarantees given to banks in respect of bank loans borrowed by related companies (see Note 3(g))	18,868	153,774	133,019
	210,982	722,623	1,489,019

The JV Companies' Directors and management anticipate that no material liabilities will arise from the above bank guarantees.

35 Pension schemes

As stipulated by rules and regulations in mainland China, the JV Companies contribute to state-sponsored retirement plans for their employees in mainland China. The JV Companies' employees make monthly contributions to the plans at approximately 8% of the basic salaries of the employees, while the JV Companies contribute approximately 20% of such salaries and has no further obligations for the actual payment of pensions beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

During the years ended 31st December, 2001, 2002 and 2003, the aggregate amount of the employer contributions made by the JV Companies amounted to approximately HK$368,000, HK$2,122,000 and HK$2,597,000, respectively (see Note 7).

There was no forfeiture during the years ended 31st December, 2001, 2002 and 2003.

36 Banking facilities

As at 31st December, 2001, 2002 and 2003, the JV Companies had banking facilities of approximately HK$890,372,000, HK$1,024,233,000 and HK$2,006,396,000, respectively, for short-term and long-term bank loans, which were fully utilised. These facilities were secured by:

(a) investment properties of the JV Companies with an aggregate carrying amount of approximately HK$284,283,000, HK$497,378,000 and HK$396,531,000, respectively, as at 31st December, 2001, 2002 and 2003 (see Note 12);

(b) properties under development for long-term investment of the JV Companies with an aggregate carrying amount of approximately HK$119,062,000, Nil and HK$236,071,000, respectively, as at 31st December, 2001, 2002 and 2003 (see Note 14);

(c) properties under development for sale of the JV Companies with an aggregate carrying amount of approximately HK$171,448,000, Nil and HK$395,720,000, respectively, as at 31st December, 2001, 2002 and 2003 (see Note 19);

(d) completed properties for sale of the JV Companies with an aggregate carrying amount of approximately HK$42,910,000, HK$66,885,000 and HK$22,818,000, respectively, as at 31st December, 2001, 2002 and 2003 (see Note 20);

(e) bank deposits of the JV Companies of approximately HK$8,030,000, HK$48,134,000 and HK$157,782,000, respectively, as at 31st December, 2001, 2002 and 2003 (see Note 24);

(f) properties owned by related companies (see Note 3(d));

(g) guarantees provided by related companies (see Note 3(e)); and

(h) bank deposits of related companies (see Note 3(f)).

In addition, the JV Companies are required to comply with certain financial covenants under certain bank borrowings.

37 Significant subsequent events

In June 2004, the JV Companies declared dividends totalling approximately HK$550 million to their then joint venture partners.

II SUBSEQUENT ACCOUNTS

No audited accounts have been prepared for the JV Companies in respect of any period subsequent to 31st December, 2003 and except for those disclosed in Section I – Note 37, no dividend or other distribution has been declared, made or paid by the JV Companies in respect of any period subsequent to 31st December, 2003.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

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30th June, 2004

The Directors
Guangzhou Zhujiang Qiaodao Real Estate Limited

Dear Sirs,

We set out below our report on the financial information relating to Guangzhou Zhujiang Qiaodao Real Estate Limited (廣州珠江僑都房地產有限公司) (the "Company") for the years ended 31st December, 2001, 2002 and 2003 (the "Relevant Periods") for inclusion in the circular of Hopson Development Holdings Limited dated 30th June, 2004 (the "Circular") in connection with the proposed acquisition by Outward Expanse Investments Limited, a wholly owned subsidiary of Hopson Development Holdings Limited, of 29.5% interest in the Company from Guangdong Zhujiang Investment Limited (廣州珠江投資有限公司) and 30% interest in the Company from Guangzhou Shanlian Hua Qiao Real Estate Limited (廣州三聯華僑房產有限公司).

The Company is a sino-foreign co-operative joint venture enterprise established in Guangzhou, Guangdong Province, mainland China on 16th January, 1998 for a period of 25 years up to 15th January, 2023. At the date of this report, the Company was 30% owned by Guangdong Zhujiang Investment Limited, 30% owned by Guangzhou Shanlian Hua Qiao Real Estate Limited, and 40% owned by Outward Expanse Investments Limited.

The statutory accounts of the Company for the Relevant Periods were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in mainland China, and were audited by Guangdong Goldenbridge Certified Public Accountant Co., Ltd. (廣東金僑會計師事務所有限公司), certified public accountants registered in mainland China. For the purpose of this report, the Directors of the Company have prepared the accounts of the Company for the Relevant Periods in accordance with accounting principles generally accepted in Hong Kong (the "HK GAAP Accounts"). We have audited, in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants, the HK GAAP Accounts of the Company for the Relevant Periods.

We have examined the audited accounts of the Company for the Relevant Periods, and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Society of Accountants.

The financial information as set out in Section I below (the "Financial Information") has been prepared based on the HK GAAP Accounts.

The Directors of the Company, during the Relevant Periods, are responsible for preparing its accounts which give a true and fair view. In preparing these accounts, it is fundamental that appropriate accounting policies are selected and applied consistently. The Directors of the Company are also responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at 31st December, 2001, 2002 and 2003, and of the results and cash flows of the Company for the Relevant Periods.

I FINANCIAL INFORMATION ABOUT THE COMPANY

The following is the accounts of the Company as at 31st December, 2001, 2002 and 2003, and for the years ended 31st December, 2001, 2002 and 2003:

Profit and loss accounts

		Year ended 31st December		
		2001	**2002**	**2003**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	3	91,790	527,596	625,003
Cost of sales		(44,092)	(258,731)	(300,020)
Gross profit		47,698	268,865	324,983
Other revenue	3	–	1,313	1,493
Selling and marketing expenses		(5,174)	(37,620)	(38,935)
General and administrative expenses		(10,017)	(3,592)	(10,236)
Operating profit	4	32,507	228,966	277,305
Finance costs	5	–	–	–
Profit before taxation		32,507	228,966	277,305
Taxation	8	(15,447)	(106,153)	(137,114)
Profit for the year		17,060	122,813	140,191

Balance sheets

		As at 31st December		
		2001	**2002**	**2003**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Properties and equipment	10	1,128	2,137	2,020
Investment properties	11	–	–	287,000
Properties under development for long-term investment	12	64,770	168,742	158,214
Total non-current assets		65,898	170,879	447,234
Current assets				
Properties under development for sale	13	596,220	814,063	858,936
Completed properties for sale	14	–	49,243	146,788
Accounts receivable	15	33,087	29,163	26,097
Due from related companies	2	215,475	394,399	368,115
Prepayments, deposits and other current assets	16	251,392	42,306	101,467
Pledged/charged bank deposits	17	35	86,859	6,016
Cash and other bank deposits	17	34,636	52,945	22,425
Total current assets		1,130,845	1,468,978	1,529,844
Current liabilities				
Short-term bank loans	18	(99,057)	–	(94,340)
Long-term bank loans, current portion	19	–	–	(344,340)
Accounts and bills payable	20	–	(161,287)	(128,431)
Land premium payable, current portion		(70,038)	(140,066)	(111,764)
Accruals and other payables		(2,771)	(12,737)	(33,910)
Due to related companies	2	(3,433)	(65,662)	(10,261)
Taxation payable	21	(3,661)	(39,337)	(46,209)
Deferred income		(15,925)	(28,364)	(19,327)
Total current liabilities		(194,885)	(447,453)	(788,582)
Net current assets		935,960	1,021,525	741,262
Total assets less current liabilities		1,001,858	1,192,404	1,188,496
Non-current liabilities				
Long-term bank loans, non-current portion	19	(451,887)	(532,623)	(99,056)
Land premium payable, non-current portion		(70,028)	–	–
Due to a related company	2	(103,774)	(103,613)	(103,415)
Deferred taxation	22	(15,447)	(72,633)	(270,681)
Total non-current liabilities		(641,136)	(708,869)	(473,152)
Net assets		360,722	483,535	715,344
Represented by:				
Capital	23	343,688	343,688	343,688
Reserves	24	17,034	139,847	371,656
Equity		360,722	483,535	715,344

Cash flow statements

	Note	2001 HK$'000	2002 HK$'000	2003 HK$'000
		Year ended 31st December		
Operating activities				
Net cash inflow/(outflow) generated from operations	25(a)	(217,635)	312,407	(30,823)
Interest received		–	1,313	1,493
Mainland China enterprise income tax paid		(1,886)	(12,452)	(20,857)
Net cash inflow/(outflow) from operating activities		(219,521)	301,268	(50,187)
Investing activities				
Additions of properties and equipment		(358)	(1,264)	(466)
(Increase)/decrease in amounts due from related companies		(192,833)	(178,924)	26,284
(Increase)/decrease in pledged/charged bank deposits		(35)	(86,824)	80,843
Net cash inflow/(outflow) from investing activities		(193,226)	(267,012)	106,661
Net cash inflow/(outflow) before financing activities		(412,747)	34,256	56,474
Financing activities	25(b)			
New short-term bank loans		99,057	–	94,340
Repayment of short-term bank loans		(74,528)	(99,057)	–
New long-term bank loans		451,887	99,057	–
Repayment of long-term bank loans		–	(18,321)	(89,227)
Advances from related companies		3,373	62,229	–
Repayments to related companies		(54,717)	(161)	(55,599)
Interest paid		(12,911)	(59,694)	(36,508)
Net cash inflow/(outflow) from financing activities		412,161	(15,947)	(86,994)
Increase/(decrease) in cash and cash equivalents		(586)	18,309	(30,520)
Cash and cash equivalents at beginning of year		35,222	34,636	52,945
Cash and cash equivalents at end of year	25(c)	34,636	52,945	22,425

Statements of changes in equity

	Year ended 31st December		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Total equity as at 1st January	343,662	360,722	483,535
Profit for the year	17,060	122,813	140,191
Net gain not recognised in the profit and loss account – Surplus on revaluation of investment properties, net (see Note 24)	–	–	91,618
Total equity as at 31st December	360,722	483,535	715,344

NOTES TO THE FINANCIAL INFORMATION

1 Principal accounting policies

The Financial Information has been prepared under the historical cost basis, as modified by the revaluation of investment properties and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Properties and equipment and depreciation

Properties and equipment, other than investment properties, are stated at cost less accumulated depreciation and any impairment loss. Major expenditures on modifications and betterments of properties and equipment which will increase their future economic benefits are capitalised, while expenditures on maintenance and repairs are expensed when incurred. Depreciation is provided on a straight-line basis to write off the cost less accumulated impairment losses of each asset over its estimated useful life. The principal annual rates of depreciation are as follows:

Furniture and office equipment	20%
Motor vehicles	20% to 30%

The depreciation methods and useful lives are reviewed periodically to ensure that the methods and rates of depreciation are consistent with the expected pattern of economic benefits from the properties and equipment.

The gain and loss on disposal of properties and equipment are recognised in the profit and loss account based on the net disposal proceeds less the then carrying amount of the assets.

(b) Investment properties

Investment properties are interests in land and buildings in respect of which construction and development work have been completed and which are held for their long-term investment potential, any rental income being negotiated at arm's length. These properties are included in the balance sheet at their open market value on the basis of an annual valuation by independent qualified valuers. All changes in the value of investment properties are dealt with in the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit on a portfolio basis, in which case the net deficit is charged to the profit and loss account. When an investment property is disposed of, the relevant portion of previously recognised revaluation surpluses is reversed and the gain or loss on disposal reported in the profit and loss account is determined based on the net disposal proceeds less the original cost.

No depreciation is provided for investment properties unless the unexpired lease term is 20 years or less, in which case depreciation is provided on the then carrying value over the unexpired lease term.

(c) Properties under development

Properties under development for sale, the pre-sale of which has not commenced, are included in current assets at the lower of cost and net realisable value. Properties under development for sale, the pre-sale of which has commenced, are included in current assets at cost plus attributable profits, less foreseeable losses and sale instalments received and receivable. Properties under development for long-term investment are stated at cost less any impairment loss.

The cost of properties under development consists of land costs, construction expenditures, borrowing costs directly attributable to construction of such properties and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing expenses.

No depreciation is provided on properties under development.

(d) Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. The cost of completed properties for sale consisted of land costs, construction expenditures, borrowing costs directly attributable to construction for such properties and other direct costs. Net realisable value is based on estimated selling prices in the ordinary course of business as determined by management with reference to the prevailing market conditions, less selling and marketing expenses.

(e) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision, if any.

(f) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of one of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount of an asset is recognised in the profit and loss account. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the profit and loss account.

(g) Provisions and contingencies

Provisions are recognised when there is a present obligation, legal or constructive, as a result of past events and it is probable that an outflow of resources will be required to settle the obligations, and a reliable estimate of the amount can be made. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Company. Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(h) Turnover and revenue recognition

Turnover (net of applicable business tax) consists of pre-sale and sale of properties. Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Company. Revenue is recognised on the following bases:

(i) Pre-sale and sale of properties

Pre-sale of properties under development for sale under legally-binding agreements is recognised by reference to the stage of completion of the development of the properties, with the profit recognised restricted to the amount of instalments received. No revenue from pre-sale of properties is recognised until the construction has progressed to a stage when completion of the properties and the ultimate realisation of profit can be reliably estimated. Sale of completed properties held for sale is recognised when a legally-binding agreement has been executed, with the profit recognised restricted to the amount of instalments received.

When a purchaser defaults in the payment of instalments and the Company exercises its right to terminate the sale, the revenue and the related profit previously recognised are reversed and the instalments received and forfeited are credited to the profit and loss account.

(ii) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Deferred income represented amounts received for which the earning process has not been completed.

(i) Taxation

The Company provided for profits tax on the basis of their profits for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(j) Advertising and promotion costs

Costs of advertising and promotion are expensed as incurred.

(k) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Company's contributions to the defined contribution retirement plan are expensed as incurred.

(l) Borrowing costs

Borrowing costs that are directly attributable to the acquisitions, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(m) Operating leases

Assets leased out under operating leases are included in investment properties in the balance sheet. These properties are included in the balance sheet at their open market value on the basis of an annual valuation by independent qualified valuers. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease terms.

(n) Foreign currency translation

Transactions in foreign currencies during the year are translated at the applicable rates of exchange prevailing at the time of the transactions; monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rate of exchange in effect at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

(o) Segment reporting

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

Segment assets consist primarily of all of the Company's operating assets, while segment liabilities consist primarily of all of the Company's operating liabilities. Capital expenditure comprises additions to investment properties, properties under development for long-term investment and properties and equipment.

(p) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, bank deposits/cash investments with a maturity of three months or less from the date of investment and bank overdrafts.

2 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) The Company had the following significant transactions with related companies:

	Year ended 31st December,		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Property construction fees paid/payable to a related company (i)	131,224	428,822	322,577
Interest expense paid/payable to a related company (i) (see Note 5)	–	21,011	–
Property management fee paid/payable to a related company (i)	–	239	694
Garden and floral design fees paid/payable to a related company (i)	–	8,300	–

Note –

(i) These companies are the Company's joint venture partners and/or their subsidiaries or fellow subsidiaries.

In the opinion of the Company's Directors and management, the above related party transactions were conducted in the normal course of business of the Company, on normal commercial terms, and in accordance with terms of contracts entered into by the Company and the related parties.

(b) The amounts due from/(to) related companies consisted of amounts due from/(to) the Company's joint venture partners and/or their subsidiaries or fellow subsidiaries:

	2001 *HK$'000*	2002 *HK$'000*	2003 *HK$'000*
Due from related companies			
Amount due from subsidiaries of Hopson Development Holdings Limited, an intermediate holding company of a joint venture partner	192,833	380,126	296,895
Amount due from other joint venture partners	22,642	14,273	71,025
Others	–	–	195
	215,475	394,399	368,115
Maximum balance outstanding during the years:			
Amount due from subsidiaries of Hopson Development Holdings Limited, an intermediate holding company of a joint venture partner	192,833	380,126	380,126
Amount due from other joint venture partners	22,642	22,642	71,025
Others	–	–	195
Due to related companies			
Current –			
Amount due to a subsidiary of Hopson Development Holdings Limited, an intermediate holding company of a joint venture partner	3,433	65,662	10,207
Others	–	–	54
	3,433	65,662	10,261
Non-current –			
Amount due to a subsidiary of Hopson Development Holdings Limited, an intermediate holding company of a joint venture partner	103,774	103,613	103,415

In addition, as at 31st December, 2001, 2002 and 2003, the Company had accounts payable of Nil, approximately HK$62,447,000 and Nil, respectively, due to a related company in respect of property construction fees (see Note 20).

(c) As at 31st December, 2001, 2002 and 2003, the outstanding balances with related companies were unsecured, non-interest bearing and without pre-determined repayment terms, except that approximately HK$103,774,000, HK$103,613,000 and HK$103,415,000, respectively, were not repayable within one year.

(d) As at 31st December, 2001, 2002 and 2003, certain properties owned by related companies were pledged as collateral for bank facilities borrowed by the Company of approximately HK$363,207,000, HK$495,283,000 and HK$443,396,000, respectively (see Note 29(c)).

(e) As at 31st December, 2001, 2002 and 2003, bank deposits of a related company were pledged as collateral for a bank loan borrowed by the Company of approximately HK$23,585,000, Nil and Nil, respectively (see Note 29(d)).

(f) As at 31st December, 2001, 2002 and 2003, the Company's bank deposits of Nil, approximately HK$33,680,000 and Nil, respectively, were pledged as collateral for bank loans borrowed by a related company (see Note 17).

(g) As at 31st December, 2001, 2002 and 2003, certain related companies provided guarantees to banks for bank loans borrowed by the Company of approximately HK$131,132,000, HK$159,434,000 and HK$168,868,000, respectively (see Note 29(e)).

3 Turnover and revenue

The Company is principally engaged in property development and investment.

Turnover and revenue consisted of:

	Year ended 31st December,		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Turnover – Sale/Pre-sale of properties	91,790	527,596	625,003
Other revenue – Interest income	–	1,313	1,493
Total revenue	91,790	528,909	626,496

No business or geographical segment analysis is presented as all of the Company's revenue and results during the years ended 31st December, 2001, 2002 and 2003 are related to property development and investment in mainland China. Accordingly, there is only one business segment and one geographical segment.

4 Operating profit

Operating profit is determined after charging the following items:

	Year ended 31st December		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
After charging –			
Staff costs (including directors' emoluments) (see Note 6)	1,934	5,245	8,113
Advertising expenses	4,423	23,695	21,849
Depreciation of properties and equipment	160	255	402
Loss on disposal of properties and equipment	–	–	181
Net exchange losses	–	3	55
Auditors' remuneration	15	10	75

5 Finance costs

	Year ended 31st December		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank loans wholly repayable within five years	12,911	38,683	36,508
Interest on balance due to a related company wholly repayable within five years (see Note 2(a))	–	21,011	–
	12,911	59,694	36,508
Less: Amount capitalised as part of the cost of properties under development	(12,911)	(59,694)	(36,508)
	–	–	–

The average interest rates of borrowing costs capitalised during the years ended 31st December 2001, 2002 and 2003 were approximately 6.3% per annum, 6.4% per annum and 6.0% per annum, respectively.

6 Staff costs (including directors' emoluments)

	Year ended 31st December, 2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Salaries and allowances	1,519	2,745	3,962
Sales commission and bonus	292	2,245	3,670
Pension costs (see Note 28)	123	255	481
	1,934	5,245	8,113

7 Directors' and senior executives' emoluments

(a) Details of emoluments paid/payable to directors of the Company, all were executive directors, are:

	Year ended 31st December, 2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Fees	–	–	–
Other emoluments			
– Salaries and allowances	–	–	–
	–	–	–

During the years ended 31st December, 2001, 2002 and 2003, no directors waived or agreed to waive any emoluments.

(b) Details of remuneration of the five highest paid individuals (including directors and other employees) are:

The five highest paid individuals consisted of:

	Year ended 31st December, 2001	2002	2003
Number of directors	–	–	–
Number of employees	5	5	5
	5	5	5

The emoluments paid/payable to the highest paid individuals who are directors of the Company have been included in Note 7(a) above. Details of emoluments paid/payable to the remaining individuals are:

	Year ended 31st December,		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Basic salaries and allowances	373	825	1,147
Retirement contributions	8	9	16
	381	834	1,163

Analysis of emoluments paid to the non-director highest paid individuals by number of individuals and emolument ranges is as follows:

	2001	**2002**	**2003**
Nil to HK$1,000,000	5	5	5

During the years ended 31st December, 2001, 2002 and 2003, no individuals waived or agreed to waive any emoluments.

(c) No emolument was paid to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

8 Taxation

The amounts of taxation charged to the profit and loss accounts represent:

	Year ended 31st December,		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Current taxation –			
Mainland China enterprise income tax	–	48,967	27,122
Deferred taxation relating to the origination/(reversal) of temporary differences – Mainland China enterprise income tax	8,402	11,523	41,927
Mainland China land appreciation tax	7,045	45,663	68,065
	15,447	106,153	137,114

The taxation on the Company's profit before taxation differs from the theoretical amount that would arise using the enterprise income tax rate in mainland China, where all of the Company's operations was carried out, and the reconciliation was as follows:

	Year ended 31st December,		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	32,507	228,966	277,305
Calculated at mainland China enterprise income tax rate of 33%	10,727	75,559	91,511
Effect of land appreciation tax deductible for calculation of income tax purposes	(2,325)	(15,069)	(22,462)
	8,402	60,490	69,049
Land appreciation tax	7,045	45,663	68,065
	15,447	106,153	137,114

(a) Mainland China income tax

The Company is subject to mainland China enterprise income tax at a rate of 33% during the years ended 31st December, 2001, 2002 and 2003.

(b) Mainland China land appreciation tax

Mainland China land appreciation tax is levied 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.

9 Earnings per share

No earnings per share information is presented as the Company had no shares in issue during the years ended 31st December, 2001, 2002 and 2003.

10 Properties and equipment

Movements were:

	Furniture and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost			
At 1st January, 2001	352	689	1,041
Additions	358	–	358
At 31st December, 2001	710	689	1,399
Additions	690	574	1,264
At 31st December, 2002	1,400	1,263	2,663
Additions	87	379	466
Disposals	–	(284)	(284)
At 31st December, 2003	1,487	1,358	2,845
Accumulated depreciation			
At 1st January, 2001	38	73	111
Charge for the year	92	68	160
At 31st December, 2001	130	141	271
Charge for the year	153	102	255
At 31st December, 2002	283	243	526
Charge for the year	273	129	402
Disposals	–	(103)	(103)
At 31st December, 2003	556	269	825
Net book value			
At 31st December, 2003	931	1,089	2,020
At 31st December, 2002	1,117	1,020	2,137
At 31st December, 2001	580	548	1,128

11 Investment properties

Movements were:

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Beginning of year	–	–	–
Transfer from properties under development for long-term investment	–	–	107,326
Surplus on revaluation (see Note 24)	–	–	179,674
End of year	–	–	287,000

All investment properties are located in mainland China and are located on land held under land use rights expiring from 2070 through 2071. They were revalued as at 31st December 2003 by DTZ Debenham Tie Leung Limited, independent qualified valuers, on an open market value basis, with the related surplus, net of provision for relevant taxes, recorded as investment property revaluation reserve.

The Company leases out certain investment properties under operating leases, for an initial period of one to five years, with an option to renew on renegotiated terms. None of the leases includes contingent rentals. The Company's future rental income under non-cancellable operating leases was as follows:

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	–	–	651
Later than one year and not later than five years	–	–	2,635
	–	–	3,286

12 Properties under development for long-term investment

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Beginning of year	–	64,770	168,742
Additions	64,770	103,972	96,798
Transfer to investment properties	–	–	(107,326)
End of year	64,770	168,742	158,214

All properties under development for long-term investment are located in mainland China. They were located on land held under land use rights expiring from 2070 through 2071.

13 Properties under development for sale

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
At cost	640,312	876,995	913,506
Add: Attributable profits on pre-sold properties	52,529	70,025	80,436
	692,841	947,020	993,942
Less: Sale instalments and deposits received/receivable	(96,621)	(132,957)	(135,006)
	596,220	814,063	858,936
Costs consisted of –			
Land cost	449,850	376,241	378,352
Construction expenditures	177,551	449,289	466,290
Borrowing costs capitalised (i)	12,911	51,465	68,864
	640,312	876,995	913,506

Note –

(i) The average interest rates of borrowing costs capitalised for the years ended 31st December 2001, 2002 and 2003 were approximately 6.3% per annum, 6.4% per annum and 6.0% per annum, respectively.

All properties under development for sale are carried at cost and are located in mainland China. They were located on land held under land use rights expiring from 2070 through 2071.

As at 31st December, 2001, 2002 and 2003, Nil, approximately HK$37,464,000 and Nil, respectively, of the properties under development for sale were pledged as collateral for the Company's banking facilities (see Note 29(a)).

14 Completed properties for sale

All completed properties for sale are carried at cost and are located in mainland China and are located on land held under land use rights expiring from 2070 through 2071.

15 Accounts receivable

Consideration in respect of properties sold is generally payable by the purchasers within six months subsequent to the execution of the sale and purchase agreements.

Aging analysis of accounts receivable was as follows:

	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
0 to 3 months	28,804	23,712	20,732
3 to 6 months	4,283	4,658	2,816
6 to 9 months	–	793	908
9 to 12 months	–	–	766
Over 12 months	–	–	875
	33,087	29,163	26,097

16 Prepayments, deposits and other current assets

	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Prepaid construction expenditures	207,541	–	55,251
Prepayment for acquisition of land (i)	41,509	41,509	41,509
Prepaid tax	1,886	–	–
Others	456	797	4,707
	251,392	42,306	101,467

Note –

(i) This represents advances made to a related company for acquisition of land, which will be reimbursed from Hopson Development Holdings Limited or its subsidiaries.

17 Cash and bank deposits

As at 31st December, 2001, 2002 and 2003, the Company's bank deposits of Nil, approximately HK$77,403,000 and HK$2,304,000, respectively, were pledged as collateral for the Company's banking facilities (see Note 29(b)) and bank loans borrowed by a related company (see Note 2(f)). In addition, as at 31st December, 2001, 2002 and 2003, the Company's bank deposits of approximately HK$35,000, HK$9,456,000 and HK$3,712,000, respectively, were charged in respect of the processing of mortgage facilities granted by banks to buyers of the Company's properties.

As at 31st December, 2001, 2002 and 2003, cash and bank deposits of approximately HK$2,340,000, HK$106,166,000 and HK$28,439,000, respectively, were denominated in Chinese Renminbi, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China.

18 Short-term bank loans

As at 31st December, 2001, 2002 and 2003, all short-term bank loans were secured and bore interest at 5.9% per annum, N/A and 5.0% per annum, respectively. Refer to Note 29 for details of collateral.

19 Long-term bank loans

	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Amounts repayable			
– within one year	–	–	344,340
– within one to two years	–	433,566	99,056
– within two to three years	451,887	99,057	–
	451,887	532,623	443,396
Less: Amount due within one year included under current liabilities	–	–	(344,340)
	451,887	532,623	99,056

As at 31st December, 2001, 2002 and 2003, all long-term bank loans were secured and bore interest at approximately 6.5% per annum, 6.0% to 6.5% per annum and 6.0% to 6.5% per annum, respectively. Refer to Note 29 for details of collateral.

20 Accounts payable

Aging analysis of accounts payable was as follows:

	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
0 to 3 months	–	161,287	128,431

As at 31st December, 2001, 2002 and 2003, Nil, approximately HK$62,447,000 and Nil, respectively, of accounts payable was due to a related company in respect of property construction fees (see Note 2(b)).

21 Taxation payable

	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Mainland China enterprise income tax	–	34,629	40,894
Mainland China business tax	3,661	4,708	5,315
	3,661	39,337	46,209

22 Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using the applicable mainland China enterprise income tax rate and land appreciation tax rate.

Movements were:

	Tax losses	Revaluation of investment properties	Different bases in reporting revenue (i)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2001	–	–	–	–
(Credited)/charged to profit and loss account	(7,719)	–	23,166	15,447
At 31st December, 2001	(7,719)	–	23,166	15,447
Charged to profit and loss account	7,719	–	49,467	57,186
At 31st December, 2002	–	–	72,633	72,633
Charged to profit and loss account	–	–	109,992	109,992
Charged to equity (see Note 24)	–	88,056	–	88,056
At 31st December, 2003	–	88,056	182,625	270,681

Note –

(i) This deferred taxation represented the taxation effect on temporary difference arising from the different bases in reporting revenue with mainland China tax authorities.

As at 31st December, 2001, 2002 and 2003, deferred tax asset of approximately HK$7,719,000, Nil and Nil, respectively, was offset against deferred tax liabilities.

All deferred tax liabilities are primarily to be settled after more than twelve months.

23 Capital

	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*
Paid-in capital	343,688	343,688	343,688

24 Reserves

	Retained profits/(losses) *HK$'000*	Investment property revaluation reserve *HK$'000*	Total *HK$'000*
As at 1st January, 2001	(26)	–	(26)
Profit for the year	17,060	–	17,060
As at 31st December, 2001	17,034	–	17,034
Profit for the year	122,813	–	122,813
As at 31st December, 2002	139,847	–	139,847
Profit for the year	140,191	–	140,191
Surplus on revaluation of investment properties			
– gross (see Note 11)	–	179,674	179,674
– deferred taxation (see Note 22)	–	(88,056)	(88,056)
As at 31st December, 2003	280,038	91,618	371,656

25 Notes to the cash flow statement

(a) Reconciliation of profit before taxation to net cash inflow/(outflow) generated from operations is as follows:

	Year ended 31st December		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	32,507	228,966	277,305
Interest income	–	(1,313)	(1,493)
Depreciation of properties and equipment	160	255	402
Loss on disposal of properties and equipment	–	–	181
Operating profit before working capital changes	32,667	227,908	276,395
Increase in properties under development for long-term investment	(64,770)	(89,411)	(92,428)
Increase in properties for sale	(169,082)	(221,953)	(110,280)
(Increase)/decrease in accounts receivable	(33,087)	3,924	3,066
(Increase)/decrease in prepayments, deposits and other current assets	(145,286)	207,200	(59,161)
Increase/(decrease) in accounts payable	–	161,287	(32,856)
Increase/(decrease) in land premium payable	140,066	–	(28,302)
Increase/(decrease) in deferred income	15,925	12,439	(9,037)
Increase in accruals and other payables	2,271	9,966	21,173
Increase in mainland China business tax payable	3,661	1,047	607
Net cash inflow/(outflow) generated from operations	(217,635)	312,407	(30,823)

(b) Analysis of changes in financing is as follows:

	Short-term bank loans *HK$'000*	Long-term bank loans *HK$'000*	Due to related companies *HK$'000*
As at 1st January, 2001	74,528	–	158,551
New loans/advances	99,057	451,887	3,373
Repayments	(74,528)	–	(54,717)
As at 31st December, 2001	99,057	451,887	107,207
New loans/advances	–	99,057	62,229
Repayments	(99,057)	(18,321)	(161)
As at 31st December, 2002	–	532,623	169,275
New loans/ advances	94,340	–	–
Repayments	–	(89,227)	(55,599)
As at 31st December, 2003	94,340	443,396	113,676

(c) Cash and cash equivalents:

Cash and cash equivalents represent cash and other bank deposits and exclude pledged/charged bank deposits.

26 Commitments

The Company had the following commitments, which have not been provided in the accounts:

	2001 *HK$'000*	2002 *HK$'000*	2003 *HK$'000*
Property development costs			
– Authorised and contracted for	416,313	1,780	240,521
– Authorised but not contracted for	1,598,672	1,643,173	1,373,075
	2,014,985	1,644,953	1,613,596

27 Contingent liabilities

Contingent liabilities not provided for in the accounts are:

	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Guarantees given to banks for mortgage facilities granted to certain buyers of the Company's properties	34,132	243,425	320,858

The Company's Directors and management anticipate that no material liabilities will arise from the above bank guarantees.

28 Pension scheme

As stipulated by rules and regulations in mainland China, the Company contributes to a state-sponsored retirement plan for its employees in mainland China. The Company's employees make monthly contributions to the plan at approximately 8% of the basic salaries of the employees, while the Company contributes approximately 20% of such salaries and has no further obligations for the actual payment of pensions beyond the contributions. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

During the years ended 31st December, 2001, 2002 and 2003, the aggregate amount of the employer contributions made by the Company amounted to approximately HK$123,000, HK$255,000 and HK$481,000, respectively (see Note 6).

There was no forfeiture during the years ended 31st December, 2001, 2002 and 2003.

29 Banking facilities

As at 31st December, 2001, 2002 and 2003, the Company had banking facilities of approximately HK$550,944,000, HK$550,943,000 and HK$537,736,000, respectively, for short-term and long-term bank loans, which were substantially utilised. These facilities were secured by:

(a) properties under development for sale of the Company with an aggregate carrying amount of Nil, approximately HK$37,464,000 and Nil, respectively, as at 31st December, 2001, 2002 and 2003 (see Note 13);

(b) the Company's bank deposits of Nil, approximately HK$43,723,000 and HK$2,304,000, respectively, as at 31st December, 2001, 2002 and 2003 (see Note 17);

(c) properties owned by related companies (see Note 2(d));

(d) bank deposits of a related company (see Note 2(e)); and

(e) guarantees provided by related companies of approximately HK$131,132,000, HK$159,434,000 and HK$168,868,000, respectively, as at 31st December, 2001, 2002 and 2003 (see Note 2(g)).

In addition, the Company is required to comply with certain financial covenants under certain bank borrowings.

II SUBSEQUENT ACCOUNTS

No audited accounts have been prepared for the Company in respect of any period subsequent to 31st December, 2003 and no dividend or other distribution has been declared, made or paid by the Company in respect of any period subsequent to 31st December, 2003.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants

The following consolidated balance sheets together with the notes on principal accounting policies of Hopson Development Holdings Limited (together with its subsidiaries are referred to as the "Company and its subsidiaries") as at 31st December, 2001, 2002 and 2003 and the consolidated profit and loss accounts, consolidated cash flow statements and consolidated statements of changes in equity for the years ended 31st December, 2001, 2002 and 2003 are extracted from the audited accounts of the Company and its subsidiaries prepared under HK GAAP. All such financial information should be read in conjunction with the audited accounts and accompanying notes, which are included in the Company's annual reports mailed to you or otherwise available on request from Hopson Development Holdings Limited.

Consolidated Profit and Loss Accounts
For the years ended 31st December

	2003	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
		As restated	*As restated*
Turnover	3,325,922	2,126,789	1,170,871
Cost of sales	(2,431,612)	(1,347,736)	(782,664)
Gross profit	894,310	779,053	388,207
Other revenue	7,211	2,632	4,288
Selling and marketing expenses	(231,251)	(200,529)	(126,181)
General and administrative expenses	(139,852)	(146,201)	(57,080)
Profit from operations	530,418	434,955	209,234
Share of profit of a jointly controlled entity	110,922	91,586	12,584
Share of loss of an associate	(1,118)	(3,033)	–
Finance costs	(4,280)	(12,644)	(5,938)
Profit before taxation	635,942	510,864	215,880
Taxation	(252,000)	(229,811)	(90,891)
Profit after taxation	383,942	281,053	124,989
Minority interests	(68,588)	(51,971)	(4,024)
Profit attributable to shareholders	315,354	229,082	120,965
Dividends	50,100	40,080	30,050
Earnings per share			
– Basic	HK 31 cents	HK 23 cents	HK 12 cents
– Diluted	HK 31 cents	HK 23 cents	HK 12 cents

Consolidated Balance Sheets
As at 31st December

	2003	2002	2001
	HK$'000	*HK$'000*	*HK$'000*
		As restated	*As restated*
Non-current assets			
Properties and equipment	39,163	31,900	22,507
Investment properties	2,558,124	2,625,600	1,710,000
Rights to receive rental income	–	48,524	–
Properties under development for long-term investment	1,515,985	1,146,549	716,940
Land pending development	581,016	311,458	89,056
Investment in an associate	770	779	2,413
Investment in a jointly controlled entity	141,124	85,412	38,431
Goodwill	4,072	6,108	6,587
Due from a director	–	–	1,000
Total non-current assets	4,840,254	4,256,330	2,586,934
Current assets			
Properties under development for sale	3,417,222	2,690,666	1,751,799
Completed properties for sale	940,580	1,066,227	369,536
Accounts receivable	309,204	121,045	277,167
Due from related companies	3,138	2,765	5,983
Prepayments, deposits and other current assets	169,561	117,760	156,784
Investment in securities	4,492	2,827	4,232
Pledged/charged bank deposits	309,732	281,034	110,221
Cash and other bank deposits	350,247	208,368	363,873
Total current assets	5,504,176	4,490,692	3,039,595
Current liabilities			
Short-term bank loans	(1,092,510)	(1,108,633)	(751,483)
Long-term bank loans, current portion	(291,583)	(375,527)	(164,283)
Accounts payable	(1,373,229)	(714,541)	(147,844)
Land premium payable, current portion	(65,430)	(346,252)	(172,907)
Deferred income, current portion	(481,056)	(349,259)	(140,083)
Accruals and other payables	(406,793)	(287,397)	(246,008)
Due to an associate	(2,226)	–	–
Due to directors	(1,922)	(4,188)	(1,562)
Due to related companies	(215,732)	(303,314)	(76,209)
Due to a jointly controlled entity	(185,347)	(212,567)	(87,189)
Taxation payable	(188,682)	(172,303)	(45,357)
Due to ultimate holding company	–	–	(20,000)
Total current liabilities	(4,304,510)	(3,873,981)	(1,852,925)
Net current assets	1,199,666	616,711	1,186,670
Total assets less current liabilities	6,039,920	4,873,041	3,773,604

Consolidated Balance Sheets
As at 31st December

	2003	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
		As restated	*As restated*
Non-current liabilities			
Long-term bank loans, non-current portion	(1,662,224)	(822,598)	(482,632)
Land premium payable, non-current portion	(11,847)	(75,338)	(126,425)
Due to a director	(10,000)	(10,000)	–
Due to ultimate holding company	(32,000)	(20,000)	–
Deferred income, non-current portion	(53,934)	(57,359)	(58,889)
Deferred taxation	(1,052,052)	(1,145,800)	(890,920)
Total non-current liabilities	(2,822,057)	(2,131,095)	(1,558,866)
Minority interests	(523,485)	(297,726)	(179,810)
Net assets	2,694,378	2,444,220	2,034,928
Represented by:			
Share capital	100,200	100,200	100,200
Reserves	2,594,178	2,344,020	1,934,728
Shareholder's equity	2,694,378	2,444,220	2,034,928

Consolidated Cash Flow Statements
For the years ended 31st December

	2003	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
Cashflows from operating activities			
Profit before taxation	635,942	510,864	215,880
Interest income	(7,211)	(2,632)	(4,288)
Interest expense	4,280	12,644	5,938
Share of profit of a jointly controlled entity	(110,922)	(91,586)	(12,584)
Share of loss of an associate	1,118	3,033	–
Provision for amount due from an associate	620	6,000	–
Deprecation of properties and equipment	8,423	5,820	3,355
Loss on disposal of properties and equipment	486	74	38
Amortisation of goodwill	2,936	2,425	1,647
Amortisation of rights to receive rental income	3,308	1,103	–
Write-off of cost of properties	–	5,355	–
(Gain)/loss on investment in securities	(722)	1,405	2,591
Operating profit before working capital changes	538,258	454,505	212,577
Increase in land pending development	(373,770)	(227,757)	–
Increase in properties under development for long-term investment	(461,052)	(810,601)	–
Decrease/(increase) in properties for sale	6,720	(1,566,026)	(597,360)
(Increase)/decrease in accounts receivable	(188,159)	156,122	29,636
(Increase)/decrease in prepayments, deposits and other current assets	(42,343)	39,024	(82,398)
Increase in accounts payable	658,688	566,697	4,833
(Decrease)/increase in land premium payable	(344,313)	122,258	153,302
Increase in deferred income	128,372	207,646	198,972
Increase in accruals and other payables	110,216	41,389	87,624
Increase/(decrease) in mainland China business tax payable	14,574	(6,144)	(24,713)
Interest received	7,211	2,632	4,288
Hong Kong profits tax paid	(9,369)	(2,118)	–
Mainland China enterprise income tax paid	(208,751)	(85,433)	(80,787)
Mainland China land appreciation tax paid	(4,644)	–	–
Net cash outflow from operating activities	(168,362)	(1,107,806)	(94,027)

	2003 *HK$'000*	2002 *HK$'000*	2001 *HK$'000*
Investing activities			
Additions of properties and equipment	(15,935)	(15,287)	(11,407)
Increase in rights to receive rental income	–	(49,627)	–
Acquisition of subsidiaries, net of cash acquired	(110,950)	–	(403,535)
Acquisition of investment in securities	(943)	–	–
Acquisition of an associate	–	–	(1,887)
Increase in amounts due from associates	(620)	(707)	6,977
Decrease/ (Increase) in amount due from a director	–	1,000	(1,000)
(Increase)/decrease in amounts due from related companies	(373)	3,218	(5,577)
Decrease in amount due form a jointly controlled entity	–	–	157,339
Increase in pledged/charged bank deposits	(28,698)	(170,813)	(70,221)
Others	–	(1,946)	(8,234)
Net cash outflow from investing activities	(157,519)	(234,162)	(337,545)
Net cash outflow before financing activities	(325,881)	(1,341,968)	(431,572)
Financing activities			
Proceeds from issue of shares	–	–	1,360
Share issue expenses	–	–	(3)
New short-term bank loans	1,092,510	1,108,633	623,009
Repayments of short-term bank loans	(1,108,633)	(751,483)	(422,462)
New long-term bank loans	1,255,357	715,247	588,774
Repayments of long-term bank loans	(499,675)	(164,037)	(323,166)
Advances from directors	13,128	12,630	45
Repayments to directors	(15,394)	(4)	(1,507)
Advances from related companies	804,696	254,349	28,120
Repayments to related companies	(892,278)	(27,244)	(9,341)
Advances from an associate	1,117	–	–
Repayments to an associate	–	(6,692)	–
Advances from a jointly controlled entity	881,907	314,463	87,189
Repayments to a jointly controlled entity	(909,127)	(189,085)	–
Advances from ultimate holding company	12,000	–	20,000
Interest paid	(164,072)	(103,893)	(71,896)
Dividends paid	(40,080)	(40,080)	(40,010)
Capital contributions from minority shareholders of subsidiaries	44,714	65,945	19,171
Dividends paid to minority shareholders of subsidiaries	(8,163)	–	–
Net cash inflow from financing activities	468,007	1,188,749	499,283
Increase/(decrease) in cash and cash equivalents	142,126	(153,219)	67,711
Cash and cash equivalents at beginning of year	208,368	363,873	290,363
Effect of foreign exchange translation	(247)	(2,286)	(5,799)
Cash and cash equivalents at end of year	350,247	208,368	363,873

Consolidated Statement of Changes in Equity
For the years ended 31st December

	2003 *HK$'000*	2002 *HK$'000* *As restated*	2001 *HK$'000* *As restated*
Total equity as at 1st January, as previously reported	2,799,624	2,253,884	2,155,249
Effect of adoption of HKSSAP 12	(355,404)	(218,956)	(218,956)
Total equity as at 1st January, as restated	2,444,220	2,034,928	1,936,293
Profit attributable to shareholders	315,354	229,082	120,965
Proceeds from issue of shares, net of share issue expenses	–	–	1,357
Surplus on revaluation of investment properties	13,519	222,576	10,524
Investment property revaluation reserve transferred to the profit and loss account upon disposal of investment properties	(38,388)	–	–
Translation adjustments	(247)	(2,286)	5,799
Payment of dividends	(40,080)	(40,080)	(40,010)
Total equity as at 31st December	2,694,378	2,444,220	2,034,928

1. PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of measurement

The accounts have been prepared on the historical cost basis, as modified by the revaluation of investment properties and investment in securities.

(b) Basis of presentation

The accounts have been prepared on the going concern basis as the Company's Directors and the Group's management are confident that the Group's short-term bank borrowings and current portion of long-term bank borrowings will either be rolled over or replaced by new sources of financing when they become due.

(c) Adoption of revised Statement of Standard Accounting Practice

Commencing from 1st January, 2003, the Group has adopted HKSSAP 12 "Income Taxes" issued by the Hong Kong Society of Accountants, under which deferred taxation is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. In prior year, deferred taxation was provided in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.

The adoption of the revised HKSSAP 12 represents a change in accounting policy, which has been applied retrospectively and in this respect the 2001 and 2002 comparative figures presented herein have been restated to conform to the changed policy. The change has resulted in an increase in deferred tax liabilities and a reduction in investment property revaluation reserve at 1st January, 2001, 2002 and 2003 by approximately HK$218,956,000, HK$218,956,000 and HK$355,404,000, respectively, which represent the unprovided deferred tax liabilities.

(d) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries, together with the Group's share of post-acquisition results and reserves of its associates and jointly controlled entities under the equity method of accounting. The results of subsidiaries, associates and jointly controlled entities acquired or disposed of during the year are included in the consolidated profit and loss account from their effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and any related cumulative currency translation adjustments.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(e) Intangibles

(i) Goodwill

Goodwill arises where the fair value of the consideration given exceeds the Group's share of the aggregate fair values of the identifiable net assets acquired at the date of acquisition. Goodwill is recognised as an intangible asset and is amortised on a straight-line basis over its estimated economic life of five to ten years. The carrying value of goodwill is assessed periodically or when factors indicating an impairment are present. Any impairment of goodwill is recognised as an expense in the period in which the impairment occurs.

(ii) Rights to receive rental income

Rights to receive rental income is recognised as an intangible asset and is amortised on a straight-line basis over their estimated economic life of fifteen years.

(f) Subsidiaries

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast majority votes at the meetings of the board of directors.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(g) Associates

An associate is a company over which the Group has significant influence, but not control or joint control, over its financial and operating policy decisions. In the consolidated accounts, investment in associates is accounted for under the equity method of accounting, whereby the investment is initially recorded at cost and is adjusted thereafter to recognise the Group's share of the post-acquisition results of associates, distributions received from associates, other necessary alterations in the Group's proportionate interest in associates arising from changes in the equity of associates that have not been included in the profit and loss account of associates, amortisation of the difference between the cost of investment and the Group's share of the aggregate fair value of the identifiable net assets acquired at the date of acquisition (goodwill), and any impairment loss. The Group's share of post-acquisition results of associates is included in the consolidated profit and loss account.

(h) Contractual joint ventures

A contractual joint venture is an entity established between the Group and one or more other parties for a pre-determined period of time, with the rights and obligations of the joint venture partners being governed by a contract. If the Group is able to govern and control the financial and operating policies of the contractual joint venture so as to obtain benefits from its activities, such joint venture is considered as a de facto subsidiary and is accounted for as a subsidiary. If the Group can only exercise significant influence over the contractual joint venture, such joint venture is accounted for as an associate.

(i) Jointly controlled entities

A jointly controlled entity is a joint venture where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. In the consolidated accounts, investment in jointly controlled entities is accounted for under the equity method of accounting, whereby the investment is initially recorded at cost and is adjusted thereafter to recognise the Group's share of the post-acquisition results of jointly controlled entities, distributions received from jointly controlled entities, other necessary alterations in the Group's proportionate interest in jointly controlled entities arising from changes in equity of jointly controlled entities that have not been included in the profit and loss account of the jointly controlled entities, amortisation of the difference between the cost of investment and the Group's share of the aggregate fair value of the identifiable net assets acquired at the date of acquisition (goodwill), and any impairment loss. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated profit and loss account.

(j) Jointly controlled assets

A joint venture which does not involve the establishment of a separate entity but involves the joint control and ownership by the Group and other parties of assets contributed to, or acquired for the purpose of, the joint venture is accounted for as a jointly controlled asset. In the consolidated accounts, the Group's share of jointly controlled assets and any liabilities incurred jointly with other joint venture partners are recognised and classified according to the nature of the relevant items. Income from the sale or use of the Group's share of the output of jointly controlled assets is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group, whilst the Group's share of expenses in respect of jointly controlled assets is recognised as incurred.

(k) Properties and equipment and depreciation

Properties and equipment, other than investment properties, are stated at cost less accumulated depreciation and any impairment loss. Major expenditures on modifications and betterments of properties and equipment which will increase their future economic benefits are capitalised, while expenditures on maintenance and repairs are expensed when incurred. Depreciation is provided on a straight-line basis to write off the cost less accumulated impairment losses of each asset over its estimated useful life. The principal annual rates of depreciation are as follows:

Leasehold land	2% (lease term)
Buildings	2%
Furniture and office equipment	20%
Motor vehicles	20% to 30%

The depreciation methods and useful lives are reviewed periodically to ensure that the methods and rates of depreciation are consistent with the expected pattern of economic benefits from properties and equipment.

The gain and loss on disposal of properties and equipment are recognised in the profit and loss account based on the net disposal proceeds less the then carrying amount of the assets.

(l) Investment properties

Investment properties are interests in land and buildings in respect of which construction and development work have been completed and which are held for their long-term investment potential, any rental income being negotiated at arm's length. These properties are included in the balance sheet at their open market value on the basis of an annual valuation by independent qualified valuers. All changes in the value of investment properties are dealt with in the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit on a portfolio basis, in which case the net deficit is charged to the profit and loss account. When an investment property is disposed of, the relevant portion of previously recognised revaluation surpluses is reversed and the gain or loss on disposal reported in the profit and loss account is determined based on the net disposal proceeds less the original cost.

No depreciation is provided for investment properties unless the unexpired lease term is 20 years or less, in which case depreciation is provided on the then carrying value over the unexpired lease term.

(m) Properties under development

Properties under development for sale, the pre-sale of which has not commenced, are included in current assets at the lower of cost and net realisable value. Properties under development for sale, the pre-sale of which has commenced, are included in current assets at cost plus attributable profits, less foreseeable losses and sale instalments received and receivable. Properties under development for long-term investment are stated at cost less any impairment loss.

The cost of properties under development consists of land costs, construction expenditures, borrowing costs directly attributable to construction of such properties and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing expenses.

No depreciation is provided on properties under development.

(n) Land pending development

Land pending development is land acquired and pending a definite plan to be developed for sale or long-term investment. It is stated at cost less any impairment loss. Land costs include land premium costs, site clearance costs and other direct costs of bringing the land to a condition suitable for development. When the intention is clear and development has commenced, land to be developed for sale will be classified as properties under development for sale, while land to be developed for investment will be classified as properties under development for long-term investment.

No depreciation is provided on land pending development.

(o) Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling prices in the ordinary course of business as determined by management with reference to the prevailing market conditions, less selling and marketing expenses.

(p) Investment in securities

Securities that are held for the purpose of generating a profit from short-term fluctuations in price are classified as investment in securities, and are included in the balance sheet at their fair values. All changes in the fair values of investment in securities and gains and losses on disposal of investment in securities are recognised in the profit and loss account when they arise.

(q) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision, if any.

(r) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of one of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount of an asset is recognised in the profit and loss account. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the profit and loss account.

(s) Provisions and contingencies

Provisions are recognised when there is a present obligation, legal or constructive, as a result of past events and it is probable that an outflow of resources will be required to settle the obligations, and a reliable estimate of the amount can be made. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(t) Turnover and revenue recognition

Turnover (net of applicable business tax) consists of (i) pre-sale and sale of properties, (ii) rental income, and (iii) property management fees. Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is recognised on the following bases:

(i) Pre-sale and sale of properties

Pre-sale of properties under development for sale under legally-binding agreements is recognised by reference to the stage of completion of the development of the properties, with the profit recognised restricted to the amount of instalments received. No revenue from pre-sale of properties is recognised until the construction has progressed to a stage when completion of the properties and the ultimate realisation of profit can be reliably estimated. Sale of completed properties held for sale is recognised when a legally-binding agreement has been executed, with the profit recognised restricted to the amount of instalments received.

When a purchaser defaults in the payment of instalments and the Group exercises its right to terminate the sale, the revenue and the related profit previously recognised are reversed and the instalments received and forfeited are credited to the profit and loss account.

(ii) Rental income

Rental income is recognised on a straight-line basis over the period of the relevant leases.

(iii) Property management fees

Property management fees are recognised when the service is rendered.

(iv) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Deferred income represented amounts received for which the earning process has not been completed.

(u) Taxation

Individual companies within the Group provide for profits tax on the basis of their profits for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(v) Advertising and promotion costs

Costs of advertising and promotion are expensed as incurred.

(w) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group's contributions to the defined contribution retirement plans are expensed as incurred.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisitions, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(y) Operating leases

Operating leases represent leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Rental payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the relevant leases.

(z) Foreign currency translation

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). In the accounts of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the applicable rates of exchange prevailing at the time of the transactions; monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rate of exchange in effect at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account of the individual companies.

The Group prepares consolidated accounts in Hong Kong dollars. For the purpose of consolidation, all the assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date; all income and expense items are translated into Hong Kong dollars at the applicable average exchange rates during the year. Exchange differences arising from such translation are dealt with as movements in cumulative translation adjustments.

(aa) Segment reporting

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

Segment assets consist primarily of all of the Group's operating assets, while segment liabilities consist primarily of all of the Group's operating liabilities. Capital expenditure comprises additions to investment properties, properties under development for long-term investment, rights to receive rental income, and properties and equipment, including those arising from acquisitions of subsidiaries.

(bb) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, bank deposits/cash investments with a maturity of three months or less from the date of investment and bank overdrafts.

2. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Financial Review

Performance

The economies of both Hong Kong and mainland China were adversely affected by the outbreak of SARS virus during the first half of 2003. However, buyers' confidence and sales volume in the residential property market improved towards the later part of the year. Overall, with the benefits of the continued growth in mainland China's economic development, the Group achieved a record breaking turnover for the year ended 31st December, 2003, which increased by 56% from HK$2,127 million to HK$3,326 million compared to the previous year. This 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 2003 amounted to HK$625 million (2002: HK$528 million) representing an increase of 18% on the prior year.

The Group's business in Beijing was satisfactory. The first phase of Fresh Life Garden was completed and delivered to buyers in the fourth quarter of 2003. Pre-sale for the other two Beijing projects, Citt Eterna and Beijing Regal Court made good progress due to the increased construction progress and an improved sentiment of the general Beijing property market since mid-2003. Projects located in the Beijing area contributed a substantially increased portion in turnover of the Group, representing 34% in 2003 (2002: 7.0%).

Sales in Guangzhou area were encouraging although keen competition and rigid market conditions continued to exist. Sales volume, in terms of gross floor area sold, increased by 21% from 449,754 sq.m. (3,710 units) in 2002 to 543,078 sq.m. (4,543 units). Projects, such as Gallopade Par-South Court and Huanan New City remained well accepted by the market.

During the year, the Group experienced a fall in gross profit ratio from 37% in 2002 to 27% and a higher direct cost-to-turnover margin of 73% (2002: 63%). This phenomenon was to a large extent attributable to the disposal of old inventories at reduced prices, a general decline in unit selling prices of certain projects in Guangzhou area prompted by intense competitions, and the increased interest charges capitalized as a result of greater amounts of bank borrowings raised to finance the development of projects.

Total general and administrative expenses dropped mildly by 4.3% to HK$140 million in 2003 (2002: HK$146 million). This was primarily owing to the Group's stringent cost control measures imposed and less start-up costs incurred in Beijing this year, as its operation was in the second year of running. However, the rising staff costs due principally to the Group's expansion in Beijing and Tianjin remained significant.

The control efforts made to tighten the Group's spending on advertising and marketing achieved some results. The level of selling and marketing expenses expressed as a percentage over turnover fell from 9.4% in 2002 to 7.0% in 2003 although the amount expended increased by 15.3% to HK$231 million (2002: HK$201 million).

During the year, the Group incurred interest expenses before capitalization totalling HK$164 million (2002: HK$104 million). The average interest rate of borrowing costs incurred during the year ended 31st December, 2003 was approximately 5.6% per annum (2002: 6.0% per annum).

Profit from operations covered 3.2 times of the interest expenses before capitalization, compared to 4.2 times for the previous year.

Whilst the Group's taxation expenses increased by 9.7% from HK$230 million in 2002 to HK$252 million in 2003, the effective tax rate decreased slightly, due mainly to the favourable effect of different tax rates between Hong Kong (17.5%) and the mainland China (33%), from 45% in 2002 to 40% in 2003.

Results

The Group had a strong year in 2003 with profit attributable to shareholders at HK$315 million, being HK$86 million or 38% higher than that in 2002. The significant increase was mainly attributable to a significant increase in turnover as more residential units were sold, particularly in the Beijing area.

Segment Information

For the year ended 31st December, 2003, 97% (2002: 98%) of the Group's turnover and 93% (2002: 96%) of the Group's operating profit were derived from the property development business. The management expects that while a greater emphasis will be placed on its property investment portfolio in 2004, the property development business remains the major profit contributor to the Group in the foreseeable future.

Financial position

As at 31st December, 2003, total assets of the Group amounted to HK$10,344 million and its total liabilities (excluding minority interests) amounted to HK$7,127 million, representing an increase of HK$1,597 million and HK$1,121 million respectively on the previous year. Total assets increased mainly due to an increased construction progress for the Group's newly developed projects, in particular, in the Beijing area. However, the additional investments made were financed by bank loans and, to a certain extent, accounts payable thereby leading to a corresponding increase in total liabilities.

Current ratio increased from 1.16 at last year end to 1.28 this year representing an increase of 10.3%. Shareholders' equity increased to HK$2,694 million at 31st December, 2003 from HK$2,444 million (restated) at 31st December, 2002, due mainly to the contribution from the current year's profit attributable to shareholders.

Liquidity and borrowings

As at 31st December, 2003, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding minority interests) was 69% (2002: 69% (restated)). The net debt-to-equity ratio (i.e. total debt less cash and bank deposits over shareholders' equity) was 105% (2002: 97% (restated)).

As at 31st December, 2003, the Group had cash and short-term bank deposits amounting to HK$660 million (2002: HK$489 million) of which HK$256 million (2002: HK$232 million) were pledged as collateral for the Group's banking facilities. In addition, the Group's bank deposits of approximately HK$53 million (2002: HK$49 million) were charged by certain banks in respect of the processing of mortgage facilities granted by the banks to buyers of the Group's properties. 96% of the cash and bank deposits was denominated in Renminbi, 3% in Hong Kong dollars and 1% in United States Dollars.

Total borrowings from banks amounted to HK$3,046 million, (2002: HK$2,307 million) representing an increase of 32% or HK$739 million over the previous year. Gearing, measured by net bank borrowings as a percentage of shareholders' equity, increased from 74% (restated) last year to 89% this year. The increase in bank borrowings and the rise in gearing ratio were, to a large extent, caused by the additional loans drawn down to finance the development of projects in Beijing and Tianjin, and the replenishment of landbank in Shanghai. Reliance on bank loan financing will continue to persist as the Group is in the middle of a rapid expansion phase. Nonetheless, as sales of the developed projects progress, the Group's gearing ratio is expected to gradually decline.

Gearing ratios above, to some extent, were affected by the first time adoption of SSAP12.

Approximately 98% of Group's bank borrowings was denominated in Renminbi with fixed interest rates and 2% of the Group's bank borrowings was denominated in United States dollars with floating interest rate.

The Group's bank borrowings as at 31st December, 2003 were all secured with a repayment profile set out below:-

	As at 31st December, 2003		**As at 31st December, 2002**	
HK$ million				
Within 1 year	1,384	45.4%	1,485	64.4%
After 1 year but within 2 years	1,550	50.9%	340	14.7%
After 2 years but within 3 years	112	3.7%	482	20.9%
Total bank borrowings	3,046	100%	2,307	100%
Less: Bank deposits and cash	(660)		(489)	
Net bank borrowings	2,386		1,818	

As at 31st December, 2003, the Group had banking facilities of approximately HK$3,046 million (2002: HK$2,307 million) for short-term and long-term bank loans, which were fully utilized.

Charges on Assets

As at 31st December, 2003, certain assets of the Group with an aggregate carrying value of HK$2,738 million (2002:HK$2,347 million) were pledged with banks for loan facilities used by subsidiaries, a jointly controlled entity and related companies.

Contingent liabilities

As at 31st December, 2003, the Group provided guarantees to banks for:-

	2003 *HK$ million*	**2002** *HK$ million*
– mortgage facilities granted to buyers of the Group's properties	1,861	1,323
– loans borrowed by a jointly controlled entity	94	85
– loans borrowed by related companies	86	107
– loans borrowed by an associate	–	9
	2,041	1,524

Capital commitments

The Group's capital commitments in respect of land and property construction costs and capital contribution to a jointly controlled entity, which were authorized and contracted for, amounted to HK$2,431 million at 31st December, 2003 (2002: HK$4,137 million). With the 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.

3. MANAGEMENT DISCUSSION AND ANALYSIS ON GUANGZHOU ZHUJIANG QIAODAO REAL ESTATE LIMITED ("QIAODAO")

Results

Qiaodao has been experiencing steady growth over the relevant periods with profit at HK$140 million for year 2003, being 14% higher than that for 2002 (HK$123 million) and 7.2 times higher than that for 2001 (HK$17 million).

The increase was mainly attributable to a significant rise in turnover amounting to HK$625 million for 2003, representing a growth of 18% and 5.8 times over those figures for 2002 and 2001 respectively.

Segment information

Qiaodao is principally engaged in property development and investment. No business or geographical segment analysis is presented as all of Qiaodao's revenue and results during the three years ended 31st December, 2003 are related to property development and investment in PRC. Accordingly, there is only one business segment and one geographical segment.

Financial position

As at 31st December, 2003, total assets of Qiaodao amounted to HK$1,977 million and its total liabilities amounted to HK$1,262 million, representing an increase of HK$337 million and HK$105 million respectively on 2002 and HK$780 million and HK$426 million respectively on 2001. Compared to those figures at 2002 year end, total assets at 2003 year end increased mainly due to the completion of part of the properties, as shown by the increase in completed properties for sale of HK$97 million and in investment properties of HK$287 million, of which revaluation surplus amounted to HK$180 million while total liabilities increased mainly due to the increase in deferred taxation of HK$198 million arising from the investment property revaluation surplus (HK$88 million) and the temporary difference arising from the different bases in reporting revenue with PRC tax authorities (HK$110 million).

Current ratios for 2001, 2002 and 2003 were 5.8, 3.3 and 1.94 respectively. The exceptionally high ratio for 2001 was due to the prepaid construction expenditures of HK$208 million. The lower ratio for 2003 was mainly due to long term bank loans of HK$344 million being reclassified from non-current portion to current portion and therefore included in current liabilities.

Equity increased from HK$361 million at 2001 year end to HK$484 million at 2002 year end, representing an increase of HK$123 million mainly attributed to the contribution from the profit for 2002. At 2003 year end, equity reached HK$715 million, being HK$231 million higher than that at 2002 year end, mainly due to the profit for 2003 of HK$140 million and newly recorded investment property revaluation reserve (net of deferred taxation effect) of HK$91 million.

Liquidity and borrowings

As at 31st December, 2003, Qiaodao's liability-to-asset ratio stood at 64% (2001: 70% and 2002: 71%). The net debt-to-equity ratio (i.e. total debt less cash and bank deposits over equity) was 87% (2001: 173% and 2002: 116%). The obvious improvements in the latter ratio were mainly due to the corresponding increase in equity as described earlier.

As at 31st December, 2003, Qiaodao had cash and short-term bank deposits amounting to HK$28 million (2001: HK$35 million and 2002 HK$140 million) of which HK$2 million (2001: Nil and 2002: HK$77 million) were pledged as collateral for Qiaodao's banking facilities and bank loans borrowed by a related company. In addition, as at 31st December, 2001, 2002 and 2003, Qiaodao's bank deposits of approximately HK$35,000, HK$9,456,000 and HK$3,712,000 respectively were charged in respect of the processing of mortgage facilities granted by banks to buyers of Qiaodao's properties.

As at 31st December, 2001, 2002 and 2003, cash and bank deposits of approximately HK$2 million, HK$106 million and HK$28 million respectively were denominated in RMB, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China.

Total borrowings from banks for 2001, 2002 and 2003 amounted to HK$551 million, HK$533 million and HK$538 million respectively. Gearing, as measured by net bank borrowings as a percentage of equity, as at 31st December, 2001, 2002 and 2003 were 143%, 81% and 71% respectively, indicating a continuous improvement over the years resulting from a continuous increase in equity.

All of Qiaodao's bank borrowings were denominated in RMB with fixed interest rates.

Qiaodao's bank borrowings as at 31st December, 2003 were all secured with a repayment profile set out below:

	2001	**2002**	**2003**
	HK$ million	*HK$ million*	*HK$ million*
– Within 1 year	99	–	439
– After 1 year but within 2 years	–	434	99
– After 2 year but within 3 years	452	99	–
Total bank borrowings	551	533	538
Less: Bank deposits and cash	(35)	(140)	(28)
Net bank borrowings	516	393	510

As at 31st December, 2003, Qiaodao had banking facilities of approximately HK$538 million (2001: HK$551 million and 2002 HK$533 million) for short-term and long-term bank loans, which were fully utilized.

Charges on Assets

No charges on assets were made at 31st December, 2001 while certain assets of Qiaodao with an aggregate carrying value of approximately HK$81 million, respectively and 2 million were pledged for Qiaodao's banking facilities at 31st December, 2002 and 2003.

Contingent liabilities

As at 31st December, 2003, Qiaodao provided guarantees to banks for:

	2001	2002	2003
	HK$ million	*HK$ million*	*HK$ million*
– mortgage facilities granted to certain buyers of Qiaodao's properties	34	243	321

Capital commitments

Qiaodao's capital commitments in respect of land and property construction costs , which were authorized and contracted for, amounted to HK$241 million at 31st December, 2003 (2001: HK$416 million and 2002: HK$2 million). With the continuous cash inflow from property sales and the committed banking facilities, Qiaodao is in an adequate liquidity position to meet these on-going capital commitments by stages.

Treasury policies and capital structure

Qiaodao 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 Qiaodao.

4. MANAGEMENT DISCUSSION AND ANALYSIS ON THE JV COMPANIES

Performance

The combined turnover of the JV Companies increased by 117% from HK$438 million for the year ended 31st December, 2001 to HK$950 million for the year ended 31st December, 2002. The increase was mainly attributable to the inclusion of the turnover of Beijing Fresh Life Garden, which only commenced its pre-sale in July 2002 and the full year turnover of Huanan New City, which commenced its pre-sale in September 2001. As more new projects were constructed and commenced its pre-sale in 2003, including Beijing Citta Eterna, Beijng Regal Court and Pleasant View Garden, the combined turnover of the JV Companies further increased by 136% to HK$2,241 million for the year ended 31st December, 2003.

Overall, the performance of the JV Companies in Beijing were satisfactory. Consumers' confidence rose and therefore turnover increased significantly in 2003 as the construction of all three property developments progressed. On the other hand, turnover for the JV Companies located in Guangzhou were encouraging although keen competition and rigid market conditions exist throughout 2001, 2002 and 2003. The combined gross profit percentages for the JV Companies for the three years ended 31st December, 2001, 2002 and 2003 were 33%, 35% and 27%. The sharp drop in gross profit percentage in 2003 was to a large extent attributable to the disposal of old inventories at reduced prices, a general decline in unit selling prices of certain projects prompted by the intense competitions, and the increased interest charges capitalized as a result of greater amount of bank borrowings raised to finance the development of projects.

In the face of a strong supply market, various sale-promotion initiatives and campaigns were launched, particularly for projects in Beijing where the JV Companies' brand names were new and in Guangzhou where market competition remained aggressive. Combined selling and marketing expenses of the JV Companies expressed as a percentage of combined turnover rose from 11.1% during the year ended 31st December, 2001 to 16.2% for 2002. In 2003, the JV Companies exert more control efforts on its spending on advertising and marketing expenses, and as a result, combined selling and marketing expenses expressed as a percentage of combined turnover dropped to 8.2%.

Combined general and administrative expenses for the JV Companies increased gradually from HK$28 million in 2001 to HK$40 million in 2002 and then to HK$68 million in 2004. The increase was in line with the JV Companies' rapid expansion in Beijing area.

Although the average interest rate of borrowing costs incurred during the years ended 31st December, 2001, 2002 and 2003 showed a decreasing trend of 6.4% per annum, 6.1% per annum and 5.8% per annum, respectively, the total amount of combined interest expenses before capitalization of during the years ended 31st December, 2001, 2002 and 2003 were HK$37 million, HK$69 million and HK$96 million, respectively due to greater amounts of bank borrowings raised to finance the development of projects.

The combined effective tax rates for the JV Companies amounted to 36%, 42% and 37%, respectively during the years ended 31st December, 2001, 2002 and 2003, respectively.

Results

The combined profit for the year for the JV Companies amounted to HK$44 million, HK$83 million and HK$229 million, respectively during the years ended 31st December, 2001, 2002 and 2003. The increasing trend was mainly attributable to the significant increase in combined turnover as more residential units were sold for the JV Companies.

Financial Position

The combined total assets of the JV Companies increased from HK$3,005 million as at 31st December, 2001 to HK$ 5,059 million as at 31st December, 2002 and then to HK$ 7,090 million as at 31st December, 2003, whereas combined total liabilities (excluding minority interests) amounted to HK$ 2,195 million as at 31st December, 2001, HK$3,954 million as at 31st December, 2002 and HK$5,590 million as at 31st December, 2003, respectively. Combined total assets increased continuously mainly due to the JV Companies' newly developed projects and their increasing construction progresses, in particular, in the Beijing area. Additional investments made were financed by bank loans, and to a certain extent, accounts payable leading to a corresponding increase in total liabilities.

Combined current ratio dropped from 1.32 as at 31st December, 2001 to 1.03 as at 31st December, 2002 and then rose to 1.14 as at 31st December, 2003. Shareholders' equity, on the other hand, increased from HK$809 million as at 31st December, 2001 to HK$1,105 million as at 31st December, 2002 and HK$1,501 million as at 31st December, 2003, due mainly to the contribution from the JV Companies' profit attributable to shareholders.

Liquidity and borrowings

As at 31st December, 2003, the JV Companies' combined liability-to-asset ratio was 0.79 (2001: 0.73 and 2002: 0.78). The JV Companies' combined net debt-to-equity ratio was 169% (2001: 124% and 2002: 171%).

As at 31st December, 2003, the JV Companies had a combined cash and short-term bank deposits amounting to HK$377 million (2001: HK$250 million and 2002 HK$133 million) of which HK$158 million (2001: HK$8 million and 2002 HK$48 million) were pledged as collateral for the JV Companies' banking facilities. In addition, as at 31st December, 2001, 2002 and 2003, the Company's bank deposits of approximately HK$13,679,000, HK$9,538,000 and HK$36,875,000 respectively, were charged in respect of the processing of mortgage facilities granted by banks to buyers of the JV Companies' properties.

As at 31st December, 2001, 2002 and 2003, combined cash and bank deposits of approximately HK$244,620,000, HK$127,714,000 and HK$376,157,000 respectively, were denominated in RMB, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China.

Combined total borrowings from banks for the JV Companies for 2001, 2002 and 2003 amounted to HK$890 million, HK$1,024 million and HK$2,006 million respectively. Gearing, as measured by net bank borrowings as a percentage of equity, as at 31st December, 2001, 2002 and 2003 were 79%, 81% and 109% respectively.

All of the JV Companies bank borrowings were denominated in RMB with fixed interest rates.

The JV Companies' bank borrowings as at 31st December, 2003 were all secured with a repayment profile set out below:

	2001	**2002**	**2003**
	HK$ million	*HK$ million*	*HK$ million*
– Within 1 year	431	636	972
– After 1 year but within 2 years	280	189	1,034
– After 2 year but within 3 years	179	199	–
Total bank borrowings	890	1,024	2,006
Less: Bank deposits and cash	(250)	(133)	(377)
Net bank borrowings	640	891	1,629

As at 31st December, 2003, the JV Companies had banking facilities of approximately HK$2,006 million (2001: HK$890 million and 2002 HK$1,024 million) for short-term and long-term bank loans, which were fully utilized.

Charges on Assets

As at 31st December, 2003, certain assets of the JV Companies with an aggregate carrying value of approximately HK$1,209 million (2001: HK$625 million and 2002 HK$612 million) were pledged with bank loans facilities used by the JV Companies

Contingent liabilities

As at 31st December, 2003, the JV Companies provided guarantees to banks for:

	2001	**2002**	**2003**
	HK$ million	*HK$ million*	*HK$ million*
– mortgage facilities granted to certain buyers of the JV Companies' properties	192	569	1,356
– loans borrowed by related companies	19	154	133
	211	723	1,489

Capital commitments

The JV Companies' combined capital commitments in respect of land and property construction costs, which were authorized and contracted for, amounted to HK$1,626 million at 31st December, 2003 (2001: HK$749 million and 2002: HK$2,719 million). With the continuous cash inflow from property sales and the committed banking facilities coupled with the cash in hand, the JV Companies are in adequate liquidity positions to meet these on-going capital commitments by stages.

Treasury policies and capital structure

The JV Companies 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 JV Companies.

INDEBTEDNESS

Borrowings

As at the close of business on 30th April, 2004, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Enlarged Group had outstanding borrowings of approximately HK$4,114,385,000, comprising the following:

(i) Short-term bank loans of approximately HK$996,792,000. These loans were denominated in Chinese Renminbi and bore interest at 4.8% to 9.3% per annum.

(ii) Long-term bank loans of approximately HK$2,961,963,000, of which approximately HK$1,204,279,000 was repayable within one year, approximately HK$1,564,588,000 was repayable within one to two years and approximately HK$193,096,000 was repayable within two to three years. These loans were denominated in Chinese Renminbi, United States dollars or Hong Kong dollars and bore interest at approximately 4.3% to 6.8% per annum.

(iii) Amounts due to minority shareholders of certain subsidiaries of the Company and subsidiaries of these minority shareholders of approximately HK$109,863,000. Such balances were denominated in Chinese Renminbi or Hong Kong dollars, unsecured, non-interest bearing and without pre-determined repayment terms.

(iv) Amount due to directors of approximately HK$11,789,000, amount due to the ultimate holding company of approximately HK$32,000,000, and amount due to an associate of approximately HK$1,978,000. All these balances were denominated in Chinese Renminbi or Hong Kong dollars, unsecured, non-interest bearing and without pre-determined repayment terms, except that approximately HK$10,000,000 of the amount due to a director and approximately HK$32,000,000 of the amount due to the ultimate holding company were not repayable within one year.

Collaterals

As at 30th April, 2004, bank borrowings of the Enlarged Group were secured by the following:

(i) the Enlarged Group's investment properties, properties under development for long-term investment, land pending development, properties under development for sale, and completed properties for sale with an aggregated carrying value of approximately HK$3,185,610,000; and

(ii) the Enlarged Group's bank deposits of approximately HK$215,709,000.

Contingent liabilities

As at 30th April 2004, the Enlarged Group had the following contingent liabilities not provided for in its accounts:

(i) guarantees given to banks for mortgage facilities granted to certain buyers of the Enlarged Group's properties in the amount of approximately HK$2,099,327,000; and

(ii) guarantees in respect of bank loans of a related company in the amount of approximately HK$85,849,000.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, neither the Enlarged Group nor any of the companies comprising the Enlarged Group had, at the close of business on 30th April, 2004, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills and payables) or acceptance credits, debentures, mortgages, charges, hire purchase or other finance lease commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Enlarged Group since 30th April, 2004.

WORKING CAPITAL

Taking into account the Enlarged Group's existing cash and bank balances and the financial resources available, including internally generated funds, the available banking facilities, and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for its present requirement and completion of the Qiaodao Transaction and Zhujiang Transaction.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group has been presented to illustrate the effect of the proposed acquisitions (the "Acquisition") by certain wholly owned subsidiaries of Hopson Development Holdings Limited (the "Company") of the following interests in the following companies:

Name of entities	Existing percentage of interest held by the Company	Percentage of interest to be acquired	Percentage of interest subsequent to the Acquisition
Guangzhou Zhujiang Qiaodao Real Estate Company Limited ("Qiaodao")	40%	59.5%	99.5%
Beijing Hopson Beifang Real Estate Development Limited	70%	30%	100%
Beijing Hopson Lu Zhou Real Estate Development Limited	70%	30%	100%
Beijing Hopson YuJing Real Estate Development Limited	70%	30%	100%
Guangdong Huajingxincheng Real Estate Limited	90%	10%	100%
Guangdong Huanan New City Real Estate Limited	60%	39%	99%
Guangdong Hopson Lejing Real Estate Limited	74.5%	25.5%	100%
Guangdong New Tai An Real Estate Limited	52%	48%	100%
Guangdong Hopson Yuehua Real Estate Limited	90%	10%	100%
Guangzhou Hopson Yijing Real Restate Limited	65%	34.5%	99.5%

During the years ended 31st December, 2001, 2002 and 2003, Qiaodao was a jointly controlled entity of the Group, while the other entities mentioned above (collectively referred to as the "JV Companies") were indirect subsidiaries of the Company.

The total consideration of the Acquisition amounted to HK$800,029,000 and the estimated costs for the Acquisition amounted to approximately HK$4,000,000. These will be financed by internal cash resources of approximately HK$333,255,000 and the remaining balance of approximately HK$470,774,000 will be financed by new bank loans. As at the Latest Practicable Date, the Group has not obtained any bank borrowings for the Acquisition.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31st December, 2003 is based on the audited consolidated balance sheet of the Group as at 31st December, 2003 (reproduced in Appendix IV) and the audited balance sheet of Qiaodao as at 31st December, 2003 as contained in the accountants' report on Qiaodao (reproduced in Appendix III). It has been prepared to illustrate the effect of the Acquisition on the assets and liabilities of the Group, as if the Acquisition had taken place on 31st December, 2003. It has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group as at 31st December, 2003 or at any future date.

Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31st December, 2003:

	The Group	Qiaodao	Adjustments	Note	Pro Forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
		(Note (i))	Debit/(Credit)		
Non-current assets					
Properties and equipment	39,163	2,020			41,183
Investment properties	2,558,124	287,000			2,845,124
Land pending development	581,016	–			581,016
Properties under development for long-term investment	1,515,985	158,214	67,089	(iv)	1,741,288
Investment in an associate	770	–			770
Investment in a jointly controlled entity	141,124	–	(141,124)	(i)	–
Goodwill/(Negative goodwill)	4,072	–	(404,166)	(v)	(400,094)
Total non-current assets	4,840,254	447,234			4,809,287
Current assets					
Properties under development for sale	3,417,222	858,936	202,244	(iv)	4,478,402
Completed properties for sale	940,580	146,788	130,207	(iv)	1,217,575
Accounts receivable	309,204	26,097			335,301
Due from related companies	3,138	195			3,333
Due from joint venture partners	–	71,025			71,025
Due from Hopson group companies	–	296,895	(296,895)	(vi)	–
Prepayments, deposits and other current assets	169,561	101,467			271,028
Invesment in securities	4,492	–			4,492
Pledged/charged bank deposits	309,732	6,016			315,748
Cash and other bank deposits	350,247	22,425	(333,255)	(iii)	39,417
Total current assets	5,504,176	1,529,844			6,736,321
Current liabilities					
Short-term bank loans	(1,092,510)	(94,340)	(470,774)	(iii)	(1,657,624)
Long-term bank loans, current portion	(291,583)	(344,340)			(635,923)
Accounts payable	(1,373,229)	(128,431)			(1,501,660)
Land premium payable, current portion	(65,430)	(111,764)			(177,194)
Deferred income, current portion	(481,056)	(19,327)			(500,383)
Accruals and other payables	(406,793)	(33,910)			(440,703)
Due to an associate	(2,226)	–			(2,226)
Due to directors	(1,922)	–			(1,922)
Due to related companies	(215,732)	(54)			(215,786)
Due to a jointly controlled entity	(185,347)	–	185,347	(vi)	–
Due to Hopson group companies	–	(10,207)	10,207	(vi)	–
Taxation payable	(188,682)	(46,209)			(234,891)
Total current liabilities	(4,304,510)	(788,582)			(5,368,312)
Net current assets	1,199,666	741,262			1,368,009
Total assets less current liabilities	6,039,920	1,188,496			6,177,296

	The Group	Qiaodao	Adjustments	Note	Pro Forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
		(Note (i))	Debit/(Credit)		
Non-current liabilities					
Long-term bank loans, non-current portion	(1,662,224)	(99,056)			(1,761,280)
Land premium payable, non-current portion	(11,847)	–			(11,847)
Due to a related company	–	(103,415)	103,415	(vi)	–
Due to a director	(10,000)	–			(10,000)
Due to ultimate holding company	(32,000)	–			(32,000)
Deferred income, non-current portion	(53,934)	–			(53,934)
Deferred taxation	(1,052,052)	(270,681)	(99,476)	(iv)	(1,422,209)
Total non-current liabilities	(2,822,057)	(473,152)			(3,291,270)
Net assets, before minority interests	3,217,863	715,344			2,886,026
Minority interests	(523,485)	–	370,558	(ii)	(152,927)
Net assets, after minority interests	2,694,378	715,344			2,733,099

Notes–

(i) The Group's investment in a jointly controlled entity as at 31st December, 2003 represented a 40% interest in Qiaodao. The adjustment reflects the reclassification of the Group's 40% interest in Qiaodao as part of the cost of investment in subsidiaries as if the acquisition of an additional 59.5% interest in Qiaodao had taken place on 31st December, 2003, and the Group had 99.5% equity interest in Qiaodao as at 31st December, 2003 and Qiaodao had been consolidated.

(ii) JV Companies were subsidiaries of the Group as at 31st December, 2003, and were consolidated by the Group as to the interests held by the Group, with the share of net assets of the JV Companies by outside joint venture partners reflected as minority interests. The adjustment reflects the reduction of the Group's minority interests relating to the JV Companies as if the acquisition of additional interests in the JV Companies had taken place on 31st December, 2003.

(iii) The total consideration of the Acquisition amounted to HK$800,029,000 and the estimated costs for the Acquisition amounted to approximately HK$4,000,000. These will be financed by internal cash resources of approximately HK$333,255,000 and new bank loans of approximately HK$470,774,000. As at the Latest Practicable Date, the Group has not obtained any bank borrowings for the Acquisition. The adjustment reflects the decrease in cash and bank deposits and increase in bank borrowings as a result of the settlement of the consideration and the related acquisition costs as if the payments had taken place on 31st December, 2003.

(iv) The Group's incremental share of the assets and liabilities of Qiaodao and the JV Companies as part of the Acquisition will be accounted for in the consolidated accounts of the Group at their fair value under the purchase method of accounting. The Company's Directors have considered a valuation performed by a firm of independent professional valuers on the property interests of Qiaodao and the JV Companies as at 31st December, 2003, and of the view that as at 31st December, 2003 the Group's incremental share of the fair value of the property interests of Qiaodao and the JV Companies resulting from the Acquisition would be higher than their corresponding net book value as at 31st December, 2003 by approximately HK$399,540,000. The adjustment reflects (a) the increase in the Group's incremental share of the value of the property interests of Qiaodao and the JV Companies resulting from the Acquisition as compared to their corresponding net book value as at 31st December, 2003, of approximately HK$399,540,000, and (b) the related additional deferred tax liabilities of HK$99,476,000 arising from such revaluation surpluses, as if the Acquisition had taken place on 31st December, 2003.

(v) Negative goodwill represents the excess of the Group's incremental share of the estimated fair value of the underlying net assets of Qiaodao and the JV Companies resulting from the Acquisition over the sum of the total purchase consideration and the related acquisition costs. The adjustment reflects the recording of the negative goodwill resulting from the Acquisition of approximately HK$404,166,000, as if the Acquisition had taken place on 31st December, 2003.

(vi) The adjustment eliminates the intercompany balances between the Group and Qiaodao as if the Acquisition had taken place on 31st December, 2003 and Qiaodao had been consolidated. Also see Note (i).

B. LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a letter from PricewaterhouseCoopers, the reporting accountants, in respect of the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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30th June, 2004

The Directors
Hopson Development Holdings Limited
19th Floor, Wyndham Place
40-44 Wyndham Street
Hong Kong

Dear Sirs,

We report on the unaudited pro forma consolidated statement of assets and liabilities set out in Section A of Appendix VI of the circular dated 30th June, 2004 (the "Circular") of Hopson Development Holdings Limited (the "Company") in connection with the proposed acquisition of certain interests in Guangzhou Zhujiang Qiaodao Real Estate Company Limited, Beijing Hopson Beifang Real Estate Development Limited, Beijing Hopson Luzhou Real Estate Development Limited, Beijing Hopson Yujing Real Estate Limited, Guangdong Huajingxincheng Real Estate Limited, Guangdong Huanan New City Real Estate Limited, Guangdong Hopson Lejing Real Estate Limited, Guangdong New Tai An Real Estate Limited, Guangdong Hopson Yuehua Real Estate Limited and Guangzhou Hopson Yijing Real Restate Limited (the "Acquisition"). The pro forma consolidated statement of assets and liabilities has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition might have affected the relevant financial information of the Company and its subsidiaries (collectively the "Group") as at 31st December, 2003.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma consolidated statement of assets and liabilities in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules, on the pro forma consolidated statement of assets and liabilities and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma consolidated statement of assets and liabilities beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work consisted primarily of comparing the unadjusted historical financial information with the information set out in Appendices III and IV, where relevant, of the Circular, considering the evidence supporting the adjustments and discussing the pro forma consolidated statement of assets and liabilities with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants, and accordingly, we do not express any such assurance on the pro forma consolidated statement of assets and liabilities.

The pro forma consolidated statement of assets and liabilities has been prepared on the bases set out in Section A of Appendix VI of the Circular for illustrative purposes only and, because of its nature, it may not be indicative of the financial position of the Group as at 31st December, 2003 or at any future date.

Opinion

In our opinion:

a) the pro forma consolidated statement of assets and liabilities has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the pro forma consolidated statement of assets and liabilities as disclosed pursuant to paragraph 4.29 of the Listing Rules.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

		Number of Shares beneficially held	
Name	*Notes*	**Personal**	**Corporate**
Mr. Chu Mang Yee	(1)	–	637,500,000
Mr. Au Wai Kin	(2)	–	37,500,000
Ms. Xiao Yan Xia		100,000	
Mr. Xiang Bin		1,000,000	

Notes:

(1) These Shares are held by Sounda Properties Limited, a company wholly-owned by Mr. Chu Mang Yee and HKSCC Nominees Limited, a nominee company.

(2) These Shares are held by a company wholly-owned and controlled by Mr. Au Wai Kin.

Save as disclosed herein, none of the Directors, chief executives of the Company and their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted at the date of this circular.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which since 31st December, 2003, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the persons (not being a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10 per cent. or more of the nominal value of shares of any class in the Company were as follows:

Name	Number of issued Shares
Sounda Properties Limited	637,500,000

Save as disclosed herein, there is no person known to the Directors, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10 per cent. or more of the nominal value of any class of shares of the Company.

4. PROCEDURE TO DEMAND A DEED POLL

Pursuant to Bye-law 66 of the bye-laws of the Company, at any general meeting, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:–

(a) by the chairman of such meeting; or

(b) by at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or

(c) by any Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting;

(d) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

5. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors has entered or proposed to enter into a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2003, the date to which the latest published audited financial statements of the Group were made up.

7. MATERIAL CONTRACTS

Within the two years immediately preceding the issue of this circular, neither the Company nor any member of the Group has entered into any material contracts, not being contracts entered into in the ordinary course of business of the Group.

8. EXPERT

The following are the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualification
CSC Asia	Licensed corporation for type 6 (advising on corporate finance) of the regulated activities under the SFO
DTZ	International property advisers
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, none of CSC Asia, DTZ and PricewaterhouseCoopers has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

Each of CSC Asia, DTZ and PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter or valuation in the form and context in which they appear.

As at the Latest Practicable Date, none of CSC Asia, DTZ and PricewaterhouseCoopers has any interest, direct or indirect, in any assets which since 31st December, 2003, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. SECRETARY

The secretary of the Company is Ms. Mok Wai Kun, Barbara, a solicitor practising in Hong Kong.

10. COMPETING BUSINESS

None of the Directors and his/her respective associates has an interest in a business apart from the Company's business which competes or is likely to compete, either directly or indirectly, with the Company's business.

11. LITIGATION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no other litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal office in Hong Kong at 19th Floor, Wyndham Place, 40-44 Wyndham Street, Central Hong Kong during normal business hours up to and including 16th July, 2004:

(i) the memorandum of association and bye-laws of the Company;

(ii) the Zhujiang Agreement;

(iii) the Qiaodao Agreement;

(iv) the letter from the Independent Board Committee, the text of which is set out on page 18 of this circular;

(v) the letter from CSC Asia, the text of which is set out on pages 19 to 28 of this circular;

(vi) the Valuation Report, the text of which is set out in appendix I to this circular;

(vii) the accountants' reports on the JV Companies and Qiaodao respectively, the financial information of the Group and the financial information for indebtedness of the Group, the text of which are set out in appendices II to V to this circular respectively;

(viii) the letter on unaudited pro forma financial information of the Enlarged Group issued by PricewaterhouseCoopers, the text of which is set out in appendix VI to this circular;

(ix) the consolidated audited accounts of the Group for each of the two financial years ended 31st December, 2003; and

(x) a copy of a circular dated 24th June, 2004 in relation to a connected transaction of the Company.

13. MISCELLANEOUS

The English text of this circular shall prevail over its Chinese text.