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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 2017**

### **FINANCIAL HIGHLIGHTS**

*(for the six months ended 30th June 2017)*

- Turnover was HK\$3,909 million.
- Profit attributable to equity holders was HK\$1,262 million.
- Basic earnings per share was HK\$0.567 per share.

### **BUSINESS REVIEW**

#### **Industry overview**

- In the first half of 2017, China's economy continued to develop in a stable, progressing and favourable momentum. More positive changes emerged in the economic sector. As favorable factors which supported mid-to-high speed economic growth and mid-to-high end development further increased, China's economy presented a more apparently favourable development momentum amidst stability.
- The Chinese government has commenced a new round of real estates regulation and control policies. Such round of regulation and control adopted the direction of giving category-based guidance and implementing different policies according to specific situation of different cities. Under such circumstances, despite the declining trend in the growth of real estate investment, the decline was not significant. In particular, the decline in sales growth mainly arose in first-tier cities and second-tier popular cities. However, regulation and control on first-tier and second-tier popular cities were not limited to purchase restrictions, loan restrictions and selling restrictions. In order to mitigate the conflicts between demand and supply, the central government also increased the supply of land and housing in first-tier and second-tier popular cities, so the change in real estate investment was smaller than before. Overall, the growth in real estate development and investment will be stabilised amidst slowdown.
- In response to the regulatory policies of the central government on the real estate market, the Group focused on rationalising its business in view of the government policies so as to strive to achieve the sales targets while meeting the requirements under the regulatory policies of various local governments. Besides, the Group further enhanced its overall product quality and services on the basis of cost control in order to expand the brand influence of Hopson Development.

\* For identification purposes only

## Contracted sales performance

Details of properties sold under sale and pre-sale contracts in the first half of 2017 totalling RMB4,452 million (2016: RMB5,760 million) are as follows:

- In Guangzhou, a total GFA of 41,631 square metres (2016: 74,627 square metres) with a carrying value of RMB852 million (2016: RMB1,016 million) was sold. The decrease in sales was mainly attributable to the focus on selling the remaining units of Hopson Zhongshan Regal Court during the period as compared with the newly launched products enjoying good sales driven by policies during the same period of last year, and the focus on selling car parking spaces of Hopson Belvedere Bay during the period as compared with a relatively wide variety of products during the same period of last year.
- In Shanghai, a total GFA of 124,859 square metres (2016: 184,042 square metres) with a carrying value of RMB1,278 million (2016: RMB1,988 million) was sold. The decrease in sales was mainly attributable to the selection of car parking spaces as the featured product of Hopson Times Garden during the period as compared with villas as the featured product during the same period of last year, and the relatively slow turnover of the newly launched products of Hopson Asset Seascape Residence at a relatively high unit price during the period.
- In Beijing and Tianjin, a total GFA of 66,440 square metres (2016: 115,307 square metres) with a carrying value of RMB1,439 million (2016: RMB1,496 million) was sold. The decrease in sales was mainly attributable to the combined effect of the decrease in sales of Hopson Regal Park and the increase in sales of Hopson No. 8 Royal Park. For Hopson Regal Park, its featured product during the period was car parking spaces and its featured product during the same period of last year was residential products. The increase in sales of Hopson No. 8 Royal Park was attributable to the optimisation of its business strategy.
- In Huizhou, a total GFA of 99,455 square metres (2016: 188,831 square metres) with a carrying value of RMB883 million (2016: RMB1,260 million) was sold. The decrease in sales was mainly attributable to the decrease in transaction volume as a result of the selection of remaining units and car parking spaces as the featured products of Hopson International New City during the period and the selection of remaining units and villas at a relatively high unit price as the featured products of Hopson Xiaogui Bay during the period.

### **Properties sold but yet to be delivered**

As at 30th June 2017, the GFA in respect of which the Group had entered into sale and pre-sale contracts and yet to be delivered to buyers was 766,364 square metres (31st December 2016: 651,041 square metres). Following the delivery of these properties, the proceeds received therefrom totalling HK\$9,195 million will be recognised as revenue in the Group's financial statements in the second half of 2017 and thereafter.

### **Delivery of properties**

A total GFA of 217,062 square metres (2016: 420,854 square metres) was delivered in the first half of 2017.

### **Project development progress**

- A total GFA of approximately 295,489 square metres was completed in the first half of 2017.
- A total GFA of approximately 1,241,169 square metres is expected to be completed in the second half of 2017.

### **Landbank**

As of 30th June 2017, the Group had a landbank of 29.91 million square metres (31st December 2016: 30.13 million square metres).

### **Prospects**

In the second half of 2017, it is expected that the central government will stand firm in the promotion of the structural reform of supply and constantly strengthen the innovation motivation so as to accomplish in various tasks for stable growth, reform promotion, structure adjustment, benefits to livelihood and risk prevention for procuring the stable and healthy economic development.

Along with the reinforced structural reform on the supply side, as well as the in-depth transformation of the real estate market, the Group will continue to leverage its competitive edges as usual. Through its diversified portfolio comprising residential properties, commercial properties, industrial real estate, etc., the Group will focus on its core assets, make innovations in business development and enhance its brand value.

The board (the "Board") of directors (the "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 2017 together with the comparative figures for the previous period.

The interim financial information of the Company for the six months ended 30th June 2017 has been reviewed by the Company's audit committee and the Board.

## CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Six months ended</b>	
		<b>30th June</b>	
		<b>2017</b>	<b>2016</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenues	4	<b>3,909,196</b>	7,350,399
Cost of sales	6	<b>(2,579,488)</b>	<u>(5,762,067)</u>
<b>Gross profit</b>		<b>1,329,708</b>	1,588,332
Fair value gain on investment properties		<b>1,129,030</b>	1,589,302
Other income/gains, net	5	<b>134,716</b>	109,365
Selling and marketing expenses	6	<b>(161,204)</b>	(242,057)
General and administrative expenses	6	<b>(553,294)</b>	(583,181)
Finance income	7	<b>15,674</b>	13,439
Finance costs	7	<b>(3,606)</b>	(135,603)
Share of profit of associates		<b>480</b>	898
Share of profit of joint ventures	8	<b>58,136</b>	<u>60,661</u>
Profit before taxation		<b>1,949,640</b>	2,401,156
Taxation	9	<b>(686,620)</b>	<u>(731,357)</u>
<b>Profit for the period</b>		<b><u>1,263,020</u></b>	<u>1,669,799</u>
Attributable to:			
Equity holders of the Company		<b>1,261,661</b>	1,692,739
Non-controlling interests		<b>1,359</b>	<u>(22,940)</u>
		<b><u>1,263,020</u></b>	<u>1,669,799</u>
<b>Earnings per share for profit attributable to equity holders of the Company during the period</b> (in HK\$ per share)			
— basic and diluted	10	<b><u>0.567</u></b>	<u>0.759</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>1,263,020</b>	1,669,799
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on available-for-sale financial assets	114,614	(69,721)
Assets revaluation reserve realised upon disposal of properties held for sale	(41,368)	(25,463)
Deferred tax	(9,287)	29,563
Currency translation differences	1,748,911	(1,132,164)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>1,812,870</b>	(1,197,785)
<b>Total comprehensive income for the period</b>	<b>3,075,890</b>	472,014
Attributable to:		
Equity holders of the Company	3,013,598	538,021
Non-controlling interests	62,292	(66,007)
	<b>3,075,890</b>	472,014

## CONDENSED CONSOLIDATED BALANCE SHEET

	As at	
	30th June 2017	31st December 2016
<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Land costs	1,804,768	1,776,499
Prepayments for acquisition of land	122,570	118,927
Prepayments for construction work	—	28,682
Properties and equipment	3,572,602	3,486,335
Investment properties	34,025,025	31,300,936
Goodwill	32,319	31,818
Investments in associates	145,548	140,747
Investments in joint ventures	7,711,310	7,424,805
Available-for-sale financial assets	3,626,831	3,406,109
Deferred tax assets	585,177	495,525
	<u>51,626,150</u>	<u>48,210,383</u>
<b>Current assets</b>		
Prepayments for acquisition of land	9,323,011	9,058,323
Properties under development for sale	46,770,745	44,761,847
Completed properties for sale	22,169,014	21,233,257
Financial assets at fair value through profit or loss	221,719	83,584
Accounts receivable	622,877	542,974
Prepayments, deposits and other current assets	2,865,307	2,749,500
Due from a joint venture	38,230	34,738
Due from associates	203	197
Due from related companies	3,301	3,190
Pledged/charged bank deposits	408,496	261,215
Cash and cash equivalents	4,437,804	6,053,733
	<u>86,860,707</u>	<u>84,782,558</u>
<b>Total assets</b>	<u><b>138,486,857</b></u>	<u><b>132,992,941</b></u>

		As at	
		30th June 2017	31st December 2016
	Note	HK\$'000 (Unaudited)	HK\$'000 (Audited)
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		222,556	222,556
Reserves	15	<u>56,985,376</u>	<u>54,194,334</u>
		<b>57,207,932</b>	54,416,890
Non-controlling interests		<u>2,050,468</u>	<u>1,988,176</u>
<b>Total equity</b>		<u><b>59,258,400</b></u>	<u>56,405,066</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Land cost payable		89,488	86,827
Borrowings	13	39,892,203	35,213,845
Due to non-controlling interests		519,515	504,071
Deferred tax liabilities		<u>6,552,003</u>	<u>6,080,408</u>
		<u><b>47,053,209</b></u>	<u>41,885,151</u>
<b>Current liabilities</b>			
Accounts payable	14	5,519,010	5,715,064
Land cost payable		45,256	44,104
Borrowings	13	6,902,580	9,538,378
Deferred revenue		9,194,798	8,667,718
Dividends payable		222,556	—
Accruals and other payables		3,187,318	3,167,043
Due to an associate		6,359	6,170
Due to related companies		475,704	476,471
Due to joint ventures		3,107,237	3,253,214
Current tax liabilities		<u>3,514,430</u>	<u>3,834,562</u>
		<u><b>32,175,248</b></u>	<u>34,702,724</u>
<b>Total liabilities</b>		<u><b>79,228,457</b></u>	<u>76,587,875</u>
<b>Total equity and liabilities</b>		<u><b>138,486,857</b></u>	<u>132,992,941</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 30th June 2017			
	Attributable to equity holders of the Company		Non-controlling interests	Total
	Share capital	Reserves		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1st January 2017	222,556	54,194,334	1,988,176	56,405,066
Total comprehensive income for the period	—	3,013,598	62,292	3,075,890
Transactions with owners:				
Dividends payable	—	(222,556)	—	(222,556)
	—	(222,556)	—	(222,556)
Balance at 30th June 2017	222,556	56,985,376	2,050,468	59,258,400
	Unaudited six months ended 30th June 2016			
	Attributable to equity holders of the Company		Non-controlling interests	Total
	Share capital	Reserves		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1st January 2016	223,412	54,112,981	2,181,998	56,518,391
Total comprehensive income/(loss) for the period	—	538,021	(66,007)	472,014
Transactions with owners:				
Dividends payable	—	(223,020)	—	(223,020)
Repurchase of own shares	(856)	(58,042)	—	(58,898)
Capital contribution by non-controlling interests of a subsidiary	—	—	17,726	17,726
	(856)	(281,062)	17,726	(264,192)
Balance at 30th June 2016	222,556	54,369,940	2,133,717	56,726,213



*Notes:*

**(1) GENERAL INFORMATION**

Hopson Development Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) are mainly engaged in the development of residential properties in Mainland China. The Group is also involved in property investment, hotel operations and property management.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated and has been approved for issue by the Board of Directors on 31st August 2017.

**(2) BASIS OF PREPARATION**

This condensed consolidated interim financial information for the six months ended 30th June 2017 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.

Management has periodically prepared cash flow projections and the Group has a number of alternative plans to offset the potential impact on the Group’s business development and current operation, should there be circumstances that the anticipated cash flow may be affected by any unexpected changes in global and/or Mainland China economic conditions. The Company’s Directors consider that the Group will be able to maintain sufficient financial resources to meet its needs. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial information.

This condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31st December 2016.

**(3) ACCOUNTING POLICIES**

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2016, as described in those annual financial statements, except for the adoption of amendments to the existing accounting standards as described below.

## Adoption of amendments to existing standards

In 2017, the Group adopted the following amendments to existing standards, which are effective for accounting periods beginning on or after 1st January 2017.

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

The Group has assessed the impact of the adoption of these amendments to existing standards and considered that there was no material impact on the Group's results and financial position.

### *New Standards and Amendments to Existing Standards That Are Not Yet Effective*

		<b>Effective for accounting periods beginning on or after</b>
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures	1st January 2018
HKAS 40 (Amendments)	Transfers of Investment Property	1st January 2018
HKFRS 4 (Amendments)	Insurance Contracts	1st January 2018
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contract with Customers	1st January 2018
HKFRS 16	Leases	1st January 2019

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. HKFRS 15 is based on the principle that revenue is recognised when control a good or service transfers to a customers. Management is currently assessing the effects of the adoption of HKFRS 15 on the Group's financial statements and anticipated that the timing of the recognition of revenue is likely to be affected.

The Group has already commenced an assessment of the impact of these new standards and amendments, certain of which are relevant to the Group's operation and will give rise to changes in accounting policies, disclosures or measurement of certain items in the financial statements. However, the Group is not yet in a position to ascertain their impact on its results and financial position.

#### (4) SEGMENT INFORMATION

Executive Directors of the Company (the “Executive Directors”) are regarded as the chief operating decision maker of the Group. The Executive Directors review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Directors consider the business from both business and geographic perspectives. Reportable business segments identified are property development, property investment, hotel operations, and property management. Geographically, the reportable business segments are further segregated into three main geographical areas, namely Southern China (SC) (including Guangzhou, Huizhou, Zhongshan and Hong Kong), Northern China (NC) (including Beijing, Tianjin, Dalian, Taiyuan and Qinhuangdao) and Eastern China (EC) (including Shanghai, Hangzhou, Kunshan, Ningbo, Cixi and Taicang).

The Executive Directors assess the performance of the operating segments based on the segment results. Corporate income/expenses, finance income and dividend income from available-for-sale financial assets are not included in the results for each operating segment that is reviewed by the Executive Directors.

Segment assets consist primarily of land costs, prepayments for construction work, properties and equipment, investment properties, investments in associates, investments in joint ventures, prepayments for acquisition of land, properties under development for sale, completed properties for sale, accounts receivable, prepayments, deposits and other current assets, pledged/charged bank deposits and cash and cash equivalents. They exclude available-for-sale financial assets, which are managed on a central basis, and deferred tax assets.

Sales between segments are carried out on terms similar to those that prevail in arm’s length transactions. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the consolidated income statement.

Revenues comprise turnover which included gross proceeds from sales of properties, revenue from construction services, property management income, income from hotel operations and rental income.

	<b>Six months ended 30th June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
Sales of properties	<b>2,613,636</b>	6,204,398
Construction services		
— Decoration	<b>62,782</b>	241,108
Property management income	<b>422,477</b>	391,012
Income from hotel operations	<b>187,233</b>	91,743
Rental income		
— Investment properties	<b>533,089</b>	322,767
— Others	<b>89,979</b>	99,371
	<b><u>3,909,196</u></b>	<b><u>7,350,399</u></b>

The segment results by business lines and by geographical areas for the six months ended 30th June 2017 are as follows:

	Property development			Property investment			Hotel operations			Property management	Group
	SC	EC	NC	SC	EC	NC	SC	EC	NC		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30th June 2017											
Total revenues	1,626,524	461,130	862,115	122,087	270,614	151,615	24,618	100,037	67,400	425,954	4,112,094
Intra/inter-segment revenues	(97,097)	—	(86,275)	(6,366)	—	(4,861)	(140)	—	(4,682)	(3,477)	(202,898)
Revenues	<u>1,529,427</u>	<u>461,130</u>	<u>775,840</u>	<u>115,721</u>	<u>270,614</u>	<u>146,754</u>	<u>24,478</u>	<u>100,037</u>	<u>62,718</u>	<u>422,477</u>	<u>3,909,196</u>
Segment results	<u>412,045</u>	<u>(76,172)</u>	<u>21,353</u>	<u>177,876</u>	<u>768,181</u>	<u>550,649</u>	<u>3,142</u>	<u>15,933</u>	<u>(67,684)</u>	<u>28,704</u>	<u>1,834,027</u>
Depreciation	(4,848)	(804)	(8,891)	(469)	1,233	(201)	(3,642)	(10,563)	(47,694)	(2,300)	(78,179)
Amortisation	—	—	—	—	—	—	(8,600)	(11,982)	(5,085)	—	(25,667)
Provision for impairment of accounts receivable	—	—	—	—	—	—	—	—	—	(9,882)	(9,882)
Fair value gain on investment properties	—	—	—	108,404	586,951	433,675	—	—	—	—	1,129,030
Share of profit of associates	76	—	404	—	—	—	—	—	—	—	480
Share of profit of joint ventures	<u>24,377</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>33,759</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>58,136</u>

The segment results by business lines and by geographical areas for the six months ended 30th June 2016 are as follows:

	Property development			Property investment			Hotel operations			Property management	Group
	SC	EC	NC	SC	EC	NC	SC	EC	NC		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30th June 2016											
Total revenues	2,138,832	1,639,542	3,746,893	102,297	105,818	121,612	32,641	5,413	54,715	440,707	8,388,470
Intra/inter-segment revenues	(783,976)	—	(196,414)	(6,656)	—	(304)	—	—	(1,026)	(49,695)	(1,038,071)
Revenues	<u>1,354,856</u>	<u>1,639,542</u>	<u>3,550,479</u>	<u>95,641</u>	<u>105,818</u>	<u>121,308</u>	<u>32,641</u>	<u>5,413</u>	<u>53,689</u>	<u>391,012</u>	<u>7,350,399</u>
Segment results	<u>347,955</u>	<u>147,141</u>	<u>288,482</u>	<u>770,317</u>	<u>678,364</u>	<u>327,024</u>	<u>7,375</u>	<u>(35,025)</u>	<u>(89,639)</u>	<u>(12,847)</u>	<u>2,429,147</u>
Depreciation	(5,549)	(1,136)	(10,982)	(342)	(91)	(186)	(5,266)	(892)	(55,419)	(1,306)	(81,169)
Amortisation	—	—	—	—	—	—	(9,108)	(12,480)	(5,392)	—	(26,980)
Reversal of impairment of accounts receivable	—	—	—	—	—	—	—	—	—	4,239	4,239
Fair value gain on investment properties	—	—	—	716,521	660,640	212,141	—	—	—	—	1,589,302
Share of profit of associates	881	—	17	—	—	—	—	—	—	—	898
Share of profit/(loss) of joint ventures	<u>32,763</u>	<u>—</u>	<u>(8,420)</u>	<u>403</u>	<u>—</u>	<u>35,915</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>60,661</u>

The segment assets by business lines and by geographical areas as at 30th June 2017 are as follows:

	Property development			Property investment			Hotel operations			Property management	Group
	SC	EC	NC	SC	EC	NC	SC	EC	NC		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at and for the six months ended 30th June 2017	<u>33,446,173</u>	<u>15,982,430</u>	<u>42,656,483</u>	<u>7,295,561</u>	<u>15,427,236</u>	<u>13,803,056</u>	<u>940,336</u>	<u>1,427,590</u>	<u>2,528,112</u>	<u>767,872</u>	<u>134,274,849</u>
Segment assets include:											
Investments in associates	3,360	—	142,188	—	—	—	—	—	—	—	145,548
Investments in joint ventures	<u>4,691,736</u>	<u>—</u>	<u>1,077,134</u>	<u>73,362</u>	<u>—</u>	<u>1,869,078</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,711,310</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>1,408</u>	<u>54,649</u>	<u>1,817</u>	<u>45,970</u>	<u>20,131</u>	<u>514,750</u>	<u>101</u>	<u>5,488</u>	<u>23,790</u>	<u>4,461</u>	<u>672,565</u>

The segment assets by business lines and by geographical areas as at 31st December 2016 are as follows:

	Property development			Property investment			Hotel operations			Property management	Group
	SC	EC	NC	SC	EC	NC	SC	EC	NC		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at and for the year ended 31st December 2016	<u>33,098,277</u>	<u>15,955,949</u>	<u>40,651,380</u>	<u>6,910,155</u>	<u>14,331,943</u>	<u>12,435,616</u>	<u>931,257</u>	<u>1,417,191</u>	<u>2,453,204</u>	<u>906,335</u>	<u>129,091,307</u>
Segment assets include:											
Investments in associates	3,185	—	137,562	—	—	—	—	—	—	—	140,747
Investments in joint ventures	<u>4,528,883</u>	<u>—</u>	<u>1,046,728</u>	<u>70,549</u>	<u>—</u>	<u>1,778,645</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,424,805</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>2,118</u>	<u>4,172</u>	<u>8,896</u>	<u>73,724</u>	<u>417,126</u>	<u>418,348</u>	<u>144</u>	<u>67,939</u>	<u>6,545</u>	<u>4,670</u>	<u>1,003,682</u>

Reconciliation of reportable segment profit from operations to profit before taxation is as follows:

	<b>Six months ended 30th June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Reportable segment profit from operations	<b>1,834,027</b>	2,429,147
Unallocated corporate expenses (including exchange loss), net	<b>(35,555)</b>	(38,272)
Dividend income	<b>139,100</b>	132,445
Finance income	<b>15,674</b>	13,439
Finance costs	<b>(3,606)</b>	(135,603)
	<u><b>1,949,640</b></u>	<u>2,401,156</u>
Profit before taxation	<u><b>1,949,640</b></u>	<u>2,401,156</u>

Reconciliation of reportable segment assets to total assets is as follows:

	<b>As at</b>	
	<b>30th June</b>	<b>31st December</b>
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Total segment assets	<b>134,274,849</b>	129,091,307
Available-for-sale financial assets	<b>3,626,831</b>	3,406,109
Deferred tax assets	<b>585,177</b>	495,525
	<u><b>138,486,857</b></u>	<u>132,992,941</u>
Total assets	<u><b>138,486,857</b></u>	<u>132,992,941</u>

The Group primarily operates in Mainland China. All revenues for the six months ended 30th June 2017 and 2016 are from Mainland China.

As at 30th June 2017 and 31st December 2016, all non-current assets are located in Mainland China.

(5) OTHER INCOME/GAINS, NET

	Six months ended 30th June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividend income from		
— available-for-sale financial assets	138,941	132,294
— financial assets at fair value through profit or loss	159	151
Government grants	2,525	1,343
Fair value gain on financial assets at fair value through profit or loss	254	142
Net foreign exchange losses charged in consolidated income statement		
— net foreign exchange losses	(72,162)	(62,464)
— exchange losses arising from foreign currency borrowings capitalised	40,125	43,508
Provision for impairment of goodwill	(450)	(5,609)
Gain on disposal of land	18,399	—
Gain on disposal of financial assets at fair value through profit or loss	6,925	—
	<u>134,716</u>	<u>109,365</u>

(6) EXPENSES BY NATURE

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

	Six months ended 30th June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Advertising and promotion costs	46,237	89,388
Amortisation of land costs	25,667	26,980
Cost of completed properties sold	1,861,369	4,882,719
Depreciation of properties and equipment	78,179	81,169
Direct operating expenses arising from investment properties that		
— generated rental income	171,488	125,259
— did not generate rental income	2,343	10,580
Employees' benefits costs (including Directors' emoluments)	447,922	472,847
Loss on disposals of properties and equipment	2,707	3,451
Operating lease rental in respect of premises	5,755	8,333
Provision for/(reversal of) impairment of accounts receivable	9,882	(4,239)

(7) FINANCE INCOME AND COSTS

	Six months ended 30th June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Finance income</b>		
Interest income from banks and a joint venture	(15,674)	(13,439)
<b>Finance costs</b>		
Interest expense and other borrowing costs:		
— loans from banks and financial institutions	1,171,654	1,686,569
— corporate bonds and asset-backed securities	178,794	41,667
— senior notes	—	47,533
Total borrowing costs incurred	1,350,448	1,775,769
Less: Amount capitalised as part of the cost of properties under development, investment properties under development and properties and equipment	(1,350,448)	(1,775,769)
	—	—
Costs on early redemption of asset-backed securities ( <i>Note 13</i> )	3,606	—
Costs on early redemption of senior notes	—	135,603
	3,606	135,603
Net finance (income)/costs	<u>(12,068)</u>	<u>122,164</u>

The weighted average interest rate of borrowing costs capitalised for the six months ended 30th June 2017 was approximately 5.8% (2016: 6.5%) per annum.

(8) SHARE OF PROFIT OF JOINT VENTURES

For the six months ended 30th June 2017, the amount included the share of fair value gain, net of tax, on the investment properties of joint ventures located in Beijing and Guangzhou, amounting to approximately HK\$26,656,000 (2016: HK\$23,536,000).



## (9) TAXATION

	Six months ended 30th June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax		
Mainland China corporate income tax ( <i>Note (a)</i> )	164,969	287,112
Mainland China land appreciation tax ( <i>Note (b)</i> )	304,742	170,090
Mainland China withholding income tax ( <i>Note (c)</i> )	143	—
Under-provision in prior years	18,296	—
	<u>488,150</u>	<u>457,202</u>
Deferred tax		
Mainland China corporate income tax ( <i>Note (a)</i> )	203,268	287,433
Mainland China land appreciation tax ( <i>Note (b)</i> )	(6,486)	(14,653)
Mainland China withholding income tax ( <i>Note (c)</i> )	1,688	1,375
	<u>198,470</u>	<u>274,155</u>
	<u>686,620</u>	<u>731,357</u>

### Notes:

#### (a) Mainland China Corporate Income Tax

Subsidiaries established and operated in Mainland China are subject to Mainland China corporate income tax at the rate of 25% for the six months ended 30th June 2017 (2016: 25%).

#### (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.

#### (c) Mainland China Withholding Income Tax

Dividend distribution made by Mainland China subsidiaries and joint ventures to shareholders outside of Mainland China in respect of their profits earned after 1st January 2008 is subject to withholding income tax at tax rates of 5% or 10%, where applicable.

## (10) 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	
	2017 (Unaudited)	2016 (Unaudited)
Profit attributable to equity holders of the Company ( <i>HK\$'000</i> )	<u>1,261,661</u>	<u>1,692,739</u>
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<u>2,225,560</u>	<u>2,230,209</u>
Basic earnings per share ( <i>HK\$ per share</i> )	<u>0.567</u>	<u>0.759</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. Since there was no dilutive potential ordinary shares during the six months ended 30th June 2017 and 30th June 2016, diluted earnings per share is equal to basic earnings per share.

## (11) DIVIDEND

The Board of Directors did not recommend the payment of any interim dividend in respect of the six months ended 30th June 2017 and 30th June 2016.

## (12) ACCOUNTS RECEIVABLE

Consideration in respect of properties sold is generally payable by the buyers at the time of completion of the sale and purchase agreements. Rentals in respect of leased properties and property management fees are generally payable in advance on a monthly basis. No credit terms were granted to the customers.

The ageing analysis of accounts receivable (excluding those impaired) is as follows:

	As at	
	30th June 2017 HK\$'000 (Unaudited)	31st December 2016 HK\$'000 (Audited)
0 to 3 months	354,662	291,302
3 to 6 months	57,267	29,686
6 to 9 months	26,958	24,326
9 to 12 months	22,512	20,717
Over 12 months	161,478	176,943
	<u>622,877</u>	<u>542,974</u>

The carrying value of accounts receivable approximates their fair values. The accounts receivable is related to a number of independent customers, and are denominated in Renminbi.

## (13) BORROWINGS

	As at	
	30th June 2017 HK\$'000 (Unaudited)	31st December 2016 HK\$'000 (Audited)
Non-current		
Bank and financial institution borrowings	34,589,025	29,183,000
Corporate bonds ( <i>Note (a)</i> )	3,558,516	3,449,758
Asset-backed securities ( <i>Note (b)</i> )	1,744,662	2,581,087
	<u>39,892,203</u>	<u>35,213,845</u>
Current		
Bank and financial institution borrowings	6,587,857	8,810,163
Asset-backed securities ( <i>Note (b)</i> )	314,723	728,215
	<u>6,902,580</u>	<u>9,538,378</u>
	<u>46,794,783</u>	<u>44,752,223</u>

*Notes:*

- (a) In June 2016, the Group issued 4.95% corporate bonds with an aggregate nominal value of RMB3,100,000,000 (equivalent to approximately HK\$3,571,758,000) (the “Bonds”). The Bonds will mature in June 2019 and are repayable at their nominal value of RMB3,100,000,000. The Group has the right to adjust the coupon rate and the investors are entitled at its option to sell back the Bonds to the Group at the end of the second year from the date of issue, subject to the terms and conditions specified in the offering circular.
- (b) In March 2016, the Group issued asset-backed securities with an aggregate nominal value of RMB2,107,000,000 (equivalent to approximately HK\$2,427,643,000) (the “Securities”). The Securities will mature in 2017, 2018, 2019, 2020, 2021 and 2022 and are repayable at their nominal value of RMB2,107,000,000. Subject to the terms and conditions specified in the offering circular, the Group has the right to redeem all of the Securities which mature in 2020, 2021 and 2022 (“the Redeemable Securities”) at the end of the third year from the date of issue, the investors are also entitled to sell back the Redeemable Securities to the Group on the same date.

In October 2016, the Group issued asset-backed securities with an aggregate nominal value of RMB880,000,000 (equivalent to approximately HK\$1,013,918,000) (the “Securities”). The Securities will mature in 2017 and 2018 and are repayable at their nominal value of RMB880,000,000. In May 2017, the Group redeemed all the Securities at the principal amount of RMB880,000,000 (equivalent to approximately HK\$1,013,918,000) according to the mechanism specified in the offering circular, plus accrued and unpaid interest to the redemption date. The redemption amount was equal to its nominal value. The unamortised borrowing costs totalling HK\$3,606,000 were charged to the condensed consolidated income statement during the six months ended 30th June 2017.

#### (14) ACCOUNTS PAYABLE

Ageing analysis of accounts payable (including amounts due to related companies of trading in nature) is as follows:

	As at	
	30th June 2017 HK\$'000 (Unaudited)	31st December 2016 HK\$'000 (Audited)
0 to 3 months	363,915	382,073
3 to 6 months	192,716	192,173
6 to 9 months	304,824	277,598
9 to 12 months	165,978	333,951
Over 12 months	4,491,577	4,529,269
	<u>5,519,010</u>	<u>5,715,064</u>

As at 30th June 2017, approximately HK\$559,820,000 (31st December 2016: HK\$585,989,000) of accounts payable were due to certain related companies in respect of property construction.

Accounts payable are denominated in Renminbi. The carrying value of accounts payable approximates their fair values.

**(15) RESERVES***For the six months ended 30th June 2017*

	Share premium <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Assets revaluation reserve <i>HK\$'000</i>	Currency translation differences <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1st January 2017	15,800,776	161,117	1,735,612	(189,495)	36,686,324	54,194,334
Profit for the period	—	—	—	—	1,261,661	1,261,661
Currency translation differences	—	—	—	1,687,978	—	1,687,978
Fair value gain on available-for-sale financial assets	—	—	114,614	—	—	114,614
Realised upon disposal of properties held for sale	—	—	(41,368)	—	—	(41,368)
Dividends payable	—	—	—	—	(222,556)	(222,556)
Deferred tax	—	—	(9,287)	—	—	(9,287)
	<u>15,800,776</u>	<u>161,117</u>	<u>1,799,571</u>	<u>1,498,483</u>	<u>37,725,429</u>	<u>56,985,376</u>
Balance at 30th June 2017	<u>15,800,776</u>	<u>161,117</u>	<u>1,799,571</u>	<u>1,498,483</u>	<u>37,725,429</u>	<u>56,985,376</u>

*For the six months ended 30th June 2016*

	Share premium <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Assets revaluation reserve <i>HK\$'000</i>	Currency translation differences <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1st January 2016	15,861,535	161,117	1,719,575	3,332,925	33,037,829	54,112,981
Profit for the period	—	—	—	—	1,692,739	1,692,739
Currency translation differences	—	—	—	(1,089,097)	—	(1,089,097)
Repurchase of own shares	(60,759)	—	—	—	2,717	(58,042)
Fair value loss on available-for-sale financial assets	—	—	(69,721)	—	—	(69,721)
Realised upon disposal of properties held for sale	—	—	(25,463)	—	—	(25,463)
Dividends payable	—	—	—	—	(223,020)	(223,020)
Deferred tax	—	—	29,563	—	—	29,563
	<u>15,800,776</u>	<u>161,117</u>	<u>1,653,954</u>	<u>2,243,828</u>	<u>34,510,265</u>	<u>54,369,940</u>
Balance at 30th June 2016	<u>15,800,776</u>	<u>161,117</u>	<u>1,653,954</u>	<u>2,243,828</u>	<u>34,510,265</u>	<u>54,369,940</u>

## DIVIDEND

The Board of Directors did not recommend the payment of any interim dividend in respect of the six months ended 30th June 2017 and 30th June 2016.

## FINANCIAL REVIEW

### Turnover

#### (i) *Recognised Sales*

For the first six months of 2017, the Group recorded a turnover of RMB3,445 million (HK\$3,909 million), down 44.6% (denominated in RMB) and down 46.8% (denominated in HK\$) comparing to RMB6,220 million (HK\$7,350 million) of 2016, with a total GFA of 217,062 square metres (2016: 420,854 square metres). The major projects delivered include Hopson Yijing Mingyuan (合生頤景茗苑) and Hopson Belvedere Bay (合生君景灣) in Guangzhou, Hopson No. 8 Royal Park (合生霄雲路8號) in Beijing, Hopson International Garden (合生國際花園) (Kunshan) in Shanghai and Hopson Yujing Bay (合生愉景灣) in Huizhou.

The overall average selling price in respect of delivered and completed properties decreased by 15% to RMB10,458 per square metre (2016: RMB12,368 per square metre). In summary, it was mainly affected by the change in delivered projects and product structure.

In Beijing, the overall average selling price for the first half of 2017 increased to RMB45,882 per square metre (2016: RMB18,287 per square metre). The increase in average selling price was mainly due to the increased proportion of recognised sales of Hopson Dreams World (合生世界村) and Hopson No. 8 Royal Park (合生霄雲路8號) among the total recognised sales of the whole region during the period.

In Shanghai, the overall average selling price for the first half of 2017 decreased to RMB6,084 per square metre (2016: RMB11,958 per square metre). The decrease is due to the increased proportion of units delivered under Hopson International Garden (合生國際花園) (Kunshan), which have relatively lower selling prices, as well as the decreased proportion of units delivered under Hopson Times Garden (合生前灘一號) and Hopson Asset Seascape Residence (合生財富海景公館), which have relatively higher selling prices, in the first half of 2017 as compared to the same period of last year.

In Guangzhou, the overall average selling price for the first half of 2017 increased to RMB12,721 per square metre (2016: RMB11,484 per square metre). The increase is due to the fact that the major project delivered during the first half of the year was Hopson Yijing Mingyuan (合生頤景茗苑), a project with relatively higher selling prices, while the major project delivered in the same period of last year was Hopson Belvedere Bay (合生君景灣), a project with relatively lower selling prices.

In Huizhou, the overall average selling price for the first half of 2017 increased to RMB6,706 per square metre (2016: RMB6,154 per square metre). The increase is due to high-rise units with higher selling prices as the featured product of Hopson Xiaogui Bay (合生小桂灣), which had higher proportions in sales during the first half of this year.

*(ii) Contracted Sales*

The Group recorded total contracted sales of RMB4,452 million (2016: RMB5,760 million) for the first six months of 2017. Affected by the product structure of sales, the average contracted selling price increased by 31% to RMB13,395 per square metre (2016: RMB10,235 per square metre).

In the first half of 2017, Guangzhou and Huizhou had in total seventeen projects on sale and the contracted sales amounted to RMB1,735 million, representing 39% of the total contracted sales of the Group. The major projects were Hopson International New City (合生國際新城), Hopson Yujing Bay (合生愉景灣), Hopson Xiaogui Bay (合生小桂灣) and Hopson Regal Riviera (合生珠江帝景).

There were six property projects on sale in Shanghai, mainly comprising Hopson Asset Seascape Residence (合生財富海景公館) and The Town of Hangzhou Bay (合生杭州灣國際新城). Contracted sales of Shanghai amounted to RMB1,278 million, representing 29% of the total contracted sales of the Group.

The combined contracted sales of Beijing and Tianjin were RMB1,439 million, representing 32% of the total contracted sales of the Group in the first half of 2017. Eight projects in total were on sale in Beijing and Tianjin, of which Hopson No. 8 Royal Park (合生霄雲路8號) and Hopson Belvedere Bay (合生君景灣) were the major sales contributors.

**Gross Profit**

Gross profit for the first half of 2017 amounted to HK\$1,330 million (2016: HK\$1,588 million) with a gross profit margin percentage of 34% (2016: 22%). The increase in gross profit margin percentage was mainly attributable to the larger proportion of improvement products, which have higher gross profit margins, being delivered during the period.

**Fair Value Gain on Investment Properties**

Fair value gain on investment properties for the six months ended 30th June 2017 amounted to HK\$1,129.0 million (2016: HK\$1,589.3 million), down HK\$460.3 million or 29%. As at 30th June 2017, the Group has 11 (2016: 11) investment properties.

## **Other Income/Gains, Net**

Other net income/gains for the six months ended 30th June 2017 amounted to HK\$134.7 million (2016: HK\$109.4 million), comprising (1) dividend income of HK\$139.1 million from investment in listed and unlisted securities; (2) grants totalling HK\$2.5 million from government authorities in Mainland China; (3) fair value gain of HK\$0.3 million from listed securities; (4) gain on disposal of financial assets at fair value through profit or loss of HK\$6.9 million; (5) gain on disposal of land of HK\$18.4 million; (6) net exchange loss of HK\$32.0 million; and (7) goodwill impairment of HK\$0.5 million.

## **Operating Costs**

The operating costs relating to expenses for selling, marketing, general and administration decreased by 13.5% to HK\$714 million in the first half of 2017 (2016: HK\$825 million). The decrease was primarily attributable to the optimisation of cost management on overall budget by the Group.

## **Finance Costs**

Gross interest expenses before capitalisation for the first half of 2017 decreased to HK\$1,350 million (2016: HK\$1,776 million), down HK\$426 million or 24%. The decrease was primarily attributable to the decrease in the weighted average interest rate during the first half of 2017 as compared to the same period of last year. The effective interest rate in respect of the Group's borrowings was approximately 5.9% per annum (2016: 6.5%).

## **Share of Profit of Joint Ventures**

Share of profit of joint ventures represented the Group's share of profit of HK\$58 million from three joint ventures located in Beijing and Guangzhou.

## **Taxation**

The effective tax rate was 35% for the first half of 2017, up 5% as compared with the same period of last year, which was mainly due to the fact that the land appreciation tax rate applicable to the major projects delivered in the first half of this year was higher than that for major projects in the first half of previous year.



## **Profit Attributable to Equity Holders of the Company**

Profit attributable to equity holders was HK\$1,261.7 million for the first half of 2017 (2016: HK\$1,692.7 million). Basic earnings per share was HK\$0.567. Excluding the effect of the net of tax gain from investment property revaluation of HK\$846.8 million, the net of tax gain on disposal of land of HK\$13.8 million, the net of tax gain from the investment property revaluation of two joint ventures of HK\$26.7 million, the net of tax gain on disposal of financial assets at fair value through profit or loss of HK\$5.2 million, and adding the costs on early redemption of asset-backed securities of HK\$3.6 million and the goodwill impairment of HK\$0.5 million, underlying profit for the period under review was HK\$373.3 million, representing a decrease of HK\$245.1 million, or 40%, as compared with that of the corresponding period in the prior year. The overall decrease of the underlying profit for the period was mainly attributable to the decrease in the area of the properties delivered during the period.

## **Segment Information**

Property development continued to be the Group's core business activity (67%). In 2017, the Group continued to develop its business in the three core economic regions, namely the Huanbohai Area, Pearl River Delta and Yangtze River Delta. Southern China (including Guangzhou, Huizhou and Zhongshan) contributed 49% of the total revenues of the Group, followed by 29% from Northern China (including Beijing, Tianjin, Dalian, Taiyuan and Qinhuangdao) and 22% from Eastern China (including Shanghai, Hangzhou, Kunshan, Ningbo, Cixi and Taicang).

## **Financial Position**

As at 30th June 2017, total assets of the Group amounted to HK\$138,487 million and total liabilities came to HK\$79,228 million, representing an increase of 4% and 3% respectively as compared to 31st December 2016. The increase in total assets was mainly attributable to the increase in properties under development for sale and completed properties for sale. The increase in total liabilities was mainly attributable to the increase in borrowings.

The Group's current ratio as at 30th June 2017 was 2.70 (31st December 2016: 2.44). Equity as at 30th June 2017 increased 5% to HK\$59,258 million from 31st December 2016, mainly due to the increase in profit attributable to equity holders during the period. The net asset value ("NAV") per share as at 30th June 2017 was HK\$26.63.

## **Liquidity and Financial Position**

As at 30th June 2017, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding non-controlling interests) was 57% (31st December 2016: 58%). The net-debt-to-equity ratio (i.e. total debt less cash and bank deposits over shareholders' equity) was 71% (31st December 2016: 68%).

As at 30th June 2017, the Group had cash and bank deposits amounting to HK\$4,846 million (31st December 2016: HK\$6,315 million), of which approximately HK\$3 million (31st December 2016: HK\$2 million) was charged by certain banks in respect of the processing of mortgage facilities granted by the banks to the buyers of the Group's properties. 90.79% of the cash and bank deposits were denominated in Renminbi, 7.98% in Hong Kong dollars, 0.94% in United States dollars and 0.29% in other currencies.

Total borrowings from banks and financial institutions amounted to HK\$41,177 million as at 30th June 2017, representing an increase of 8% or HK\$3,184 million as compared to those as at 31st December 2016. Gearing ratio, measured by net bank and financial institution borrowings, corporate bonds and asset-backed securities (i.e. total bank and financial institution borrowings, corporate bonds and asset-backed securities less cash and bank deposits) as a percentage of shareholders' equity, was 71% as at 30th June 2017, representing an increase of 3% from 68% as at 31st December 2016.

All of the bank and financial institution borrowings were either secured or covered by guarantees, substantially denominated in Renminbi with fixed interest rates.

All of the other borrowings were unsecured and substantially denominated in Renminbi.

The Group's borrowings repayment profile as at 30th June 2017 was as follows:

<i>(HK\$ million)</i>	As at 30th June 2017				As at 31st December 2016					
	Bank and financial institution borrowings	Corporate bonds and asset-backed securities	Other borrowings	Total	Bank and financial institution borrowings	Corporate bonds and asset-backed securities	Other borrowings	Total		
1 year	6,588	315	3,589	10,492	(21%)	8,810	728	3,736	13,274	(27%)
1-2 years	10,720	5,303	—	16,023	(32%)	11,310	942	—	12,252	(25%)
2-5 years	18,229	—	—	18,229	(36%)	9,202	5,089	—	14,291	(30%)
After 5 years	5,640	—	—	5,640	(11%)	8,671	—	—	8,671	(18%)
Total	41,177	5,618	3,589	50,384		37,993	6,759	3,736	48,488	
Less: Cash and bank deposits				(4,846)					(6,315)	
Net borrowings				<u>45,538</u>					<u>42,173</u>	

As at 30th June 2017, the Group had banking facilities of approximately HK\$97,166 million (31st December 2016: HK\$104,991 million) for short-term and long-term bank loans, of which HK\$50,371 million (31st December 2016: HK\$60,239 million) were unutilised.

## **Charge on Assets**

As at 30th June 2017, certain assets of the Group with an aggregate carrying value of HK\$44,404 million (31st December 2016: HK\$39,522 million) and the Group's equity interests in subsidiaries of HK\$1,351 million (31st December 2016: HK\$962 million) were pledged with banks and financial institutions for loan facilities used by subsidiaries.

## **Financial Guarantees**

As at 30th June 2017, the Group provided guarantees to banks for mortgage facilities granted to buyers of the Group's properties which amounted to HK\$9,848 million (31st December 2016: HK\$10,295 million).

## **Treasury Policies and Capital Structure**

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

## **FOREIGN EXCHANGE FLUCTUATIONS**

The Group earns revenue and incurs costs and expenses mainly in Renminbi and is exposed to foreign exchange fluctuation arising from the exposure of Renminbi against Hong Kong dollar, Euro and US dollar. However, the Directors do not anticipate any significant foreign exchange loss as a result of changes in exchange rate between Hong Kong dollar, US dollar, Euro and Renminbi in the foreseeable future.

## **MANAGEMENT CONTRACT**

No contracts 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 six months ended 30th June 2017.

## **EMPLOYEES**

As at 30th June 2017, the Group, excluding its associates and joint ventures, employed a total of 8,509 (as at 31st December 2016: 8,300) staff, the majority of which were employed in Mainland China. Employees' costs (including Directors' emoluments) amounted to HK\$448 million for the six months ended 30th June 2017 (for the six months ended 30th June 2016: HK\$473 million). The remuneration policies remained the same as disclosed in the Annual Report for the year ended 31st December 2016.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the six months ended 30th June 2017.

## **CORPORATE GOVERNANCE**

During the six months ended 30th June 2017, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (“CG Code”) contained in Appendix 14 of the Listing Rules except for the code provisions A.4.1 and E.1.2 as described below.

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Save for Mr. Ching Yu Lung, who is appointed for a term of three years commencing from 1st July 2015, none of the independent non-executive Directors is appointed for specific term. This constitutes a deviation from code provision A.4.1. However, as the relevant independent non-executive Directors are subject to retirement by rotation and re-election by shareholders 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 CG Code.

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board of Directors did not attend the annual general meeting for the year 2017 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 2017.

## **AUDIT COMMITTEE AND REVIEW OF RESULTS**

The Company’s audit committee comprises all the three independent non-executive Directors. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the risk management and internal controls and financial reporting matters including a review of the unaudited interim financial information for the six months ended 30th June 2017.

## **INTERIM REPORT**

The 2017 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 comprises nine Directors. The Executive Directors are Mr. Chu Mang Yee (Chairman), Ms. Chu Kut Yung (Deputy Chairman), Mr. Au Wai Kin, Mr. Liao Ruo Qing, Mr. Xie Bao Xin and Mr. Bao Wenge; and the independent non-executive Directors are Mr. Lee Tsung Hei, David, Mr. Tan Leng Cheng, Aaron, and Mr. Ching Yu Lung.

By order of the Board  
**Hopson Development Holdings Limited**  
**Chu Mang Yee**  
*Chairman*

Hong Kong, 31st August 2017