



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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 754)**

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

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2007**

**FINANCIAL HIGHLIGHTS**

*(for the six months ended 30th June 2007)*

- Turnover was HK\$1,422,177,000
- Profit attributable to shareholders amounted to HK\$419,262,000, representing a decline of 4%
- Basic earnings per share were HK33 cents per share
- Interim dividends were HK9.9 cents per share

**BUSINESS REVIEW**

**Industry overview**

In the first half of 2007

- The economy of the People's Republic of China ("PRC") was strong and its gross domestic product ("GDP") grew by 11.5% as compared to the corresponding period last year.
- There were no further stringent macro-economic austerity measures targeted at the property sector promulgated by the PRC Government, thus leading to a more stable operating environment. The Government's main focus was on the refinement, the elaboration of the details and implementation of the existing policies, and initiated efforts in the provision of social security housing, such as affordable housing and public housing.
- In Guangzhou, property unit-selling price rose by 25.8% while completed gross floor area ("GFA") sold decreased by 15.3%. In Beijing, the investment in completed residential properties development increased by 10.9%. Both Shanghai and Tianjin experienced a rise in selling price. The completed GFA in Shanghai rose by 39.46% and property development investment in Tianjin rose by 24.2%.

## **Contracted sales performance**

During the period under review, details of properties sold under sale and pre-sale contracts are as follows:

- In Guangzhou, inclusive of Regal Riviera, a total GFA of 186,769 square meters (2006: 209,792 square meters), of which 160,772 square meters (2006: 187,211 square meters) were attributable to the Group, with a carrying value of RMB2,204 million (2006: RMB1,553 million) was sold. The significant increase in sale was mainly attributable to the commencement of sale of phase 2 of Regal Riviera, which was well received by the market.
- In Huizhou, a total GFA of 58,158 square meters (2006: 37,817 square meters) with a carrying value of RMB407 million (2006: RMB223 million) was sold. The increase was mainly due to the launch of Hopson International New City, which commenced in the second half of 2006.
- In Beijing, a total GFA of 88,414 square meters (2006: 147,045 square meters) was sold with a carrying value of RMB1,272 million (2006: RMB1,488 million).
- In Tianjin and Shanghai, a total GFA of 95,521 square meters (2006: 76,205 square meters), of which 85,557 square meters (2006: 64,880 square meters) were attributable to the Group, with a carrying value of RMB690 million (2006: RMB456 million) was sold.

## **Properties sold but yet to deliver**

As at 30th June 2007, the GFA for which the Group had entered into sale and pre-sale contracts but yet to deliver to buyers amounted to 874,256 square meters. Following the delivery of these properties, the sale and pre-sale amount of HK\$9,967 million (exclusive of HK\$1,199 million from Regal Riviera) will be recognised in the Group's accounts in the second half of 2007 and thereafter.

## **Delivery of properties**

A total GFA of 173,074 square meters (2006: 272,285 square meters) was delivered in the first half of 2007, of which 121,368 square meters were sold in 2006.

## **Progress of project development**

- A total GFA of approximately 215,000 square meters was completed in the first half of 2007.
- A total GFA of approximately 987,000 square meters is expected to be completed in the second half of 2007.

## **Landbank replenishment**

During the first half of 2007, the Group

- completed the acquisition of equity interests in companies holding land use rights or land grant contracts in Shanghai, Tianjing and Hangzhou with a total GFA of 523,216 square meters.
- entered into several equity transfer agreements with various parties who were owners of land sites in Beijing and Huizhou involving a total GFA of 1.76 million square meters.

As of 30th June 2007, the Group had, inclusive of an investment project — Regal Riviera, a landbank of approximately 14.8 million square meters.

## **Prospects**

- Consumers' confidence in the property market remains high as reflected in the increase in property selling prices and contract sales.
- We expect that the demand for high end properties, both residential and commercial properties, will continue to rise due to the strong economic growth in the PRC and the imminent hosting of the 2008 Olympic Games in Beijing.
- For the second half of 2007, with the commencement of sales of 4 new projects in Guangzhou, Shanghai and Ningbo, the Group remains prudently optimistic about the property market and is confident of its own sales performance.

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 2007 together with the comparative figures for the corresponding previous period.

The 2007 interim financial report of the Company has not been audited but has been reviewed by the external auditor, Audit Committee and the Board of Directors of the Company.

## CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	For six months ended 30th June	
		2007	2006
		<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Revenues	4	1,422,177	2,021,644
Cost of sales		<u>(873,087)</u>	<u>(1,248,087)</u>
Gross profit		549,090	773,557
Other gains	5	165,098	132,365
Selling and marketing costs		(77,443)	(86,981)
General and administrative expenses		<u>(201,579)</u>	<u>(130,848)</u>
Operating profit	6	435,166	688,093
Finance income	7	34,025	10,698
Finance costs	7	(59,683)	(50,500)
Share of loss of associates		—	(80)
Share of profit of a jointly controlled entity		<u>21,729</u>	<u>10,914</u>
Profit before taxation		431,237	659,125
Taxation	8	<u>(6,339)</u>	<u>(179,336)</u>
Profit for the period		<u>424,898</u>	<u>479,789</u>
Attributable to:			
Equity holders of the Company		419,262	437,066
Minority interests		<u>5,636</u>	<u>42,723</u>
		<u>424,898</u>	<u>479,789</u>
Earnings per share for profit attributable to the equity holders of the Company during the period (in HK\$ per share)			
— basic and diluted	9	<u>0.33</u>	<u>0.36</u>
Dividends	10	<u>145,764</u>	<u>132,149</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

	As at	
	30th June 2007	31st December 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Note</i>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Land costs	468,559	500,367
Properties and equipment	1,398,906	1,267,460
Investment properties	2,600,360	2,503,845
Properties under development for long-term investment	268,575	227,765
Intangible assets	109,514	106,349
Investment in associates	38,750	—
Investment in a jointly controlled entity	1,087,267	1,033,245
Available-for-sale financial asset	291,834	291,834
Deposit paid	571,731	554,579
Deferred tax assets	58,226	42,357
Other non-current asset	1,060,614	919,584
	7,954,336	7,447,385
<b>Current assets</b>		
Land costs	9,805,703	7,135,951
Properties under development for sale	5,298,331	4,146,742
Completed properties for sale	1,767,759	1,953,586
Prepayments, deposits and other current assets	2,768,899	2,097,638
Accounts receivable	11 73,109	111,142
Due from related companies	17,578	18,531
Pledged/charged bank deposits	142,593	157,317
Cash and cash equivalents	3,457,830	2,412,479
	23,331,802	18,033,386
<b>Total assets</b>	<b>31,286,138</b>	<b>25,480,771</b>
<b>Equity</b>		
<b>Capital and reserve attributable to the Company's equity holders</b>		
Share capital	128,810	128,510
Reserves	14 8,313,436	7,709,155
	8,442,246	7,837,665
Minority interests	415,300	390,250
<b>Total equity</b>	<b>8,857,546</b>	<b>8,227,915</b>

		As at	
		30th June 2007	31st December 2006
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	(Unaudited)	(Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	12	8,535,813	6,076,963
Deferred tax liabilities		879,247	896,025
Other non-current liability		581,250	581,250
Land cost payable		<u>267,162</u>	<u>—</u>
		<u>10,263,472</u>	<u>7,554,238</u>
<b>Current liabilities</b>			
Accounts payable	13	471,750	563,378
Land cost payable		1,195,464	1,070,928
Borrowings	12	1,963,988	1,345,042
Deferred revenue		6,091,436	4,167,431
Accruals and other payable		844,750	941,792
Due to an associate		5,508	5,343
Due to related companies		57,149	103,398
Due to a jointly controlled entity		1,151,264	1,037,287
Current tax liabilities		<u>383,811</u>	<u>464,019</u>
		<u>12,165,120</u>	<u>9,698,618</u>
<b>Total liabilities</b>		<u>22,428,592</u>	<u>17,252,856</u>
<b>Total equity and liabilities</b>		<u>31,286,138</u>	<u>25,480,771</u>
<b>Net current assets</b>		<u>11,166,682</u>	<u>8,334,768</u>
<b>Total assets less current liabilities</b>		<u>19,121,018</u>	<u>15,782,153</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<b>Unaudited six months ended 30th June 2007</b>			
	<b>Attributable to equity holders of the Company</b>			
	<b>Share capital</b>	<b>Reserves</b>	<b>Minority interests</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1st January 2007	<b>128,510</b>	<b>7,709,155</b>	<b>390,250</b>	<b>8,227,915</b>
Currency translation differences	—	<b>244,666</b>	<b>12,301</b>	<b>256,967</b>
Profit for the period	—	<b>419,262</b>	<b>5,636</b>	<b>424,898</b>
Total recognised income for the six months ended 30th June 2007	—	<b>663,928</b>	<b>17,937</b>	<b>681,865</b>
Proceeds from issue of shares, net of share issue expenses				
— Employee share options scheme	<b>300</b>	<b>18,288</b>	—	<b>18,588</b>
Share-based payment				
— Share options granted	—	<b>43,000</b>	—	<b>43,000</b>
Capital contribution by minority interests of a subsidiary	—	—	<b>986</b>	<b>986</b>
Acquisition of subsidiaries	—	—	<b>8,534</b>	<b>8,534</b>
Acquisition of minority interests in a subsidiary	—	—	<b>(2,407)</b>	<b>(2,407)</b>
Issue of convertible bonds	—	<b>227,734</b>	—	<b>227,734</b>
Dividend paid	—	<b>(348,669)</b>	—	<b>(348,669)</b>
	<b>300</b>	<b>(59,647)</b>	<b>7,113</b>	<b>(52,234)</b>
Balance at 30th June 2007	<b>128,810</b>	<b>8,313,436</b>	<b>415,300</b>	<b>8,857,546</b>

Unaudited six months ended 30th June 2006  
Attributable to equity  
holders of the Company

	Share capital <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1st January 2006	121,360	5,342,348	301,567	5,765,275
Currency translation differences	—	55,259	1,813	57,072
Profit for the period	—	437,066	42,723	479,789
Total recognised income for the six months ended 30th June 2006	—	492,325	44,536	536,861
Proceeds from issue of shares, net of share issue expenses				
— Employee share options scheme	600	25,190	—	25,790
Share-based payment				
— Share options granted	—	1,620	—	1,620
Capital contribution by minority interest of subsidiaries	—	—	13,367	13,367
Acquisition of subsidiaries	—	—	15,046	15,046
Dividend Paid	—	(295,143)	(3,900)	(299,043)
	600	(268,333)	24,513	(243,220)
Balance at 30th June 2006	121,960	5,566,340	370,616	6,058,916

Notes:

**(1) General information**

Hopson Development Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) is mainly engaged in the development of residential properties in Mainland China. The Group is also involved in some ancillary property related businesses, including property investment, property management and hotel operations. The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company is listed on The Stock Exchange of Hong Kong Limited.

**(2) Basis of presentation**

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2007 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

This unaudited condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31st December 2006.



### (3) Accounting policies

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st December 2006.

In 2007, the Group adopted the new standard, amendment and interpretations of Hong Kong Financial Reporting Standards (“HKFRS”) below, which are relevant to its operations:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK (IFRIC)-Int 8	Scope of HKFRS 2
HK (IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK (IFRIC)-Int 10	Interim Reporting and Impairment
HKFRS 7	Financial Instruments: Disclosure

The Group has assessed the impact of the adoption of these new standards, amendments and interpretations and considered that there was no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies, whereas the adoption of HKAS 1 (Amendment) and HKFRS 7 requires additional disclosures to be made in the annual consolidated financial statements.

The following new/revised standards and interpretations have been published and are relevant to the Group’s operations but are not yet effective for the current accounting period:

HKFRS 8	Operating Segment
HKAS 23 (Revised)	Borrowing Costs
HK (IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK (IFRIC)-Int 12	Service Concession Arrangements

The Group has not early adopted any of the above standards or interpretations. Management is in the process of assessing the impact of these standards on the Group’s results of operations and financial position.

### (4) Segment information

#### Primary reporting format — geographical segments

The Group operates in five main geographical areas for the following businesses:

Guangdong Province	—	property development, property investment and property management
Beijing	—	hotel operation, property development, property investment and property management
Shanghai	—	property development and property investment
Tianjin	—	property development and property investment
Others	—	property design and consultancy services

The segment results for the six months ended 30th June 2007 are as follows:

	Guangdong Province HK\$'000	Beijing HK\$'000	Shanghai HK\$'000	Tianjin HK\$'000	Others HK\$'000	Un- allocated HK\$'000	Group HK\$'000
Total gross segment revenues	721,421	564,215	29,989	107,775	—	—	1,423,400
Inter-segment revenues	(937)	(286)	—	—	—	—	(1,223)
Revenues	<u>720,484</u>	<u>563,929</u>	<u>29,989</u>	<u>107,775</u>	<u>—</u>	<u>—</u>	<u>1,422,177</u>
Operating profit	294,128	19,321	113,361	6,252	—	2,104	435,166
Finance costs							(59,683)
Finance income							34,025
Share of profit of a jointly controlled entity	21,729	—	—	—	—	—	21,729
Profit before taxation							431,237
Taxation							(6,339)
Profit for the period							<u>424,898</u>
Depreciation	<u>4,966</u>	<u>5,486</u>	<u>313</u>	<u>1,512</u>	<u>167</u>	<u>—</u>	<u>12,444</u>
Amortisation (before capitalisation)	<u>14,932</u>	<u>6,615</u>	<u>15,007</u>	<u>3,046</u>	<u>—</u>	<u>—</u>	<u>39,600</u>

The segment results for the six months ended 30th June 2006 are as follows:

	Guangdong Province HK\$'000	Beijing HK\$'000	Shanghai HK\$'000	Tianjin HK\$'000	Others HK\$'000	Un- allocated HK\$'000	Group HK\$'000
Total gross segment revenues	634,529	1,153,448	54,947	184,463	18,000	—	2,045,387
Inter-segment revenues	(1,186)	(2,496)	—	(2,061)	(18,000)	—	(23,743)
Revenues	<u>633,343</u>	<u>1,150,952</u>	<u>54,947</u>	<u>182,402</u>	<u>—</u>	<u>—</u>	<u>2,021,644</u>
Operating profit/(loss)	168,862	413,220	84,598	24,972	(285)	(3,274)	688,093
Finance costs							(50,500)
Finance income							10,698
Share of loss of an associate	(80)	—	—	—	—	—	(80)
Share of profit of a jointly controlled entity	10,914	—	—	—	—	—	10,914
Profit before taxation							659,125
Taxation							(179,336)
Profit for the period							<u>479,789</u>
Depreciation	<u>2,375</u>	<u>6,100</u>	<u>210</u>	<u>1,114</u>	<u>—</u>	<u>—</u>	<u>9,799</u>
Amortisation (before capitalisation)	<u>25,412</u>	<u>11,382</u>	<u>8,030</u>	<u>155</u>	<u>—</u>	<u>—</u>	<u>44,979</u>

Revenues are allocated based on the places in which properties are located.

Unallocated costs represent corporate expenses. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated parties.

The segment assets and liabilities at 30th June 2007 and capital expenditure for the six months ended 30th June 2007 are as follows:

As at 30th June 2007

	Guangdong Province HK\$'000	Beijing HK\$'000	Shanghai HK\$'000	Tianjin HK\$'000	Others HK\$'000	Un- allocated HK\$'000	Group HK\$'000
Assets	13,127,674	6,094,417	7,297,390	3,062,524	519,890	58,226	30,160,121
Investment in associates	—	38,750	—	—	—	—	38,750
Investment in a jointly controlled entity	1,087,267	—	—	—	—	—	1,087,267
Total assets	<u>14,214,941</u>	<u>6,133,167</u>	<u>7,297,390</u>	<u>3,062,524</u>	<u>519,890</u>	<u>58,226</u>	<u>31,286,138</u>
Liabilities	<u>7,251,149</u>	<u>5,795,765</u>	<u>2,745,816</u>	<u>808,967</u>	<u>4,563,837</u>	<u>1,263,058</u>	<u>22,428,592</u>

For the six months ended 30th June 2007

Capital expenditure	<u>80,764</u>	<u>536</u>	<u>972</u>	<u>89,950</u>	<u>374</u>	<u>—</u>	<u>172,596</u>
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The segment assets and liabilities as at 31st December 2006 and capital expenditure for the six months ended 30th June 2006 are as follows:

	Guangdong Province HK\$'000	Beijing HK\$'000	Shanghai HK\$'000	Tianjin HK\$'000	Others HK\$'000	Un- allocated HK\$'000	Group HK\$'000
As at 31st December 2006							
Assets	10,898,038	5,179,197	5,003,021	2,690,951	633,962	42,357	24,447,526
Investment in a jointly controlled entity	1,033,245	—	—	—	—	—	1,033,245
Total assets	<u>11,931,283</u>	<u>5,179,197</u>	<u>5,003,021</u>	<u>2,690,951</u>	<u>633,962</u>	<u>42,357</u>	<u>25,480,771</u>
Liabilities	<u>5,445,842</u>	<u>4,703,451</u>	<u>1,789,642</u>	<u>1,056,846</u>	<u>2,897,031</u>	<u>1,360,044</u>	<u>17,252,856</u>

For the six months ended 30th June 2006

Capital expenditure	<u>31,967</u>	<u>2,934</u>	<u>353</u>	<u>217,426</u>	<u>16</u>	<u>—</u>	<u>252,696</u>
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Segment assets are allocated based on where the assets are located.

Capital expenditure is allocated based on where the assets are located.

Segment assets consist primarily of properties and equipment, investment properties, land costs, properties under development, completed properties, other non-current asset, available for sale financial asset, receivable and operating cash. They exclude tax assets.

Segment liabilities comprise operating liabilities. They exclude tax liabilities.

Capital expenditure comprises additions to investment properties, properties under development for long-term investment, properties and equipment and land costs, including additions resulting from acquisitions through business combinations.

### Secondary reporting format — business segments

The Group is organised into three main business segments as follows:

Property development	—	property development in residential and commercial projects
Property investment	—	holding of offices, shops and car parks for investment potential and rental income
Property management	—	management of residential and commercial properties

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

	<b>Six months ended 30th June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenues		
Property development	1,289,296	1,911,554
Property investment	24,787	25,910
Property management	<u>108,094</u>	<u>84,180</u>
	<u><b>1,422,177</b></u>	<u><b>2,021,644</b></u>
	<b>As at</b>	
	<b>30th June</b>	<b>31st December</b>
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Total assets		
Property development	26,742,210	21,144,340
Property investment	3,267,626	3,139,431
Property management	92,059	121,398
Unallocated	<u>58,226</u>	<u>42,357</u>
	<u><b>30,160,121</b></u>	<u><b>24,447,526</b></u>
Investment in associates	38,750	—
Investment in a jointly controlled entity	<u>1,087,267</u>	<u>1,033,245</u>
	<u><b>31,286,138</b></u>	<u><b>25,480,771</b></u>
	<b>Six months ended 30th June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Capital expenditure		
Property development	104,772	222,511
Property investment	67,316	29,882
Property management	<u>508</u>	<u>303</u>
	<u><b>172,596</b></u>	<u><b>252,696</b></u>

(5) Other gains

	Six months ended 30th June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Excess of acquirer's interest over cost of acquisition	112,958	90,910
Fair value gains on investment properties	17,247	23,798
Government grant	34,893	17,657
	<u>165,098</u>	<u>132,365</u>

(6) Expenses by nature

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

	Six months ended 30th June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Advertising costs	69,242	63,643
Amortisation of land costs	2,799	5,242
Depreciation of properties and equipment	12,444	9,799
Direct operating expenses arising from investment properties that		
— generate rental income	992	1,380
— did not generate rental income	1,363	1,108
Employee's benefits cost (including directors' emoluments)	194,837	83,654
Loss on sale of properties and equipment	1,257	10,959
Net exchange gain (included in general and administrative expenses)	(70,277)	(33,032)
Operating lease rental in respect of premises	12,997	4,282

(7) Finance income and costs

	Six months ended 30th June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Interest expense:		
— on bank loans wholly repayable within five years	141,028	120,344
— on senior notes not wholly repayable within five years	114,327	112,904
— on convertible bonds wholly repayable within five years	45,717	—
Total borrowing costs incurred	301,072	233,248
Less: Amount capitalised as part of the cost of properties under development	(241,389)	(182,748)
	59,683	50,500
Interest income from banks	(34,025)	(10,698)
Net finance costs	<u>25,658</u>	<u>39,802</u>

The average interest rate of borrowing costs capitalised for the six months ended 30th June 2007 was approximately 7.2% (2006: 6.6%) per annum.

## (8) Taxation

Taxation consists of:

	Six months ended 30th June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Current taxation		
Hong Kong profits tax	(628)	433
Mainland China enterprise income tax	251,980	165,003
Mainland China land appreciation tax	29,245	14,558
	<u>280,597</u>	<u>179,994</u>
Deferred taxation		
Hong Kong profits tax	—	(584)
Mainland China enterprise income tax	(170,010)	(69,594)
Mainland China land appreciation tax	16,752	69,520
Effect of tax rate change	(121,000)	—
	<u>(274,258)</u>	<u>(658)</u>
	<u>6,339</u>	<u>179,336</u>

Hong Kong profits tax is provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong. Mainland China enterprise income tax is provided at a rate of 33% (2006: 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.

Share of jointly controlled entity's taxation for the six months ended 30th June 2007 of approximately HK\$30,734,000 (2006: HK\$12,993,000) is included in the income statement as share of profits of a jointly controlled entity.

On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law reduces the corporate income tax rate for domestic enterprises from 33% to 25% with effect from 1st January 2008. As a result of the new CIT Law, the carrying value of deferred tax liabilities has been written down by HK\$121,000,000 in the six months ended 30th June 2007.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Company will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

## (9) Earnings per share

### Basic

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

	Six months ended 30th June	
	2007 (Unaudited)	2006 (Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<u>419,262</u>	<u>437,066</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,286,393</u>	<u>1,218,407</u>
Basic earnings per share (HK\$ per share)	<u>0.33</u>	<u>0.36</u>

## *Diluted*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has 10,000,000 share options outstanding as at 30th June 2007, which are dilutive potential ordinary shares. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The convertible bonds issued during the period ended 30th June 2007 are anti-dilutive.

	<b>Six months ended 30th June</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit attributable to equity holders of the Company (HK\$'000)	<b><u>419,262</u></b>	<b><u>437,066</u></b>
Weighted average number of ordinary shares in issue ('000)	<b>1,286,393</b>	1,218,407
Adjustments for share options ('000)	<b><u>1,202</u></b>	<b><u>6,536</u></b>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<b><u>1,287,595</u></b>	<b><u>1,224,943</u></b>
Diluted earnings per share (HK\$ per share)	<b><u>0.33</u></b>	<b><u>0.36</u></b>

## **(10) Dividends**

	<b>Six months ended 30th June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend proposed of HK\$0.099 (2006: HK\$0.108) per ordinary share	<b><u>145,764</u></b>	<b><u>132,149</u></b>

### *Notes:*

- (a) At a meeting held on 17th April 2007, the Company's directors proposed a final dividend of HK\$0.271 per ordinary share for the year ended 31st December 2006, which was paid on 29th June 2007 and has been reflected as an appropriation of retained earnings for the six months ended 30th June 2006.
- (b) At a meeting held on 24th September 2007, the Company's directors declared an interim dividend of HK\$0.099 per ordinary share for the year ending 31st December 2007. This proposed dividend, based on the number of shares outstanding at the date of the meeting, is not reflected as a dividend payable in this condensed financial information, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2007.

## **(11) Accounts receivable**

Consideration in respect of properties sold is generally payable by the buyers at the time of completion of the sales and purchase agreements. Rentals in respect of leased properties and property management fees are generally payable in advance by the tenants on a monthly basis.

The aging analysis of accounts receivable is as follows:

	As at	
	30th June 2007 HK\$'000 (Unaudited)	31st December 2006 HK\$'000 (Audited)
0 to 3 months	38,892	39,059
3 to 6 months	1,357	7,840
6 to 9 months	2,078	3,780
9 to 12 months	1,648	850
Over 12 months	<u>29,134</u>	<u>59,613</u>
	<u><b>73,109</b></u>	<u><b>111,142</b></u>

Carrying values of accounts receivable approximate their fair values.

As at 30th June 2007, approximately 35% (2006: 24%) of the accounts receivable was due from two (2006: two) customers; other than this, there is no concentration of credit risk with respect to accounts receivable as the Group has a large number of customers.

## (12) Borrowings

	As at	
	30th June 2007 HK\$'000 (Unaudited)	31st December 2006 HK\$'000 (Audited)
Current		
Bank borrowings	<u>1,963,988</u>	<u>1,345,042</u>
Non-current		
Bank borrowings	4,204,274	3,425,413
Senior notes	2,673,181	2,651,550
Convertible bonds	<u>1,658,358</u>	<u>—</u>
	<u><b>8,535,813</b></u>	<u><b>6,076,963</b></u>
Total borrowings	<u><b>10,499,801</b></u>	<u><b>7,422,005</b></u>

Notes:

- (a) In November 2005, the Company issued 8.125% Guaranteed Senior Notes with an aggregate nominal value of US\$350,000,000 (equivalent to approximately HK\$2,730,000,000), for a total consideration of approximately HK\$2,733,182,000. The Guaranteed Senior Notes will mature in seven years (November 2012) and are repayable at their nominal value of US\$350,000,000. The Company will be entitled at its option to redeem all or a portion of the Guaranteed Senior Notes on or after 9th November 2009 at the redemption prices specified in the offering circular, plus accrued and unpaid interests up to the redemption date.
- (b) On 2nd February 2007, the Company completed the issue of RMB1,830.4 million aggregate principal amount of USD settled Zero Coupon Convertible Bonds due 2010 with the right to convert into ordinary shares of the Company.



### (13) Accounts payable

At 30th June 2007 and 31st December 2006, the aging analysis of accounts payable (including amounts due to related parties of trading in nature) is as follows:

	As at	
	30th June 2007 HK\$'000 (Unaudited)	31st December 2006 HK\$'000 (Audited)
0 to 3 months	<u>471,750</u>	<u>563,378</u>

As at 30th June 2007, approximately HK\$190,076,000 (2006: approximately HK\$344,617,000) of accounts payable was due to subsidiaries of minority shareholders of certain subsidiaries of the Company in respect of property construction fees.

Carrying values of accounts payable approximate their fair values.

### (14) Reserves

For the six months ended 30th June 2007

	Convertible bonds reserve HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000	Currency translation differences HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1st January 2007	—	2,648,048	161,117	280,574	4,619,416	7,709,155
Issue of convertible bonds	227,734	—	—	—	—	227,734
Currency translation differences	—	—	—	244,666	—	244,666
Profit for the period	—	—	—	—	419,262	419,262
Dividend relating to 2006	—	—	—	—	(348,669)	(348,669)
Employee share option scheme — value of services provided	—	43,000	—	—	—	43,000
Issue of shares — employee share options scheme	—	18,300	—	—	—	18,300
Share issue expenses	—	(12)	—	—	—	(12)
Balance at 30th June 2007	<u>227,734</u>	<u>2,709,336</u>	<u>161,117</u>	<u>525,240</u>	<u>4,690,009</u>	<u>8,313,436</u>
Representing —						
2007 interim dividend proposed					145,764	
Others					<u>4,544,245</u>	
					<u>4,690,009</u>	
Analysed by —						
Company and subsidiaries					4,214,387	
Jointly controlled entity					477,510	
Associates					<u>(1,888)</u>	
					<u>4,690,009</u>	

For the year ended 31st December 2006

	Share premium HK\$'000	Statutory reserve HK\$'000	Currency translation differences HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1st January 2006	1,622,021	154,014	66,092	3,500,221	5,342,348
Transfer to reserves	—	7,103	—	(7,103)	—
Currency translation differences	—	—	55,259	—	55,259
Profit for the period	—	—	—	437,066	437,066
Dividend relating to 2005	—	—	—	(295,143)	(295,143)
Employee share option scheme — value of services provided	1,620	—	—	—	1,620
Issue of shares — employee share option scheme	25,200	—	—	—	25,200
Share issue expenses	(10)	—	—	—	(10)
	<u>1,648,831</u>	<u>161,117</u>	<u>121,351</u>	<u>3,635,041</u>	<u>5,566,340</u>
Balance at 30th June 2006	1,648,831	161,117	121,351	3,635,041	5,566,340
Currency translation differences	—	—	159,223	—	159,223
Profit for the period	—	—	—	1,116,686	1,116,686
Dividend relating to 2006	—	—	—	(132,311)	(132,311)
Issue of shares					
— placement	990,000	—	—	—	990,000
— employee share option scheme	25,950	—	—	—	25,950
Share issue expenses	(16,733)	—	—	—	(16,733)
	<u>2,648,048</u>	<u>161,117</u>	<u>280,574</u>	<u>4,619,416</u>	<u>7,709,155</u>
Balance at 31st December 2006	<u>2,648,048</u>	<u>161,117</u>	<u>280,574</u>	<u>4,619,416</u>	<u>7,709,155</u>
Representing					
2006 Final dividend				348,669	
Others				<u>4,270,747</u>	
				<u>4,619,416</u>	
Analysed by —					
Company and subsidiaries				4,165,523	
Jointly controlled entity				455,781	
Associate				<u>(1,888)</u>	
				<u>4,619,416</u>	

## **DIVIDEND**

The Board of Directors has declared an interim dividend of HK9.9 cents (2006: HK10.8 cents) per share for the half-year period ended 30th June 2007 payable on Wednesday, 28th November 2007 to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 18th October 2007.

## **FINANCIAL REVIEW**

### **Turnover**

Amid austerity measures imposed by the PRC government on the property sector, contract sales of the Group for the first half of 2007 remained strong and were up 23% from RMB3,719 million (including RMB335 million from Regal Riviera) for the same period last year to RMB4,573 million (including RMB950 million from Regal Riviera). However, caused by (a) some delay in building completion, notably in Beijing and (b) the need to make alterations to development plans for certain projects such as Tianjin Jingjin New City to meet new government requirements, turnover comprising mainly sales of properties dropped 30% from HK\$2,022 million to HK\$1,422 million for the first six months of 2007, which was exclusive of the Group's 69.5% share of turnover of HK\$203 million (2006: HK\$144 million) in the Regal Riviera project operated by a jointly controlled entity.

Revenue from sales of properties is recognized upon completion of agreement, which refers among others to delivery of properties to buyers. Revenue received but not as yet recognized is accounted for as "deferred revenue" in the Balance Sheet. The amount of deferred revenue stood at end of June 2007 was HK\$6,091 million (2006: HK\$4,167 million), a significant portion of which according to the project development schedule is expected to be recognized in the second half of 2007. The management is therefore confident to achieve a substantially improved turnover for the full year of 2007.

### **Gross Profit**

Despite the decrease in gross profit by 29% to HK\$549 million for the first half of 2007 (2006: HK\$774 million), the gross profit rate of 38.6% was consistent with that for the corresponding period in 2006, primarily attributable to the stable average selling price and the relatively steady construction costs.

### **Other Gains**

Other gains for the six months ended 30th June 2007 amounted to HK\$165 million (2006: HK\$132 million) comprising (1) a sum of HK\$113 million from the recognition of the excess of interests acquired by the Group at fair value over the costs of acquisition paid for six land sites located in Shanghai and Tianjin; (2) a surplus of HK\$17 million from revaluation of investment properties, and (3) tax grants totalling HK\$35 million from government authorities in the mainland.

### **Operating Costs**

The net operating costs relating to expenses for selling, marketing, general and administration increased by 28% to HK\$279 million, for the first half of 2007 from HK\$218 million for the corresponding period in 2006 due mainly to the additional benefits and compensation costs expended for top management and the preliminary expenses incurred for Hyatt Regency Jingjin City. The increase was, to a certain extent, offset by a substantial exchange gain of HK\$70 million recorded on account of the strengthening of Renminbi.

### **Finance Costs**

Gross interest expenses before capitalization for the first half of 2007 increased to HK\$301 million (2006: HK\$233 million), up HK\$68 million or 29%. The increase was primarily attributable to the additional bank borrowings made in the first half of 2007 and the amortization of interest expense for

the Renminbi denominated United States Dollars settled zero coupon convertible bonds of RMB1,830 million due in 2010. The effective interest rate in respect of the Group's borrowings was approximately 7.2% per annum (2006: 7.0%).

### **Operating Profit**

Operating profit in first half 2007 decreased by 37% to HK\$435 million (2006: HK\$688 million), down HK\$253 million.

### **Share of profit of a jointly controlled entity**

The Group recorded a share of profit from a jointly controlled entity of HK\$22 million for the first half of 2007 (2006: HK\$11 million). The upsurge was mainly attributable to a substantial increase in the average selling price of Regal Riviera, a property project development which was 69.5% owned by the Group.

### **Taxation**

The Group has assessed the impact of the new Corporate Income Tax ("CIT") law, which will become effective from 1st January 2008, on the deferred tax liabilities as of 30th June 2007. Under the new CIT law, the applicable enterprise income tax ("EIT") rate will be reduced to 25% from 33%. The effect of change in EIT rate on deferred tax liabilities was approximately HK\$121 million. As a result, the effective tax rate for the first half of 2007 dropped to 1.5% (2006: 27%).

Excluding (1) adjustment to deferred tax liabilities of HK\$121 million; (2) non-taxable items such as excess of acquirer's interests over costs of HK\$113 million, government grants of HK\$35 million and interest income of HK\$34 million, and (3) share of profit from a jointly controlled entity of HK\$22 million, the effective tax rate for the first half of 2007 would have been 56% (2006: 48%).

### **Profit attributable to equity holders of the Company**

Profit attributable to equity holders was HK\$419 million for the first half of 2007 (2006: HK\$437 million), down HK\$18 million or 4%. Fully diluted earning per share dropped by 8% to HK\$0.33. Excluding the effect of the gain representing the difference of fair value of the interests acquired over purchase costs amounting to HK\$113 million, the gain from investment property revaluation of HK\$17 million, and the adjustment to deferred tax liabilities of HK\$121 million, underlying profit was HK\$168 million, down HK\$154 million or 48% as compared with the corresponding period of the previous year. The decrease was primarily attributable to the drop of 30% in turnover recognized in the first half of 2007 when compared to the corresponding period in 2006.

### **Segmental information**

Property development remains the Group's core business activity (88%). The geographical spread of financial performance among different regions this period was similar to that of the corresponding period in 2006. Beijing took its leading position as top revenue contributor within the Group (39%), followed by Guangzhou (37%), Huizhou (14%), Tianjin (8%) and Shanghai (2%).

### **Financial position**

As at 30th June 2007, the Group had total assets of HK\$31,286 million and total liabilities of HK\$22,429 million, representing respectively an increase of 22.8% and 30.0% from 31st December 2006. The increase in total assets mainly attributable to (i) newly acquired land sites located in Shanghai, Tianjin and Zhejiang, (ii) increase in cash and cash equivalents as a result of proceeds from issuance of convertible bonds and (iii) amounts expended on construction work-in-progress of new development projects. Aligned with this, total liabilities also increased, chiefly the results of (i) issuance of convertible bonds and additional bank borrowings obtained to finance development of projects and (ii) a significant rise in deferred revenue.

The Group's current ratio as at 30th June 2007 was 1.92, which was comparable with 1.86 as at 31st December 2006. With the contribution largely from current period's profit attributable to shareholders, total equity at 30th June 2007 increased approximately 7.7% to HK\$8,858 million from 31st December 2006.

## Liquidity and financial position

The Group's source of fund was derived primarily from income generated from business operations, bank borrowings and the issue of Guaranteed Senior Notes and Convertible Bonds, which were in turn used to finance its business operations and investment in development projects.

As at 30th June 2007, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding minority interests) was 72% (31st December 2006: 68%). The net debt-to-equity ratio (i.e. total debt less cash and bank deposits over shareholders' equity) was 92% (31st December 2006: 73%).

As at 30th June 2007, the Group has cash and short-term bank deposits amounting to HK\$3,600 million (31st December 2006: HK\$2,570 million) of which approximately HK\$143 million (31st December 2006: HK\$131 million) were charged by certain banks in respect of the processing of mortgage facilities granted by the banks to the buyers of the Group's properties. 96.9% of the cash and bank deposits was denominated in Renminbi, 2.5% in Hong Kong dollars and 0.6% in United States Dollars.

Total borrowings from banks amounted to HK\$6,168 million as at 30th June 2007 representing an increase of 29% or HK\$1,398 million as compared to those at 31st December 2006. Gearing, measured by net bank borrowings, Guaranteed Senior Notes and Guaranteed Convertible Bonds (i.e. total bank borrowings, Guaranteed Senior Notes and Guaranteed Convertible Bonds less cash and bank deposits) as a percentage of shareholders' equity, was 78%, up 19 percentage point from 59% as at 31st December 2006. The increase was mainly due to the substantive outflow of cash paid for the acquisition of land sites.

All of the bank borrowings were either secured or covered by guarantees and were substantially denominated in Renminbi with fixed interest rates whereas the United States Dollars denominated Senior Notes and the Renminbi denominated United States Dollars settled Convertible Bonds due 2010 were both jointly and severally guaranteed by certain subsidiaries with fixed interest rate, representing approximately 53%, 23% and 14%, respectively of the Group's total borrowings.

All of the other borrowings were unsecured, interest-free and substantially denominated in Renminbi.

The Group's borrowings repayment profile as at 30th June 2007 was as follows:

(HK\$' million)	30th June 2007				Total		31st December 2006			Total	
	Bank borrowings	Guaranteed senior notes	Guaranteed convertible bonds	Other borrowings			Bank borrowings	Guaranteed senior notes	Other borrowings		
1 year	1,964	—	—	1,214	3,178	(27%)	1,345	—	1,146	2,491	(29%)
1-2 years	2,647	—	—	—	2,647	(23%)	2,232	—	—	2,232	(26%)
2-3 years	1,526	—	1,658	—	3,184	(27%)	1,193	—	—	1,193	(14%)
After 5 years	31	2,673	—	—	2,704	(23%)	—	2,652	—	2,652	(31%)
Total	6,168	2,673	1,658	1,214	11,713		4,770	2,652	1,146	8,568	
Less: Cash and bank deposits					(3,600)					(2,570)	
Net borrowings					8,113					5,998	

As at 30th June 2007, the Group had banking facilities of approximately HK\$6,892 million (31st December 2006: HK\$8,017 million) for short-term and long-term bank loans, of which HK\$5,354 million (31st December 2006: HK\$3,247 million) were unutilized.

### Financial guarantees

The Group had the following financial guarantees as at 30th June 2007:

	<b>As at</b>	
	<b>30th June</b>	31st December
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Guarantees given to banks for mortgage facilities granted to certain buyers of the Group's properties	<u>5,422,756</u>	<u>5,297,090</u>
Guarantees given to banks for mortgage facilities granted to certain buyers of the jointly controlled entity's properties	<u>484,505</u>	<u>241,892</u>

### Contingent liabilities

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

### 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.

## **EVENTS AFTER BALANCE SHEET DATE**

- (a) On 30th July 2007, the Group completed the acquisition of the 80% equity interest in Believe Best Investment Limited (“Believe Best”) from Mr. Chu Mang Yee, the controlling shareholder, the Chairman and executive director of the Company, for a consideration of HK\$6,000 million of which HK\$4,000 million was settled by issuance of 182,232,346 Company’s shares at HK\$21.95 per share on 7th August 2007. Believe Best possesses the right to develop a land site located in the Chaoyang district of Beijing.
- (b) On 7th August 2007, the Company issued 2,036,000 ordinary shares for a total consideration of HK\$16,695,200 upon exercise of share options granted to a director.
- (c) On 17th August 2007, the Group entered into an agreement with Guangdong Zhujiang Investments Company Limited (“GD Zhujiang”), a related company to acquire 100% equity interest of Shanghai Dazhan Investment Management Company Limited (“Dazhan”), a wholly owned subsidiary of GD Zhujiang for a consideration of RMB1,409 million (equivalent to approximately HK\$1,453 million). Dazhan owns the land use right of a site located in Yangpu district of Shanghai.
- (d) On 31st August 2007, the Group completed the acquisition of the 60.98% equity interest in Beijing Dongfangwenhua International Properties Company Limited for a total consideration and capital contribution of HK\$820,190,000 (equivalent to approximately RMB795,584,000).
- (e) On 7th September 2007, the Group completed the acquisition of Guangzhou Nonggongshang Construction and Development Company Limited (“GNCDCL”) for a total consideration of HK\$52,020,620 (equivalent to RMB50,460,000). GNCDCL is a 67% shareholder of Guangzhou Sanlian Huaqiao Estate Company Limited (“Sanlian”), whereas Sanlian is a 30% shareholder of Guangzhou Zhujiang Qiaodao Real Estate Limited (“GZQREL”), a jointly controlled entity of the Group. Upon completion of this acquisition, the Group owns an effective profit sharing interest of 89.6% in GZQREL.

## **FOREIGN EXCHANGE FLUCTUATIONS**

The Group earns revenue and incurs costs and expenses mainly in Renminbi and is exposed to foreign exchange risk arising from the exposure of Renminbi against Hong Kong dollars. However, the Group experienced no significant foreign exchange movement and the Directors do not anticipate any significant foreign exchange loss as a result of changes in exchange rate between Hong Kong dollars and Renminbi in the foreseeable future.

## **MANAGEMENT CONTRACT**

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

## **EMPLOYEES**

As at 30th June 2007, the Group, excluding its associate and jointly controlled entity, employed a total of 5,221 (as at 31st December 2006: 5,083) staff, the great majority of which were deployed in mainland China. Employees’ costs (including Directors’ emoluments) amounted to HK\$195 million (2006: HK\$83.6 million) for the six months ended 30th June 2007. The remuneration policies remained the same as revealed in the Annual Report for the year ended 31st December 2006.

## **COMPLIANCE WITH MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the “Model Code”) as the code of conduct regarding Directors’ securities transactions during the period under review. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code during the six months ended 30th June 2007.

## **CORPORATE GOVERNANCE**

Throughout the six months ended 30th June 2007, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Listing Rules, except for Code provisions A.4.1 and E.1.2.

Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. The non-executive Directors of the Company, except for Mr. Steven Shafran who is appointed for a term of 3 years, are not appointed for specific terms. This constitutes a deviation from Code provision A.4.1. However, as all the non-executive Directors are subject to retirement by rotation at the annual general meetings of the Company in accordance with the Company’s Bye-laws, in the opinion of the Directors, this meets the objective of the Code.

Code E.1.2 stipulates that the Chairman of the Board of Directors should attend annual general meetings. The Chairman of the Board did not attend the annual general meeting for the year 2007 due to other business commitment.

## **PURCHASE, REDEMPTION AND SALE OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30th June 2007.

## **AUDIT COMMITTEE**

The Company’s audit committee is composed of the three independent non-executive Directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial information for the six months ended 30th June 2007 with the Directors.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 16th October 2007 to Thursday, 18th October 2007, 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 4:30 p.m. on Monday, 15th October 2007.

## **INTERIM REPORT**

The 2007 interim report containing all the information required by the Listing Rules will be published on the Stock Exchange’s website and the Company’s website <http://www.irasia.com/listco/hk/hopson>.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained during the period under review the amount of public float as required under the Listing Rules.



## **DIRECTORS**

As at the date of this announcement, the Board of Directors of the Company is composed of seven executive Directors, namely Mr. Chu Mang Yee (Chairman), Mr. Wu Jiesi (Chief Executive Officer), Mr. Xiang Bin, Mr. Au Wai Kin, Mr. Chen Chang Ying, Mr. Tam Lai Ling and Ms. Xiao Yan Xia, one non-executive Director, namely Mr. Steven Shafran and three independent non-executive Directors, namely Mr. Yuen Pak Yiu, Philip, Mr. Lee Tsung Hei, David and Mr. Wong Shing Kay, Oliver.

By order of the Board  
**Chu Mang Yee**  
*Chairman*

Hong Kong, 24th September 2007