



合生創展集團有限公司

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2003

FINANCIAL HIGHLIGHTS

(for the six months ended 30th June 2003)

- Turnover was HK\$1,067,511,000
- Profit attributable to shareholders amounted to HK\$92,808,000
- Basic earnings per share were HK9 cents
- Interim dividends were HK2 cents per share

BUSINESS REVIEW

Industry Overview

In the first half of 2003:

- China's GDP managed to maintain an 8% growth despite the outbreak of the Severe Acute Respiratory Syndrome ("SARS");
- new property developments continued to witness spectacular growth, indicating the strength of investment sentiment in the market;
- supply remained sufficient in the property market;
- in Guangzhou, the accumulated investments in property development projects amounted to RMB16.75 billion, representing an increase of 5.2%, while transaction areas of commodity property recorded positive growth;
- in Beijing, property investments grew steadily, and the sales of various commodity properties amounted to 5.17 million sq.m, representing an increase of 82.3%; and

- in Shanghai, investments on the completed property projects amounted to RMB41.74 billion, up 17.5%, with sales of commodity property reached 7.47 million sq.m.

Group's Sales Performance

During the period under review, the Group

- sold a total of 2,023 units, or approximately 254,232 sq.m. from projects including Gallopade Park – South Court, Huanan New City, Pleasant View Garden, Fairview South Court, Huajing New City – Triannon and Regal Riviera in Guangzhou;
- made promising progress in the marketing and promotion of its property projects and brandname in Beijing and earned market recognition for the projects including Fresh Life Garden, Regal Court and Citta Eterna, 223 units or 32,064 sq.m. were sold in Beijing.

Project Development Progress

- Project development in Guangzhou and Beijing were progressed well in line with the planned schedule.
- The project that encapsulates holiday resort, leisure and residential in Tianjin has already commenced.

- Two newly acquired sites in Shanghai are in the process of their preliminary planning stage.

Landbank Replenishment

- In 2003, the Group acquired an extra site with an area of approximately 28,597 sq.m. in Guangzhou.
- The Group also acquired a site with area of approximately 800,000 sq.m. in Shanghai in Minhang District.

Outlook

- The stable macroeconomic condition has offered a favourable environment to the development of the China property market.
- During the peak of the SARS outbreak in May, investments on property development still demonstrated an increase of 0.3% as compared to the previous month, indicating considerable optimism on the property market in China.
- It is anticipated that sound economic fundamentals and the positive development in the property market, coupled with the emergence of strong brand effect, are set to propel the Group to reach a higher business plateau.

INTERIM RESULTS

The Board of Directors of Hopson Development Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June 2003 together with the comparative figures for the corresponding previous period as follows:

	Notes	Six months ended	
		2003	2002
		2003	2002
		HK\$'000	HK\$'000
Turnover	2&3	1,067,511	1,052,211
Cost of sales		(756,706)	(677,460)
Gross profit		310,805	374,751
Other revenue		3,522	1,240
Selling and marketing expenses		(85,548)	(100,610)
General and administrative expenses		(53,879)	(39,315)
Profit from operations	4	174,900	236,066
Share of profit of a jointly controlled entity		42,474	46,651
Finance cost	5	(2,485)	(7,158)
Profit before taxation		214,889	275,559
Taxation	6	(96,821)	(104,739)
Profit after taxation		118,068	170,820
Minority interests		(25,260)	(27,223)
Profit attributable to shareholders		92,808	143,597
Dividends		20,040	20,040
Earnings per share	7		
– Basic		HK9 cents	HK14 cents
– Diluted		HK9 cents	HK14 cents

Notes:

(1) Basis of presentation and accounting policies

The unaudited condensed consolidated accounts of the Group as at and for the six months ended 30th June 2003 have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 (revised) – Interim financial reporting issued by the Hong Kong Society of Accountants ("HKSA").

The unaudited condensed consolidated accounts should be read in conjunction with the annual accounts of the Group as at and for the year ended 31st December 2002.

The accounting policies and method of computation used in the preparation of the condensed accounts are consistent with those used in the annual

accounts as at and for the year ended 31st December 2002 except that the Group has changed its accounting policy with respect to deferred taxation following the adopting of SSAP 12 (revised) – Income taxes, issued by the HKSA, which is effective for accounting period commencing on or after 1st January 2003.

In prior years, deferred taxation was provided for at the current taxation rate 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. Under SSAP 12 (revised), 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, based on the tax rates enacted or substantively enacted by the balance sheet date. 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.

The adoption of SSAP 12 (revised) represents a change in accounting policy, which has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy. In this connection, the balances of investment property revaluation reserve at 1st January 2003, 30th June 2002 and 1st January 2002 have been reduced by approximately HK\$355,404,000, HK\$218,956,000 and HK\$218,956,000, respectively, representing the unprovided deferred tax liabilities on investment property revaluation reserve which were not expected to be crystallised in the foreseeable future. The adoption of SSAP 12(revised) has no significant effect on the Group's results for the current or prior accounting periods.

(2) Turnover

Turnover (net of applicable business tax) comprised (1) pre-sale of properties under development for sale under legally-binding agreements which is recognized by reference to the stage of completion of properties, with the profit recognized restricted to the amount of instalments received; (2) sale of completed properties held for sale which is recognized when a legally-binding agreement has been executed, with the profit recognized restricted to the amount of instalments received; (3) rental income which is recognized on a straight-line basis over the period of the relevant leases and (4) property management fees which are recognized when the services are rendered.

(3) Segment information

The turnover of the Group was substantially derived from mainland China and in three main business segments, the property development segment, the property investment segment, and the property management segment. An analysis of the Group's results is as follows:

	Turnover		Contribution to operating profit	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By business segments:				
Property development	1,032,541	1,031,590	157,164	227,417
Property investment	14,895	6,466	13,406	5,606
Property management	20,075	14,155	808	1,803
	1,067,511	1,052,211	171,378	234,826

No segment information by geographical location is presented since substantially all of the Group's activities are carried out in mainland China.

(4) Profit from operations

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

	2003	2002
	HK\$'000	HK\$'000
After charging –		
Staff costs (including directors' emoluments)	46,287	35,461
Depreciation of properties and equipment	3,302	2,148
Amortization		
– goodwill (included in general and administrative expenses)	1,468	823
– rights to receive rental income (included in cost of sales)	1,654	–
After crediting –		
Interest income from bank deposits	3,522	1,240

(5) Finance cost

	2003	2002
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	72,961	51,002
Less:		
Interest capitalized as part of the cost of properties under development	(70,476)	(43,844)
	2,485	7,158

Profit from operations covered 2.4 times of the interest expenses before capitalization, compared to 4.6 times for the corresponding period in the previous year.

(6) Taxation

Taxation consisted of:

	2003	2002
	HK\$'000	HK\$'000
Company and subsidiaries		
Current taxation –		
Hong Kong profits tax	8,830	–
Mainland China enterprise income tax	43,006	38,446
Mainland China land appreciation tax	4,428	11,044
Deferred taxation –		
Mainland China enterprise income tax	19,678	39,129
	75,942	88,619
Jointly controlled entity		
Current taxation –		
Mainland China enterprise income tax	8,928	7,430
Mainland China land appreciation tax	10,242	1,083
Deferred taxation –		
Mainland China enterprise income tax	1,709	7,607
	20,879	16,120
	96,821	104,739

Hong Kong profits tax is provided at the rate of 17.5% (2002-16%) on the estimated assessable profit arising in or derived from Hong Kong. Mainland China enterprise income tax is provided at a rate of 33% (2002-33%). Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

(7) Earnings per share

The calculation of basic earnings per share is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$92,808,000 (2002: HK\$143,597,000) and the weighted average number of 1,002,000,000 shares (2002: 1,002,000,000 shares) in issue during the period.

The calculation of diluted earnings per share is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$92,808,000 (2002: HK\$143,597,000) and the diluted weighted average number of approximately 1,002,445,000 shares (2002: 1,002,288,000 shares) in issue after adjusting for the potential dilutive effect in respect of outstanding employee share options.

(8) Unaudited consolidated statement of changes in equity

For the six months ended 30th June 2003

	Share capital	Share premium	General reserve fund	Investment property revaluation reserve	Cumulative translation adjustments	Retained profit	Proposed dividends	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st January 2003, as previously reported	100,200	618,849	48,104	1,117,890	4,213	890,328	20,040	2,799,624
Change in accounting policy – provision for deferred tax liabilities	-	-	-	(555,404)	-	-	-	(555,404)
As at 1st January 2003 as restated	100,200	618,849	48,104	762,486	4,213	890,328	20,040	2,444,220
Profit for the period	-	-	-	-	-	92,808	-	92,808
Transfer from retained profit	-	-	33,583	-	-	(33,583)	-	-
Proposed dividends	-	-	-	-	-	(20,040)	20,040	-
Dividends paid	-	-	-	-	-	(20,040)	(20,040)	(20,040)
Translation adjustments	-	-	-	-	(553)	-	-	(553)
As at 30th June 2003	<u>100,200</u>	<u>618,849</u>	<u>81,687</u>	<u>762,486</u>	<u>3,660</u>	<u>929,513</u>	<u>20,040</u>	<u>2,516,435</u>

For the six months ended 30th June 2002

	Share capital	Share premium	General reserve fund	Investment property revaluation reserve	Cumulative translation adjustments	Retained profit	Proposed dividends	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st January 2002, as previously reported	100,200	618,849	30,724	758,866	6,499	718,706	20,040	2,253,884
Change in accounting policy – provision for deferred tax liabilities	-	-	-	(218,956)	-	-	-	(218,956)
As at 1st January 2002, as restated	100,200	618,849	30,724	539,910	6,499	718,706	20,040	2,034,928
Profit for the period	-	-	-	-	-	143,597	-	143,597
Proposed dividends	-	-	-	-	-	(20,040)	20,040	-
Dividends paid	-	-	-	-	-	-	(20,040)	(20,040)
Translation adjustments	-	-	-	-	(1,744)	-	-	(1,744)
As at 30th June 2002	<u>100,200</u>	<u>618,849</u>	<u>30,724</u>	<u>539,910</u>	<u>4,755</u>	<u>842,263</u>	<u>20,040</u>	<u>2,156,741</u>

DIVIDEND

The Board of Directors has recommended an interim dividend of HK 2 cents (2002: HK 2 cents) per share for 2003 payable on Thursday, 27th November 2003 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 22nd October 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Turnover

The outbreak of SARS virus in mainland China had a slow-down effect on the Group's sales performance, more apparently in the Beijing area where the demand for high-end residential properties came down markedly. Faced with the pressure of an increasing supply of completed properties, the real estate market in Guangzhou continued to operate under a keen competitive environment. Market conditions remained challenging. That notwithstanding, the Group with the advantage of a strong brand name built over the years managed to perform reasonably well overall during the first half of 2003. Turnover attributable to the Group achieved a slight growth of 1 % from HK\$1,052 million to HK\$1,068 million when compared to the same period of 2002. The turnover was exclusive of the outturn of a jointly controlled entity in which the Group has a 40% interest. Turnover of the jointly controlled entity was HK\$252 million.

Gross Profit

The Group recorded a drop in gross profit of HK\$64 million, representing a 17% decline from the same period previous year. The decline was mainly due to a number of factors. First, profit margins on the disposal of old inventories slid down. Secondly, slower property sales, albeit temporary, worsened an oversupply situation and undermined prices. Finally, greater amounts of bank borrowings raised to finance the development of new projects particularly in Beijing increased the interest charges capitalised.

Operating Expenses

Viewed as a whole, operating expenses (comprising selling and marketing expenses and general and administrative expenses) decreased marginally by 0.36% to HK\$139.4 million (2002: HK\$139.9 million), period-on-period, due largely to the exercise of tighter control over spending.

Financial Position

Assets, liabilities and shareholders' equity of the Group as at 30th June 2003 were as follows:

	As at 30th June 2003	As at 31st December 2002
	HK\$'000	HK\$'000
Total assets		
Current assets	5,000,393	4,490,692
Non-current assets	4,742,002	4,256,330
Total liabilities		
Current liabilities	3,857,750	3,873,981
Non-current liabilities	2,900,764	2,131,095
Minority interests	467,446	297,726
Net assets	2,516,435	2,444,220
Shareholders' equity		
Share capital	100,200	100,200
Reserves	1,466,682	1,433,652
Retained profit	929,513	890,328
Proposed dividends	20,040	20,040

The Group's current ratio as at 30th June 2003 was 1.30, compared to that of 1.16 as at 31st December 2002, representing an improvement of 12%. Moreover, shareholders' equity recorded an increase of HK\$72 million.

As at 30th June 2003, total assets of the Group amounted to HK\$9,742 million (31st December 2002: HK\$8,747 million) whereas total liabilities (excluding minority interests) amounted to HK\$6,758 million (31st December 2002: HK\$6,005 million). The increase in total assets was a result of the Group's continuing commitment in expanding its share in the China real estate market while the increase in total liabilities reflected mainly additional bank borrowings raised.

Liquidity and Financial Resources

As at 30th June 2003, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding minority interests) was 69% (31st December 2002: 69%). The net debt-to-equity ratio (i.e. total debt less cash and bank deposits over shareholders' equity) was 114% (31st December 2002: 97%).

As at 30th June 2003, the Group had cash and short-term bank deposits amounted to HK\$616 million, of which HK\$316 million were pledged as collateral for the Group's banking facilities. Total borrowings from banks amounted to HK\$2,912 million, representing an increase of 26% or HK\$605 million over the first half of 2003. Gearing, measured by net bank borrowings as a percentage of shareholders' equity, increased from 74% as at 31st December 2002 to 91% as at 30th June 2003. The increase was to some extent affected by the adoption of SSAP 12 (revised).

The Group's bank borrowings as at 30th June 2003 were mainly secured and denominated in Renminbi with a repayment profile set out below:

HK\$ million	As at 30th June 2003		As at 31st December 2002	
Within 1 year	1,229	42.2%	1,485	64.4%
After 1 year but within 2 years	1,165	40.0%	340	14.7%
After 2 years but within 3 years	518	17.8%	482	20.9%
Total bank borrowings	2,912	100.0%	2,307	100.0%
Less: Bank deposits and cash	616		489	
Net bank borrowings	2,296		1,818	

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 new projects in Guangzhou and Beijing, and the replenishment of landbank in Shanghai. The management anticipates that, barring unforeseen circumstances, the Group's gearing ratio will gradually improve as the sales of these projects progress.

As at 30th June 2003, the Company provided guarantees to banks for loan facilities totalling HK\$669 million granted to its subsidiaries.

Charges on Assets

As at 30th June 2003, certain assets of the Group with an aggregate carrying value of HK\$2,387 million (31st December 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 30th June 2003, the Group provided guarantees to banks for:

	30th June 2003	31st December 2002
	HK\$ million	HK\$ million
– mortgage facilities granted to buyers of the Group's properties	1,702.8	1,322.9
– loans borrowed by a jointly controlled entity	94.3	84.9
– loans borrowed by related companies	250.9	106.6
– loans borrowed by an associate	8.8	9.2
	2,056.8	1,523.6

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\$3,042 million as at 30th June 2003 (31st December 2002: HK\$4,137 million). With the continuous cash inflow from property sales and the committed banking facilities coupled with cash in hand, the Group should be in an adequate liquidity position to meet these on-going capital commitments by stages.

FOREIGN EXCHANGE FLUCTUATIONS

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

EMPLOYEES

As at 30th June 2003 the Group, excluding its associate and jointly controlled entity, employed a total of 3,060 (As at 31st December 2002: 2,670) staff, the great majority of which representing 3,036 in number were deployed in mainland China.

The Group's remuneration policies remained the same as revealed in the Annual Report for the year ended 31st December 2002. On 4th November 2002, the Company adopted a new share option scheme (the "New Scheme"), which is in compliance with Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). No option shares have been granted under the New Scheme since its adoption. On the same day, the old share option scheme adopted by the Company on 4th April 1998 (the "Old Scheme") was terminated. Since its adoption, 7 million option shares were granted under the Old Scheme. All options granted under the Old Scheme prior to its termination continue to be valid and exercisable in accordance with the Old Scheme whose provisions remain enforceable to the extent necessary to give effect to the exercise of such options.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 to the Listing Rules at any time during the six months ended 30th June 2003, except that the independent non-executive directors of the Company are not appointed for specific terms. However, all directors except the Chairman and the Managing Director are subject to retirement by rotation at annual general meetings of the Company in accordance with the Company's bye-laws. In the opinion of the directors, this meets the objective of the Code.

PURCHASE, REDEMPTION AND SALE OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the period.

AUDIT COMMITTEE

The Company's audit committee is composed of all independent non-executive directors of the Company. The audit committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim condensed consolidated accounts for the six months ended 30th June 2003 with the directors.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 20th October 2003 to Wednesday, 22nd October 2003, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 17th October 2003.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT

A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on The Stock Exchange of Hong Kong Limited's website in due course.

By order of the Board
Chu Mang Yee
Chairman

Hong Kong, 7th August 2003