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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>

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2016

FINANCIAL HIGHLIGHTS

(for the year ended 31st December 2016)

- Turnover was HK\$16,256 million (2015: HK\$12,845 million).
- Profit attributable to equity holders was HK\$3,868 million (2015: HK\$1,646 million).
- Basic earnings per share was HK\$1.74 per share (2015: HK\$0.74 per share).
- Proposed final dividend per share is HK10 cents per share.

BUSINESS REVIEW

Industry Overview

- In the first half of 2016, investment in real estate development and the land area acquired both witnessed a slowdown in growth. Under such backdrop, the central government carried out a series of de-inventory policies, including trimming reserve requirement ratio, lowering interest rate, cutting tax and reducing down payment, so as to stimulate recovery in the real estate market. In the second half of the year, in view of overwhelming surge in both prices and transactions in some first-and-second-tier cities, the central government launched regulations with “differentiated policies in light of local conditions”. Regulatory measures such as restrictions on property purchases, mortgages and land price in some overheating first-and-second-tier cities were imposed with the aim to reduce demand on house purchases for investment and stabilise the PRC real estate market.

* For identification purposes only

- Faced with the development in the PRC real estate market in 2016, the Group unwaveringly insisted on developing residential property projects targeting at rigid demand and improvement demand in first-and-second-tier cities, while steadily promoted the development of medium-to-high-end commercial projects in core areas of first-tier cities. For the residential sales segment, the Group continuously enlarged the proportion of residential properties targeting at rigid demand and improvement demand in the entire residential segment. The respective product structure has been optimised with focus on increasing the ancillary facilities of residential products and enhancing property management services. For the commercial operation segment, the Group accelerated the opening and development of medium-to-high-end mega shopping centres, premium office buildings and hotel projects while continuously optimised the tenant structure of its investment properties, thereby boosting rental income growth.

Contracted sales performance

Details of properties sold under sale and pre-sale contracts in 2016 totalling RMB8,089 million (2015: RMB9,987 million) are as follows:

- In Guangzhou, total GFA sold amounted to 107,054 square metres (2015: 276,513 square metres) with a carrying value of RMB1,554 million (2015: RMB4,017 million). The decline in sales was mainly attributable to the focus on selling the remaining units of Hopson Belvedere Bay in the year as well as the relatively slow turnover of newly launched products of Hopson Regal Riviera with a relatively high unit price.
- In Beijing and Tianjin, total GFA sold amounted to 171,817 square metres (2015: 162,093 square metres) with a carrying value of RMB2,490 million (2015: RMB2,138 million). The increase in sales was mainly attributable to the increase in transaction volume led by the proactive expansion of high-end customer group by Hopson No. 8 Royal Park and the increase in transaction volume of Jingjin New Town led by the gradual improvement of the high-speed railway network in Tianjin.
- In Shanghai, total GFA sold amounted to 230,789 square metres (2015: 213,863 square metres) with a carrying value of RMB2,497 million (2015: RMB2,463 million). The sales were basically the same compared with the previous year, which was mainly attributable to the similar inventories level in both years.
- In Huizhou, total GFA sold amounted to 227,334 square metres (2015: 231,230 square metres) with a carrying value of RMB1,548 million (2015: RMB1,369 million). The increase in sales was mainly attributable to the launch of new products of Hopson International New City in the year.

Properties sold but yet to be delivered

As at 31st December 2016, the GFA in respect of which the Group had entered into sale and pre-sale contracts and yet to be delivered to buyers was 651,041 square metres (2015: 907,683 square metres). Following the delivery of these properties, the proceeds received therefrom totalling HK\$8,668 million will be recognised as revenue in the Group's financial statements in 2017 and thereafter.

Delivery of properties

A total GFA of 993,635 square metres (2015: 644,659 square metres) was delivered in 2016.

Project development progress

- A total GFA of 1,511,115 square metres (2015: 510,870 square metres) was completed during the year 2016.
- It is expected that a total GFA of 1,923,107 square metres will be completed in 2017.

Landbank

As at 31st December 2016, the Group had a landbank of 30.13 million square metres (31st December 2015: 30.99 million square metres).

Prospects

With the regulatory approach of implementing “city-oriented policies” by the central government, it is expected that the regional differentiation of the real estate market between first-and-second-tier cities and third-and-fourth-tier cities in the PRC will gradually be alleviated in 2017. The demand for commodity housing in first-tier cities and core second-tier cities will still be keen, and the de-inventory process for commodity housing in third-and-fourth-tier cities will accelerate.

All in all, the overall development of the prevailing PRC real estate market has become increasingly mature and stable, underlying the perfect time for diversified development and for fostering the development of upstream and downstream industries in the real estate market.

Responding to the regulatory policies of the central government, the Group will gradually formulate the strategic principle of “following the guidance of the State's policies while adapting itself to the market trends based on actual situation”, and adhere to the ultimate goal of maximizing shareholders' value. To achieve this, the Group will fully leverage on the advantages of its solid financial and operational strategies and diversified financing channels. The Group will also build on its core assets and make continuous efforts to optimise its management and control system, so as to promote its strategic transformation of business diversification.

The board (the “Board”) of directors (the “Directors”) of Hopson Development Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December 2016 together with the comparative figures for the previous year.

The 2016 financial statements of the Company have been reviewed by the Company’s audit committee and the Board.

CONSOLIDATED INCOME STATEMENT

		For the year ended	
		31st December	
		2016	2015
	<i>Note</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenues	4	16,255,697	12,845,184
Cost of sales	6	<u>(11,776,266)</u>	<u>(9,683,196)</u>
Gross profit		4,479,431	3,161,988
Fair value gain on investment properties		2,604,091	1,334,369
Other gains/(losses), net	5	84,110	(37,481)
Selling and marketing expenses	6	(413,440)	(494,310)
General and administrative expenses	6	(1,218,331)	(1,296,371)
Finance income	7	79,439	96,709
Finance costs	7	(132,484)	(79,311)
Share of profit/(loss) of associates		1,645	(484)
Share of profit of joint ventures	8	<u>143,844</u>	<u>154,196</u>
Profit before taxation		5,628,305	2,839,305
Taxation	9	<u>(1,785,631)</u>	<u>(1,257,267)</u>
Profit for the year		<u>3,842,674</u>	<u>1,582,038</u>
Attributable to:			
Equity holders of the Company		3,868,433	1,645,942
Non-controlling interests		<u>(25,759)</u>	<u>(63,904)</u>
		<u>3,842,674</u>	<u>1,582,038</u>
Earnings per share for profit attributable to equity holders of the Company during the year			
(in HK\$ per share)			
— basic and diluted	10	<u>1.74</u>	<u>0.74</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended	
	31st December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<u>3,842,674</u>	<u>1,582,038</u>
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on available-for-sale financial assets	47,336	(18,443)
Assets revaluation reserve realised upon disposal of properties held for sale	(37,181)	(221,267)
Revaluation gain upon transfer of properties and equipment to investment properties	—	763,341
Deferred tax	5,882	(86,531)
Currency translation differences	<u>(3,657,544)</u>	<u>(3,418,656)</u>
Other comprehensive loss for the year, net of tax	<u>(3,641,507)</u>	<u>(2,981,556)</u>
Total comprehensive income/(loss) for the year	<u>201,167</u>	<u>(1,399,518)</u>
Attributable to:		
Equity holders of the Company	362,050	(1,196,444)
Non-controlling interests	<u>(160,883)</u>	<u>(203,074)</u>
	<u>201,167</u>	<u>(1,399,518)</u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 31st December	
		2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Land costs		1,776,499	1,976,377
Prepayments for acquisition of land		118,927	126,980
Prepayments for construction work		28,682	587,141
Properties and equipment		3,486,335	3,958,050
Investment properties		31,300,936	28,935,997
Goodwill		31,818	39,912
Investments in associates		140,747	148,579
Investments in joint ventures		7,424,805	7,778,864
Available-for-sale financial assets		3,406,109	3,129,699
Deferred tax assets		495,525	402,162
		<u>48,210,383</u>	<u>47,083,761</u>
Current assets			
Prepayments for acquisition of land		9,058,323	9,658,469
Properties under development for sale		44,761,847	49,836,168
Completed properties for sale		21,233,257	25,196,674
Financial assets at fair value through profit or loss		83,584	13,101
Accounts receivable	12	542,974	425,296
Prepayments, deposits and other current assets		2,749,500	2,497,694
Due from a joint venture		34,738	32,031
Due from associates		197	210
Due from related companies		3,190	3,899
Pledged/charged bank deposits		261,215	676,049
Cash and cash equivalents		6,053,733	4,753,340
		<u>84,782,558</u>	<u>93,092,931</u>
Total assets		<u><u>132,992,941</u></u>	<u><u>140,176,692</u></u>

		As at 31st December	
		2016	2015
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		222,556	223,412
Reserves	15	<u>54,194,334</u>	<u>54,112,981</u>
		54,416,890	54,336,393
Non-controlling interests		<u>1,988,176</u>	<u>2,181,998</u>
Total equity		<u>56,405,066</u>	<u>56,518,391</u>
LIABILITIES			
Non-current liabilities			
Land cost payable		86,827	57,638
Borrowings	13	35,213,845	35,516,944
Due to non-controlling interests		504,071	538,205
Deferred tax liabilities		<u>6,080,408</u>	<u>5,863,904</u>
		<u>41,885,151</u>	<u>41,976,691</u>
Current liabilities			
Accounts payable	14	5,715,064	7,354,186
Land cost payable		44,104	83,092
Borrowings	13	9,538,378	11,188,721
Deferred revenue		8,667,718	11,937,499
Accruals and other payables		3,167,043	3,177,798
Due to an associate		6,170	6,588
Due to related companies		476,471	596,329
Due to joint ventures		3,253,214	3,473,505
Current tax liabilities		<u>3,834,562</u>	<u>3,863,892</u>
		<u>34,702,724</u>	<u>41,681,610</u>
Total liabilities		<u>76,587,875</u>	<u>83,658,301</u>
Total equity and liabilities		<u>132,992,941</u>	<u>140,176,692</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company		Non-	Total
	Share capital HK\$'000	Reserves HK\$'000	controlling interests HK\$'000	
Balance at 1st January 2016	<u>223,412</u>	<u>54,112,981</u>	<u>2,181,998</u>	<u>56,518,391</u>
Profit for the year	<u>—</u>	<u>3,868,433</u>	<u>(25,759)</u>	<u>3,842,674</u>
Other comprehensive income/(loss):				
Fair value gain on available-for-sale financial assets	<u>—</u>	<u>47,336</u>	<u>—</u>	<u>47,336</u>
Assets revaluation reserve realised upon disposal of properties held for sale	<u>—</u>	<u>(37,181)</u>	<u>—</u>	<u>(37,181)</u>
Deferred tax	<u>—</u>	<u>5,882</u>	<u>—</u>	<u>5,882</u>
Currency translation differences	<u>—</u>	<u>(3,522,420)</u>	<u>(135,124)</u>	<u>(3,657,544)</u>
Other comprehensive loss for the year, net of tax	<u>—</u>	<u>(3,506,383)</u>	<u>(135,124)</u>	<u>(3,641,507)</u>
Total comprehensive income/(loss) for the year	<u>—</u>	<u>362,050</u>	<u>(160,883)</u>	<u>201,167</u>
Transactions with owners:				
Repurchase of own shares	<u>(856)</u>	<u>(57,677)</u>	<u>—</u>	<u>(58,533)</u>
Dividend paid	<u>—</u>	<u>(223,020)</u>	<u>—</u>	<u>(223,020)</u>
Capital contribution by non-controlling interests of a subsidiary	<u>—</u>	<u>—</u>	<u>17,318</u>	<u>17,318</u>
Acquisition of interests in subsidiaries	<u>—</u>	<u>—</u>	<u>(50,257)</u>	<u>(50,257)</u>
	<u>(856)</u>	<u>(280,697)</u>	<u>(32,939)</u>	<u>(314,492)</u>
Balance at 31st December 2016	<u>222,556</u>	<u>54,194,334</u>	<u>1,988,176</u>	<u>56,405,066</u>

	Attributable to equity holders of the Company		Non- controlling	Total
	Share capital <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	interests <i>HK\$'000</i>	
Balance at 1st January 2015	<u>224,392</u>	<u>55,375,974</u>	<u>2,385,072</u>	<u>57,985,438</u>
Profit for the year	<u>—</u>	<u>1,645,942</u>	<u>(63,904)</u>	<u>1,582,038</u>
Other comprehensive (loss)/income:				
Fair value loss on available-for-sale financial assets	—	(18,443)	—	(18,443)
Assets revaluation reserve realised upon disposal of properties held for sale	—	(221,267)	—	(221,267)
Revaluation gain upon transfer of land costs and properties and equipment to investment properties	—	763,341	—	763,341
Deferred tax	—	(86,531)	—	(86,531)
Currency translation differences	<u>—</u>	<u>(3,279,486)</u>	<u>(139,170)</u>	<u>(3,418,656)</u>
Other comprehensive loss for the year, net of tax	<u>—</u>	<u>(2,842,386)</u>	<u>(139,170)</u>	<u>(2,981,556)</u>
Total comprehensive loss for the year	<u>—</u>	<u>(1,196,444)</u>	<u>(203,074)</u>	<u>(1,399,518)</u>
Transactions with owners:				
Repurchase of own shares	<u>(980)</u>	<u>(66,549)</u>	<u>—</u>	<u>(67,529)</u>
Balance at 31st December 2015	<u>223,412</u>	<u>54,112,981</u>	<u>2,181,998</u>	<u>56,518,391</u>

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”).

The consolidated financial statements have been approved for issue by the Board of Directors on 31st March 2017.

(2) BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are measured at fair value.

(3) ACCOUNTING POLICIES

In 2016, the Group has applied the followings amendments to HKFRS issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are relevant to the Group and are effective for accounting periods beginning on or after 1st January 2016.

Hong Kong Accounting Standards (“HKAS”) 1 (Amendments)	Disclosure Initiative
Annual improvements 2012–2014 cycle	Improvements to HKFRSs

The Group has assessed the impact of the adoption of amendments and considered that there was no significant impact on the Group’s results and financial position.

New standards and amendments to existing standards that are not yet effective

**Effective for accounting
periods beginning
on or after**

HKAS 7 (Amendments)	Disclosure Initiative	1st January 2017
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	1st January 2017
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations	1st January 2017
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1st January 2018
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 16	Leases	1st January 2019
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 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 of a good or service transfers to a customer. Management is currently assessing the effects of 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. At this stage, the Group is not able to estimate the impact of the adoption of HKFRS 15 on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

The Group has already commenced an assessment of the impact of the other new or revised standards and amendments, certain of which may be relevant to the Group's operations and may give rise to changes in disclosure, recognition and remeasurement of certain items in the consolidated financial statements.

(4) SEGMENT INFORMATION

Executive Directors of the Company (the "Executive Directors") are regarded as the chief operating decision makers 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 of all operating assets and 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.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Sales of properties	13,649,116	10,682,251
Construction services		
— Decoration	493,166	475,245
Property management income	843,197	824,214
Income from hotel operations	247,192	207,487
Rental income		
— Investment properties	837,407	491,453
— Others	185,619	164,534
	<u>16,255,697</u>	<u>12,845,184</u>

The segment results by business lines and by geographical areas for the year ended 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
Year ended 31st December 2016											
Total revenues	5,639,278	2,893,302	6,988,921	211,707	375,945	269,234	61,443	75,629	112,526	855,650	17,483,635
Intra/inter-segment revenues	(822,607)	—	(370,993)	(12,988)	—	(6,491)	(290)	—	(2,116)	(12,453)	(1,227,938)
Revenues	<u>4,816,671</u>	<u>2,893,302</u>	<u>6,617,928</u>	<u>198,719</u>	<u>375,945</u>	<u>262,743</u>	<u>61,153</u>	<u>75,629</u>	<u>110,410</u>	<u>843,197</u>	<u>16,255,697</u>
Segment results	<u>1,646,716</u>	<u>(4,979)</u>	<u>1,030,264</u>	<u>902,090</u>	<u>1,294,398</u>	<u>885,412</u>	<u>5,942</u>	<u>(52,011)</u>	<u>(161,179)</u>	<u>68,508</u>	<u>5,615,161</u>
Depreciation	(10,669)	(1,998)	(19,899)	(733)	(11,911)	(258)	(16,425)	(1,774)	(109,845)	(2,552)	(176,064)
Amortisation	—	—	—	—	—	—	(17,799)	(24,386)	(10,538)	—	(52,723)
Reversal of impairment of accounts receivable	—	—	—	—	—	—	—	—	—	9,875	9,875
Fair value gain on investment properties	—	—	—	807,968	1,120,870	675,253	—	—	—	—	2,604,091
Share of profit of associates	1,065	—	580	—	—	—	—	—	—	—	1,645
Share of profit/(loss) of joint ventures	<u>72,352</u>	<u>—</u>	<u>(8,153)</u>	<u>14,623</u>	<u>—</u>	<u>65,022</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>143,844</u>

The segment results by business lines and by geographical areas for the year ended 31st December 2015 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
Year ended 31st December 2015											
Total revenues	4,359,861	5,189,445	3,239,754	194,408	166,900	139,387	72,682	13,105	167,919	829,919	14,373,380
Intra/inter-segment revenues	(914,094)	—	(552,936)	(9,242)	—	—	(343)	—	(45,876)	(5,705)	(1,528,196)
Revenues	<u>3,445,767</u>	<u>5,189,445</u>	<u>2,686,818</u>	<u>185,166</u>	<u>166,900</u>	<u>139,387</u>	<u>72,339</u>	<u>13,105</u>	<u>122,043</u>	<u>824,214</u>	<u>12,845,184</u>
Segment results	<u>817,637</u>	<u>911,835</u>	<u>(143,417)</u>	<u>266,614</u>	<u>677,518</u>	<u>667,264</u>	<u>4,832</u>	<u>(38,572)</u>	<u>(216,586)</u>	<u>(26,547)</u>	<u>2,920,578</u>
Depreciation	(12,032)	(2,382)	(24,023)	(770)	(157)	(161)	(10,763)	(1,862)	(127,828)	(2,760)	(182,738)
Amortisation	—	—	—	—	—	—	(18,957)	(25,970)	(12,117)	—	(57,044)
Provision for impairment of accounts receivable	—	—	—	—	—	—	—	—	—	(22,853)	(22,853)
Fair value gain on investment properties	—	—	—	161,097	570,232	603,040	—	—	—	—	1,334,369
Share of loss of associates	(408)	—	(76)	—	—	—	—	—	—	—	(484)
Share of profit of joint ventures	<u>89,186</u>	<u>—</u>	<u>6,891</u>	<u>19,072</u>	<u>—</u>	<u>39,047</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>154,196</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>

The segment assets by business lines and by geographical areas as at 31st December 2015 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 2015	<u>35,861,570</u>	<u>18,655,521</u>	<u>44,450,945</u>	<u>6,141,416</u>	<u>13,915,406</u>	<u>11,951,404</u>	<u>1,032,136</u>	<u>1,437,972</u>	<u>2,753,874</u>	<u>444,587</u>	<u>136,644,831</u>
Segment assets include:											
Investments in associates	2,300	—	146,279	—	—	—	—	—	—	—	148,579
Investments in joint ventures	<u>4,772,543</u>	<u>—</u>	<u>1,126,036</u>	<u>48,419</u>	<u>—</u>	<u>1,831,866</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,778,864</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>3,085</u>	<u>2,018</u>	<u>9,606</u>	<u>290,565</u>	<u>1,231,038</u>	<u>483,312</u>	<u>1,389</u>	<u>33,789</u>	<u>718,747</u>	<u>2,012</u>	<u>2,775,561</u>

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

	2016	2015
	HK\$'000	HK\$'000
Reportable segment profit from operations	5,615,161	2,920,578
Unallocated corporate expenses (including exchange loss), net	(63,411)	(292,012)
Dividend income	129,600	193,341
Finance income	79,439	96,709
Finance costs	<u>(132,484)</u>	<u>(79,311)</u>
Profit before taxation	<u>5,628,305</u>	<u>2,839,305</u>

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

	2016	2015
	HK\$'000	HK\$'000
Total segment assets	129,091,307	136,644,831
Available-for-sale financial assets	3,406,109	3,129,699
Deferred tax assets	495,525	402,162
	<u>132,992,941</u>	<u>140,176,692</u>

The Group primarily operates in Mainland China. All revenues for the years ended 31st December 2016 and 2015 are from Mainland China.

As at 31st December 2016 and 2015, all non-current assets are located in Mainland China.

(5) OTHER GAINS/(LOSSES), NET

	2016	2015
	HK\$'000	HK\$'000
Dividend income from		
— available-for-sale financial assets	129,250	192,964
— financial assets at fair value through profit or loss	350	377
Government grants	2,715	3,920
Fair value gain/(loss) on financial assets at fair value through profit or loss	97	(577)
Excess of the fair value of net assets of a subsidiary acquired over acquisition cost	—	2,933
Net foreign exchange losses charged in consolidated income statement		
— net foreign exchange losses	(24,680)	(279,028)
— exchange losses arising from foreign currency borrowings capitalised	15,441	41,930
Provision for impairment of goodwill	(5,510)	—
Loss on investments	(46,427)	—
Gain on disposal of land	12,874	—
	<u>84,110</u>	<u>(37,481)</u>

(6) EXPENSES BY NATURE

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Advertising and promotion costs	156,790	176,892
Amortisation of land costs	52,723	57,044
Auditor's remuneration	9,953	9,316
Other professional fees	4,674	6,807
Cost of completed properties sold	10,158,010	8,180,701
Depreciation of properties and equipment	176,064	182,738
Direct operating expenses arising from investment properties that		
— generate rental income	301,938	132,291
— did not generate rental income	10,002	26,840
Employees' benefits costs (including Directors' emoluments)	890,024	915,403
Loss on disposals of properties and equipment	735	9,039
Operating lease rental in respect of premises	16,800	30,424
(Reversal of)/provision for impairment of accounts receivable	<u>(9,875)</u>	<u>22,853</u>

(7) FINANCE INCOME AND COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Finance income		
Interest income from banks and a joint venture	<u>79,439</u>	<u>96,709</u>
Finance costs		
Interest expense and other borrowing costs:		
— loans from banks and financial institutions	(2,899,794)	(3,568,136)
— senior notes	(46,440)	(331,524)
— corporate bonds and asset-backed securities	<u>(219,732)</u>	<u>—</u>
Total borrowing costs incurred	(3,165,966)	(3,899,660)
Less: Amount capitalised as part of the cost of properties under development	<u>3,165,966</u>	<u>3,899,660</u>
	—	—
Cost on early redemption of senior notes (<i>Note 13</i>)	<u>(132,484)</u>	<u>(79,311)</u>
	<u>(132,484)</u>	<u>(79,311)</u>

The weighted average interest rate of borrowing costs capitalised during the year ended 31st December 2016 was approximately 6.2% (2015: 7.4%) per annum.

(8) SHARE OF PROFIT OF JOINT VENTURES

For the year ended 31st December 2016, 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\$36 million (2015: HK\$20 million).

(9) TAXATION

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax		
Hong Kong profits tax	—	140
Mainland China corporate income tax	817,917	485,656
Mainland China land appreciation tax	476,151	563,248
Mainland China withholding income tax	<u>771</u>	<u>23,741</u>
	<u>1,294,839</u>	<u>1,072,785</u>
Deferred tax		
Mainland China corporate income tax	508,302	222,945
Mainland China land appreciation tax	(20,354)	(40,760)
Mainland China withholding income tax	<u>2,844</u>	<u>2,297</u>
	<u>490,792</u>	<u>184,482</u>
	<u>1,785,631</u>	<u>1,257,267</u>

No Hong Kong profits tax was provided for the year ended 31st December 2016 as the Group did not have any assessable profit which is subject to Hong Kong profits tax. Hong Kong profits tax has been provided at 16.5% on the estimated assessable profit for the year ended 31st December 2015.

Subsidiaries established and operated in Mainland China are subject to Mainland China corporate income tax at the rate of 25% for the year ended 31st December 2016 (2015: 25%).

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.

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 year.

	2016	2015
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>3,868,433</u>	<u>1,645,942</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>2,227,872</u>	<u>2,238,837</u>
Basic earnings per share (<i>HK\$ per share</i>)	<u>1.74</u>	<u>0.74</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 for the years ended 31st December 2016 and 2015, diluted earnings per share is equal to basic earnings per share.

(11) DIVIDEND

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend paid of nil (2015: nil) per ordinary share	—	—
Proposed final dividend of HK\$0.10 (2015: HK\$0.10) per ordinary share	<u>222,556</u>	<u>223,020</u>
	<u>222,556</u>	<u>223,020</u>

The final dividend of HK\$0.10 per share in respect of the financial year ended 31st December 2016 (2015: HK\$0.10) has been proposed by the Board and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The financial statements as at 31st December 2016 do not reflect this dividend payable.

(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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 to 3 months	291,302	189,182
3 to 6 months	29,686	17,335
6 to 9 months	24,326	13,441
9 to 12 months	20,717	15,483
Over 12 months	<u>176,943</u>	<u>189,855</u>
	<u><u>542,974</u></u>	<u><u>425,296</u></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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current		
Bank and financial institution borrowings	29,183,000	33,213,814
Corporate bonds (<i>Note (a)</i>)	3,449,758	—
Asset-backed securities (<i>Note (b)</i>)	2,581,087	—
Senior notes (<i>Note (c)</i>)	<u>—</u>	<u>2,303,130</u>
	<u><u>35,213,845</u></u>	<u><u>35,516,944</u></u>
Current		
Bank and financial institution borrowings	8,810,163	11,188,721
Asset-backed securities (<i>Note (b)</i>)	<u>728,215</u>	<u>—</u>
	<u><u>9,538,378</u></u>	<u><u>11,188,721</u></u>
	<u><u>44,752,223</u></u>	<u><u>46,705,665</u></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\$3,465,585,000) (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\$2,355,480,000) (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\$983,779,000). The Securities will mature in 2017 and 2018 and are repayable at their nominal value of RMB880,000,000.

- (c) In January 2013, the Group issued 9.875% senior notes with an aggregate nominal value of US\$300,000,000 (equivalent to approximately HK\$2,327,000,000) (the “2018 Notes”). The 2018 Notes will mature in January 2018 and are repayable at their nominal value of US\$300,000,000. The Group is entitled at its option to redeem all or a portion of the 2018 Notes at the redemption prices specified in the offering circular, plus accrued and unpaid interests to the redemption date, subject to the terms and conditions specified in the offering circular.

In March 2016, the Group redeemed all the outstanding 2018 Notes at 104.9375% of the principal amount of US\$300,000,000 (equivalent to approximately HK\$2,325,288,000) according to the mechanism specified in the offering circular, plus accrued and unpaid interest to the redemption date. The redemption amount included a premium of US\$14,812,500 (equivalent to approximately HK\$114,811,000). The redemption premium together with the unamortised borrowing costs totalling HK\$132,484,000 were charged to the consolidated income statement during the year ended 31st December 2016.

(14) ACCOUNTS PAYABLE

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 to 3 months	382,073	1,229,903
3 to 6 months	192,173	862,143
6 to 9 months	277,598	520,335
9 to 12 months	333,951	559,100
Over 12 months	<u>4,529,269</u>	<u>4,182,705</u>
	<u><u>5,715,064</u></u>	<u><u>7,354,186</u></u>

As at 31st December 2016, approximately HK\$585,989,000 (2015: HK\$560,141,000) 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 year ended 31st December 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 year	—	—	—	—	3,868,433	3,868,433
Currency translation differences	—	—	—	(3,522,420)	—	(3,522,420)
Repurchase of own shares	(60,759)	—	—	—	3,082	(57,677)
Fair value gain on available-for-sale financial assets	—	—	47,336	—	—	47,336
Realised upon disposal of properties held for sale	—	—	(37,181)	—	—	(37,181)
Dividends paid	—	—	—	—	(223,020)	(223,020)
Deferred tax	—	—	5,882	—	—	5,882
	<u>15,800,776</u>	<u>161,117</u>	<u>1,735,612</u>	<u>(189,495)</u>	<u>36,686,324</u>	<u>54,194,334</u>
Balance at 31st December 2016						

For the year ended 31st December 2015

	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 2015	15,931,098	161,117	1,282,475	6,612,411	31,388,873	55,375,974
Profit for the year	—	—	—	—	1,645,942	1,645,942
Currency translation differences	—	—	—	(3,279,486)	—	(3,279,486)
Repurchase of own shares	(69,563)	—	—	—	3,014	(66,549)
Fair value loss on available-for-sale financial assets	—	—	(18,443)	—	—	(18,443)
Realised upon disposal of properties held for sale	—	—	(221,267)	—	—	(221,267)
Revaluation gain upon transfer of land costs and properties and equipment to investment properties	—	—	763,341	—	—	763,341
Deferred tax	—	—	(86,531)	—	—	(86,531)
	<u>15,861,535</u>	<u>161,117</u>	<u>1,719,575</u>	<u>3,332,925</u>	<u>33,037,829</u>	<u>54,112,981</u>
Balance at 31st December 2015						

DIVIDEND

The Board has recommended the payment of a final dividend of HK10 cents per share for the year ended 31st December 2016. No interim dividend has been declared for the half year ended 30th June 2016.

Subject to the approval of the payment of the proposed final dividend by shareholders at the annual general meeting of the Company to be held on Friday, 16th June 2017, it is expected that the final dividend will be paid on Friday, 7th July 2017 to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 26th June 2017.

FINANCIAL REVIEW

Turnover

(i) Recognised Sales

The Group recognised a turnover of HK\$16,256 million in 2016, up 27% comparing to HK\$12,845 million of 2015. The overall GFA delivered by the Group in 2016 was 993,635 square metres (2015: 644,659 square metres), which mainly included Hopson Regal Park (合生濱江帝景) in Beijing, Hopson International New City (合生國際新城) and Hopson Xiaogui Bay (合生小桂灣) in Huizhou, Hopson International City (合生國際城) in Ningbo as well as Hopson Gallopade Park-South Court (合生駿景南苑) and Hopson Belvedere Bay (合生君景灣) in Guangzhou.

The overall average selling price in respect of delivered and completed properties decreased by 12% to RMB11,815 (2015: RMB13,460) per square metre. The decrease was mainly due to the product structure, with an increase in the proportion of products targeting at rigid demand and improvement needs at a lower selling price, such as Hopson International New City (合生國際新城), Hopson Xiaogui Bay (合生小桂灣) and Nanhai Hopson Belvedere Bay (南海合生君景灣).

(ii) Contracted Sales

During the year, the Group recorded a total of RMB8,089 million contracted sales (2015: RMB9,987 million), down 19%. The average contracted selling price decreased 3% to RMB10,975 per square metre (2015: RMB11,301 per square metre).

Sixteen property projects were on sale in Guangdong and the contracted sales were RMB3,102 million in 2016, representing 38% of the total contracted sales of the Group. The major projects in Guangdong were Hopson Regal Riviera (合生珠江帝景), Hopson Xiaogui Bay (合生小桂灣) and Hopson International New City (合生國際新城).

The combined contracted sales of Beijing and Tianjin were RMB2,490 million, representing 31% of the total contracted sales of the Group in 2016. Nine projects were on sale in Beijing and Tianjin, of which Hopson No. 8 Royal Park (合生霄雲路8號) and Hopson Regal Park (合生濱江帝景) in Beijing as well as Jingjin New Town (京津新城) in Tianjin were the major sales contributors.

There were nine property projects on sale in Shanghai, mainly comprising Hopson Asset Seascapes Residence (合生財富海景公館), Hopson International City (合生國際城) and Hopson Times Garden (合生前灘一號). Contracted sales of Shanghai amounted to RMB2,497 million, representing 31% of the total contracted sales of the Group.

Cost of Sales

Cost of sales included land and construction costs, decoration and design costs, and capitalised interest. There was an increase in recognised sales this year as compared with the previous year and accordingly, resulted in an increase of cost of sales by 22% to HK\$11,776 million (2015: HK\$9,683 million) and a decrease of proportion to turnover by 3% to 72% (2015: 75%).

Gross Profit

Gross profit margin percentage increased from 24.6% in 2015 to 27.6% in 2016, which was mainly attributable to the increase in the proportion of projects with relatively higher profit margins, such as Hopson No. 8 Royal Park (合生霄雲路8號) and Hopson Gallopade Park-South Court (合生駿景南苑).

Fair Value Gain on Investment Properties

Fair value gain on investment properties for 2016 was HK\$2,604.1 million (2015: HK\$1,334.4 million), up HK\$1,269.7 million or 95%. As at 31st December 2016, the Group owns 11 (2015: 10) investment properties.

Other Income/Gains, Net

Other net income/gains amounted to HK\$84.1 million in 2016 (2015: other losses, net of HK\$37.5 million), which included (1) dividend income of HK\$129.5 million from investment in listed and unlisted securities; (2) grants amounting to HK\$2.7 million in total from government authorities in Mainland China; (3) fair value gain of HK\$0.1 million from listed securities; (4) loss on investments of HK\$46.4 million; (5) goodwill impairment of HK\$5.5 million; (6) gain on disposal of land of HK\$12.9 million; and (7) net exchange loss of HK\$9.2 million.

Operating Costs

The operating costs relating to expenses for selling, marketing, general and administration were HK\$1,632 million (2015: HK\$1,791 million), down 9% from the previous year.

Finance Costs

Gross interest expense before capitalisation in 2016 decreased to HK\$3,166 million (2015: HK\$3,900 million), down HK\$734 million or 19%, primarily due to the decline in weighted average interest rate compared to the previous year. The effective interest rate in respect of the Group's borrowings was approximately 6.4% per annum, down 0.9% from the previous year (2015: 7.3%).

Share of Profit of Joint Ventures

Share of profit of joint ventures represented the Group's share of profit of HK\$144 million from three joint ventures located in Beijing and Guangzhou.

Taxation

The effective tax rate for 2016 was 31.7%, down 12.6% compared with the previous year (2015: 44.3%), which was mainly due to the fact that the land appreciation tax rate applicable to the major projects delivered this year was lower than that for major projects in the previous year.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders was HK\$3,868 million for 2016 (2015: HK\$1,646 million). Basic earnings per share was HK\$1.74 (2015: HK\$0.74). Excluding the effect of the net of tax gain from investment property revaluation of HK\$1,953 million, the net of tax gain from the investment property revaluation of two joint ventures of HK\$36 million, the net of tax gain on disposal of land of HK\$10 million, adding the net of tax loss on investments of HK\$35 million, the net of tax goodwill impairment of HK\$4 million and the costs on early redemption of senior notes of HK\$132 million, underlying profit was HK\$2,040 million, up 191% as compared with the previous year.

Segment Information

Property development continued to be the Group's core business activity (84%). In 2016, the Group continued to develop its business in the three core economic regions, namely the Huanbohai Area, Pearl River Delta and Yangtze River Delta. Northern China (including Beijing, Tianjin, Dalian, Taiyuan and Qinhuangdao) contributed 45% of the total revenue of the Group, followed by 34% from Southern China (including Guangzhou, Huizhou and Zhongshan) and 21% from Eastern China (including Shanghai, Hangzhou, Kunshan, Ningbo, Cixi and Taicang).

Financial Position

As at 31st December 2016, total assets of the Group amounted to HK\$132,993 million (2015: HK\$140,177 million) and its total liabilities came to HK\$76,588 million (2015: HK\$83,658 million), representing a decrease of 5% and 8% respectively as compared to 31st December 2015. Denominated in Renminbi, total assets increased as compared to the end of the previous year because of (1) the increase in investment properties; and (2) the increase in cash and bank deposits, but as Renminbi

depreciated against Hong Kong dollars during the year, total assets denominated in Hong Kong dollars decreased as compared to the end of the previous year. Total liabilities decreased as compared to the previous year due to the decrease in deferred income.

The Group's current ratio as at 31st December 2016 was 2.44 (2015: 2.23). Equity at 31st December 2016 was HK\$56,405 million, basically the same as in previous year, primarily due to the combined effect of the increase in profit attributable to equity holders and the weakening of Renminbi against Hong Kong dollars during the year. The net asset value per share as at 31st December 2016 was HK\$25.34.

Liquidity and Financial Position

In managing the liquidity risk, the Group regularly and closely monitors its current and expected liquidity requirements to maintain its rolling cash flow at a level which is considered adequate by the Group to finance the Group's operations according to its cash flow projections and to maintain sufficient cash to meet its business development requirements.

As at 31st December 2016, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding non-controlling interests) was 58% (2015: 60%). The net debt-to-equity ratio (i.e. total debt less cash and bank deposits over shareholders' equity) was 68% (2015: 73%).

As at 31st December 2016, the Group had cash and short-term bank deposits amounting to HK\$6,315 million (2015: HK\$5,429 million), of which approximately HK\$2 million (2015: HK\$3 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. 84.06% of the cash and bank deposits were denominated in Renminbi, 14.97% in Hong Kong dollars, 0.72% in United States dollars and 0.25% in other currencies.

Total borrowings from banks and financial institutions amounted to HK\$37,993 million as at 31st December 2016, representing a decrease of 14% or HK\$6,410 million as compared to those as at 31st December 2015. 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 68%, representing a decrease of 5 percentage points from 73% as at 31st December 2015.

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

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

The Group's borrowings repayment profile as at 31st December 2016 was as follows:

	As at 31st December 2016				As at 31st December 2015					
	Bank and financial institution borrowings	Corporate bonds and asset-backed securities	Other borrowings	Total	Bank and financial institution borrowings	Guaranteed senior notes	Other borrowings	Total		
<i>(HK\$ million)</i>										
1 year	8,810	728	3,736	13,274	(27%)	11,189	—	4,076	15,265	(30%)
1–2 years	11,310	942	—	12,252	(25%)	8,206	—	—	8,206	(16%)
2–5 years	9,202	5,089	—	14,291	(30%)	18,387	2,303	—	20,690	(41%)
After 5 years	8,671	—	—	8,671	(18%)	6,621	—	—	6,621	(13%)
Total	37,993	6,759	3,736	48,488		44,403	2,303	4,076	50,782	
Less: Cash and bank deposits				(6,315)					(5,429)	
Net borrowings				<u>42,173</u>					<u>45,353</u>	

As at 31st December 2016, the Group had banking facilities of approximately HK\$104,991 million (2015: HK\$68,991 million) for short-term and long-term bank loans, of which HK\$60,239 million (2015: HK\$24,588 million) were unutilised.

Charge on Assets

As at 31st December 2016, certain assets of the Group with an aggregate carrying value of HK\$39,522 million (2015: HK\$38,371 million) and the Group's equity interests in subsidiaries of HK\$962 million (2015: HK\$1,007 million) were pledged with banks and financial institutions for loan facilities used by subsidiaries.

Financial Guarantees

As at 31st December 2016, the Group provided guarantees to banks for mortgage facilities granted to buyers of the Group's properties which amounted to HK\$10,295 million (2015: HK\$10,386 million).

Commitments

The Group's commitments as at 31st December 2016 were as follows:

	As at 31st December 2016	As at 31st December 2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
Capital commitments		
Contracted but not provided for		
— Acquisition of land and equity interests in certain land holding entities	1,753	2,375
— Property construction costs	1,338	2,085
— Capital contribution to an associate	<u>240</u>	<u>256</u>
	<u>3,331</u>	<u>4,716</u>

Property development commitments

Contracted but not provided for		
— Property construction costs	<u>15,035</u>	<u>16,386</u>
	<u>15,035</u>	<u>16,386</u>

The Group has operating lease commitments in respect of leased premises under various non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	As at 31st December 2016	As at 31st December 2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
Amounts payable		
— Within one year	4	13
— Within two to five years	1	5
— After five years	<u>33</u>	<u>35</u>
	<u>38</u>	<u>53</u>

With continuous cash inflow from property sales, the banking facilities available and the cash on hand, the Group is expected to be in an adequate liquidity position to meet these on-going commitments by stages.

Treasury Policies and Capital Structure

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

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 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 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 year.

EMPLOYEES

As at 31st December 2016, the Group, excluding its associates and joint ventures, employed a total of 8,300 (as at 31st December 2015: 8,220) staff, the majority of which were employed in Mainland China. Employees' costs (including Directors' emoluments) amounted to HK\$890 million for the year ended 31st December 2016 (2015: HK\$915 million).

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year ended 31st December 2016, 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 on three years commencing from 1 July 2015, none of the independent non-executive Directors is appointed for a specific term. This constitutes a deviation from code provision A.4.1. However, as all the 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 did not attend the annual general meeting for the year 2016 due to other business commitment.

SUFFICIENCY OF PUBLIC FLOAT

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

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

During the year ended 31st December 2016, the Company repurchased a total of 8,558,000 shares of HK\$0.10 each in the capital of the Company on the Stock Exchange, details of which are as follows:

Month of repurchase	Number of shares repurchased	Highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Aggregate consideration (excluding expenses) (HK\$)
January 2016	3,916,000	7.25	6.67	27,104,680
June 2016	<u>4,642,000</u>	<u>7.00</u>	<u>6.40</u>	<u>31,610,580</u>

The issued share capital of the Company was reduced by the nominal value of the repurchased shares which had been cancelled. The premium paid for the repurchase of the shares and related expenses totalling approximately HK\$58,042,000 were charged to the reserves.

The repurchases of the above shares were effected by the Directors pursuant to the general mandates approved by the shareholders at the annual general meetings of the Company held on 12th June 2015 and 17th June 2016 respectively, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

On 17th March 2016, the Company redeemed all the 2018 Notes with an aggregate principal amount of US\$300,000,000. The redemption price for the notes is 104.9375% of the principal amount redeemed plus accrued and unpaid interest to the redemption date. All redeemed notes were cancelled.

On 27 June 2016, the Group issued 4.95% corporate bonds with an aggregate nominal value of RMB3,100,000,000 (equivalent to approximately HK\$3,465,584,000). 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.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31st December 2016.

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 internal controls and financial reporting matters including a review of the financial statements for the year ended 31st December 2016.

The figures in this preliminary announcement of the Group's results for the year ended 31st December 2016 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

REMUNERATION COMMITTEE

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 13th June 2017 to Friday, 16th June 2017 (both days inclusive), during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the annual general meeting to be held on Friday, 16th June 2017, all transfers 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 12th June 2017.

The register of members of the Company will also be closed from Thursday, 22nd June 2017 to Monday, 26th June 2017 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 21st June 2017.

ANNUAL REPORT

The 2016 annual report containing all the information required by the Listing Rules will be published on the Stock Exchange's website and the Company's website <http://www.irasia.com/listco/hk/hopson> in due course.

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 March 2017