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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 2017

FINANCIAL HIGHLIGHTS

(for the year ended 31st December 2017)

- Turnover was HK\$13,824 million (2016: HK\$16,256 million).
- Profit attributable to equity holders was HK\$5,796 million (2016: HK\$3,868 million), of which net of tax gain on investment property revaluation accounted for HK\$3,752 million (2016: HK\$1,953 million).
- Underlying profit was HK\$1,997 million (2016: HK\$2,040 million).
- Basic earnings per share was HK\$2.60 per share (2016: HK\$1.74 per share).
- Proposed final dividend per share is HK15 cents per share.

* *For identification purposes only*

BUSINESS REVIEW

Industry Overview

- In 2017, the Chinese government commenced a new round of regulation and control policies on real estate, which focused on keeping housing price under control against risks in first-tier cities and popular second-tier cities and reducing real estate inventories in third-tier-and-fourth-tier cities. 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, various regulation and control measures, such as purchase restrictions, loan restrictions and selling restrictions, had been adopted in first-tier cities and popular second-tier cities. Hence, there was a slight dip in the growth of real estate investment and the investment and speculative demand was suppressed. However, rigid demand persisted in the market, and there was healthy development in the real estate market in first-tier cities and popular second-tier cities.
- Faced with the development in the PRC real estate market in 2017, based on the market trend, the Group continuously enlarged the proportion of residential properties targeting at rigid demand and improvement demand in the entire residential segment so as to optimise the product structure of our residential segment. At the same time, the Group also enhanced the comfort level and satisfaction of property owners by increasing the investment on the ancillary facilities and property management services. For the commercial segment, the Group committed to the opening and development of mega shopping centres, premium office buildings and hotel projects while continuously optimised the tenant structure of its investment properties, thereby boosting sustainable rental income growth.

Contracted sales performance

Details of properties sold under sale and pre-sale contracts in 2017 totalling RMB9,228 million (2016: RMB8,089 million) are as follows:

- In Guangzhou, total GFA sold amounted to 114,144 square metres (2016: 107,054 square metres) with a carrying value of RMB1,925 million (2016: RMB1,554 million). The increase in sales was mainly attributable to the newly launched Hopson Xijing Garden with sufficient units for selling and enjoying good sales.
- In Beijing and Tianjin, total GFA sold amounted to 96,615 square metres (2016: 171,817 square metres) with a carrying value of RMB1,909 million (2016: RMB2,490 million). The decrease in sales was mainly because the featured product of Hopson Regal Park during the year was car parking spaces but its featured product during last year was residential products.
- In Shanghai, total GFA sold amounted to 361,686 square metres (2016: 230,789 square metres) with a carrying value of RMB3,985 million (2016: RMB2,497 million). The increase in sales was mainly attributable to the prosper market for The Town of Hangzhou Bay as a result of the shifting of housing demand to Cixi and other regions as affected by the housing policy in Shanghai this year, while having sufficient units for selling.

- In Huizhou, total GFA sold amounted to 155,289 square metres (2016: 227,334 square metres) with a carrying value of RMB1,409 million (2016: RMB1,548 million). The decrease in sales was mainly attributable to the combined effect of the decrease in sales of Hopson International New City and the increase in sales of Hopson Yujing Bay. The decrease in area sold was because the featured products of Hopson International New City were remaining units and car parking spaces during the year. The increase in transaction volume was due to the active expansion of high-end customers of Hopson Yujing Bay.

Properties sold but yet to be delivered

As at 31st December 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 618,641 square metres (2016: 651,041 square metres). Following the delivery of these properties, the proceeds received therefrom totalling HK\$5,767 million will be recognised as revenue in the Group's financial statements in 2018 and thereafter.

Delivery of properties

A total GFA of 760,134 square metres (2016: 993,635 square metres) was delivered in 2017.

Project development progress

- A total GFA of 1,090,803 square metres (2016: 1,511,115 square metres) was completed during the year 2017.
- It is expected that a total GFA of 684,663 square metres will be completed in 2018.

Landbank

As at 31st December 2017, the Group had a landbank of 29.33 million square metres (31st December 2016: 30.13 million square metres).

Prospects

It is expected that in 2018, the Group will further reinforce its residential and commercial projects in the three major economic zones in Pearl River Delta, Huanbohai and Yangtze River Delta. Moreover, the Group will also play an active role in "Urban Renewal and Redevelopment" projects in first-tier cities. In addition, the Group will put more effort into the development projects located at the peripheral cities of the three major economic zones and strategically build up its land bank.

Responding to the in-depth changes of the PRC real estate market and the new positioning of "housing is for living in, not for speculation." and "encouraging both housing purchase and renting" initiated by the government, the Group will continue to make the best use of the circumstances and formulate the strategic principle of "following the guidance of the State's policies while adapting itself to the market trends". For the purpose of optimising the product structure of our residential segment, the Group will continuously enlarge the proportion of residential properties targeting at rigid demand and improvement demand, and promote the progress of long-term leasing residential projects. Meanwhile, the Group will also allocate more resources to enhance our property management services so as to propel our strategy on the balanced development of both light and heavy assets.

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 2017 together with the comparative figures for the previous year.

The 2017 financial statements of the Company have been reviewed by the Company’s audit committee and the Board.

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	For the year ended	
		2017	2016
		HK\$’000	HK\$’000
Revenues	4	13,823,946	16,255,697
Cost of sales	6	(8,738,475)	(11,776,266)
Gross profit		5,085,471	4,479,431
Fair value gain on investment properties		5,003,235	2,604,091
Other gains, net	5	207,580	84,110
Selling and marketing expenses	6	(328,673)	(413,440)
General and administrative expenses	6	(1,349,594)	(1,218,331)
Finance income	7	43,918	79,439
Finance costs	7	(5,242)	(132,484)
Share of profit of associates		2,408	1,645
Share of profit of joint ventures		86,701	143,844
Profit before taxation		8,745,804	5,628,305
Taxation	8	(2,933,984)	(1,785,631)
Profit for the year		5,811,820	3,842,674
Attributable to:			
Equity holders of the Company		5,796,385	3,868,433
Non-controlling interests		15,435	(25,759)
		5,811,820	3,842,674
Earnings per share for profit attributable to equity holders of the Company during the year (in HK\$ per share)			
— basic and diluted	9	2.60	1.74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended	
	31st December	
	2017	2016
	HK\$'000	HK\$'000
Profit for the year	5,811,820	3,842,674
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains on available-for-sale financial assets	378,207	47,336
Assets revaluation reserve realised upon disposal of properties held for sale	(335,845)	(37,181)
Deferred tax	62,672	5,882
Currency translation differences	4,138,294	(3,657,544)
Other comprehensive income/(loss) for the year, net of tax	4,243,328	(3,641,507)
Total comprehensive income for the year	10,055,148	201,167
Attributable to:		
Equity holders of the Company	9,899,791	362,050
Non-controlling interests	155,357	(160,883)
	10,055,148	201,167

CONSOLIDATED BALANCE SHEET

	As at 31st December	
	2017	2016
Note	HK\$'000	HK\$'000
ASSETS		
Non-current assets		
Land costs	1,846,674	1,776,499
Prepayments for acquisition of land	127,264	118,927
Prepayments for construction work	—	28,682
Loan receivables	1,536,051	—
Properties and equipment	3,724,771	3,486,335
Investment properties	42,971,253	31,300,936
Goodwill	33,552	31,818
Investments in associates	153,106	140,747
Investments in joint ventures	8,035,057	7,424,805
Available-for-sale financial assets	4,039,343	3,406,109
Deferred tax assets	740,160	495,525
	<u>63,207,231</u>	<u>48,210,383</u>
Current assets		
Prepayments for acquisition of land	10,079,270	9,058,323
Properties under development for sale	42,112,261	44,761,847
Completed properties for sale	27,358,063	21,233,257
Financial assets at fair value through profit or loss	174,852	83,584
Accounts receivable	11 630,653	542,974
Loan receivables	299,075	—
Available-for-sale financial assets	220,000	—
Prepayments, deposits and other current assets	3,879,004	2,749,500
Due from a joint venture	42,230	34,738
Due from associates	211	197
Due from related companies	7,713	3,190
Pledged/charged bank deposits	405,842	261,215
Cash and cash equivalents	5,396,990	6,053,733
	<u>90,606,164</u>	<u>84,782,558</u>
Total assets	<u><u>153,813,395</u></u>	<u><u>132,992,941</u></u>

		As at 31st December	
		2017	2016
	<i>Note</i>	HK\$'000	HK\$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		222,556	222,556
Reserves	14	<u>63,871,569</u>	<u>54,194,334</u>
		64,094,125	54,416,890
Non-controlling interests		<u>2,143,533</u>	<u>1,988,176</u>
Total equity		<u>66,237,658</u>	<u>56,405,066</u>
LIABILITIES			
Non-current liabilities			
Land cost payable		92,830	86,827
Borrowings	12	37,626,814	35,213,845
Due to non-controlling interests		539,409	504,071
Deferred tax liabilities		<u>7,646,741</u>	<u>6,080,408</u>
		45,905,794	41,885,151
Current liabilities			
Accounts payable	13	7,881,015	5,715,064
Land cost payable		5,327	44,104
Borrowings	12	15,562,973	9,538,378
Deferred revenue		5,766,727	8,667,718
Accruals and other payables		3,979,917	3,167,043
Due to an associate		6,603	6,170
Due to related companies		223,907	476,471
Due to joint ventures		3,208,176	3,253,214
Current tax liabilities		<u>5,035,298</u>	<u>3,834,562</u>
		41,669,943	34,702,724
Total liabilities		<u>87,575,737</u>	<u>76,587,875</u>
Total equity and liabilities		<u>153,813,395</u>	<u>132,992,941</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company		Non-controlling interests	Total
	Share capital	Reserves		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January 2017	222,556	54,194,334	1,988,176	56,405,066
Profit for the year	—	5,796,385	15,435	5,811,820
Other comprehensive income/(loss):				
Fair value gains on available-for-sale financial assets	—	378,207	—	378,207
Assets revaluation reserve realised upon disposal of completed properties held for sale	—	(335,845)	—	(335,845)
Deferred tax	—	62,672	—	62,672
Currency translation differences	—	3,998,372	139,922	4,138,294
Other comprehensive income for the year, net of tax	—	4,103,406	139,922	4,243,328
Total comprehensive income for the year	—	9,899,791	155,357	10,055,148
Transactions with owners:				
Dividends paid	—	(222,556)	—	(222,556)
Balance at 31st December 2017	222,556	63,871,569	2,143,533	66,237,658

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

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 29th March 2018.

(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 2017, 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 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 amendments and considered that there was no significant impact on the Group’s results and financial position.

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

Effective for accounting periods beginning on or after

HKAS 28 (Amendment)	Investments in Associates and Joint Ventures	1st January 2019
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures	1st January 2019
HKAS 40 (Amendment)	Transfers of Investment Property	1st January 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1st January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1st January 2018
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	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	Revenue from Contracts with Customers	1st January 2018
HKFRS 16	Leases	1st January 2019
HKFRS 17	Insurance Contracts	1st January 2021
Annual Improvements to 2015–2017 Cycle	Improvements to HKFRSs	1st January 2019
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1st January 2018
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1st January 2019

Certain new standards, amendments to existing standards and interpretations, which are effective after 1st January 2018, have been published and will be adopted by the Group from their effective dates. The Group is currently assessing the potential impact of these standards and amendments but expects their adoption will not have a significant effect on the Group’s consolidated financial statements except as set out below.

HKFRS 9 Financial Instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1st January 2018. HKFRS 9 introduces a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. HKFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVPL”). The new financial instruments standard eliminates the existing HKAS 39 Financial Instruments: Recognition and Measurement categories of held to maturity, loans and receivables and available-for-sale (“AFS”).

Certain financial assets that are currently classified as loans and receivables and measured at amortised cost will be classified and measured as FVOCI or as FVPL under the new standard and certain financial assets that are currently classified as AFS equity securities will be classified and measured as FVPL under the new standard. Other than these changes, the Group does not expect the new guidance to result in any significant change on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group does not involve any hedging accounting, it does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

Must be applied for financial years commencing on or after 1st January 2018. The Group will apply the new rules retrospectively from 1st January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15 Revenue from Contracts with Customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time.
- The timing of revenue recognition for sale of completed properties, which is currently based on whether significant risk and reward of ownership of properties transfer, will be recognised at a point of time when the control transferred to the customer under the control transfer model.
- The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financing component exists in that contract.

- The Group provides different incentives to customers when they sign a property sale contract. Certain incentives (e.g. free gift and property management service) represent separate performance obligations in a contract. Part of the consideration of the contract will be allocated to those performance obligations and recognised as revenue only when performance obligation is satisfied. The amount of revenue for the sale of property will also be reduced for any cash payment to customer which does not represent fair value of good or service provided by the customer.
- Certain costs incurred for obtaining a pre-sale property contract (e.g. sale commission), which is currently expensed off in profit or loss directly, will be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract in the future.

Date of adoption by Group

The Group intends to adopt the standard on all uncompleted contracts as at 1st January 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1st January 2018 and that comparatives will not be restated.

The Group is estimating the overall impact of the above on the Group's retained earnings on 1st January 2018.

HKFRS 16, Leases

Nature of change

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$56 million. The Group estimates those relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss are insignificant.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by Group

Mandatory for financial years commencing on or after 1st January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other HKFRSs that are not yet effective that would be expected to have a material impact on the Group.

(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 costs, dividend income and gain on disposal of financial assets at fair value through profit or loss 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, property management income, income from hotel operations and rental income.

	2017	2016
	HK\$’000	HK\$’000
Sales of properties	11,125,122	14,142,282
Property management income	936,085	843,197
Income from hotel operations	408,269	247,192
Rental income		
— Investment properties	1,127,631	837,407
— Others	226,839	185,619
	13,823,946	16,255,697

The segment results by business lines and by geographical areas for the year ended 31st December 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
Year ended 31st December 2017											
Total revenues	7,862,483	2,451,317	2,752,975	271,458	581,008	316,542	49,693	231,698	139,589	997,153	15,653,916
Intra/inter-segment revenues	(1,019,522)	(68,160)	(627,132)	(31,510)	—	(9,867)	(142)	—	(12,569)	(61,068)	(1,829,970)
Revenues	<u>6,842,961</u>	<u>2,383,157</u>	<u>2,125,843</u>	<u>239,948</u>	<u>581,008</u>	<u>306,675</u>	<u>49,551</u>	<u>231,698</u>	<u>127,020</u>	<u>936,085</u>	<u>13,823,946</u>
Segment results	<u>2,533,006</u>	<u>(128,250)</u>	<u>431,207</u>	<u>388,321</u>	<u>1,143,404</u>	<u>4,143,965</u>	<u>2,242</u>	<u>62,313</u>	<u>(125,394)</u>	<u>109,327</u>	<u>8,560,141</u>
Depreciation	(10,195)	(1,872)	(18,089)	(1,728)	(623)	(417)	(7,937)	(21,459)	(108,472)	(3,792)	(174,584)
Amortisation	—	—	—	—	—	—	(17,518)	(24,408)	(10,358)	—	(52,284)
Provision for impairment of accounts receivable	—	—	—	—	—	—	—	—	—	(14,694)	(14,694)
Fair value gain on investment properties	—	—	—	251,380	786,013	3,965,842	—	—	—	—	5,003,235
Share of profit of associates	582	—	1,826	—	—	—	—	—	—	—	2,408
Share of profit/(loss) of joint ventures	<u>47,999</u>	<u>—</u>	<u>(26,069)</u>	<u>—</u>	<u>—</u>	<u>64,771</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>86,701</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 assets by business lines and by geographical areas as at 31st December 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 year ended 31st December 2017	<u>35,753,844</u>	<u>16,090,939</u>	<u>45,230,696</u>	<u>8,193,164</u>	<u>16,298,681</u>	<u>21,156,817</u>	<u>963,704</u>	<u>1,493,637</u>	<u>2,552,612</u>	<u>1,079,798</u>	<u>148,813,892</u>
Segment assets include:											
Investments in associates	4,008	—	149,098	—	—	—	—	—	—	—	153,106
Investments in joint ventures	<u>4,894,529</u>	<u>—</u>	<u>1,093,126</u>	<u>77,024</u>	<u>—</u>	<u>1,970,378</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,035,057</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>85,158</u>	<u>53,075</u>	<u>11,397</u>	<u>580,449</u>	<u>106,591</u>	<u>3,437,481</u>	<u>678</u>	<u>20,983</u>	<u>25,350</u>	<u>7,948</u>	<u>4,329,110</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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Reportable segment profit from operations	8,560,141	5,615,161
Unallocated corporate expenses (including exchange loss), net	(6,880)	(63,411)
Gain on disposal of financial assets at fair value through profit or loss	6,874	—
Dividend income	146,993	129,600
Finance income	43,918	79,439
Finance costs	(5,242)	(132,484)
	<u>8,745,804</u>	<u>5,628,305</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Total segment assets	148,813,892	129,091,307
Available-for-sale financial assets	4,259,343	3,406,109
Deferred tax assets	740,160	495,525
	<u>153,813,395</u>	<u>132,992,941</u>

The Group primarily operates in Mainland China. All revenues for the years ended 31st December 2017 and 2016 are from Mainland China.

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

(5) OTHER GAINS, NET

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Dividend income from		
— available-for-sale financial assets	141,511	129,250
— financial assets at fair value through profit or loss	5,482	350
Government grants	14,493	2,715
Fair value gain on financial assets at fair value through profit or loss	47,808	97
Net foreign exchange losses charged in consolidated income statement		
— net foreign exchange losses	(69,742)	(24,680)
— exchange losses arising from foreign currency borrowings capitalised	42,874	15,441
Provision for impairment of goodwill	(459)	(5,510)
Loss on investments	—	(46,427)
Gain on disposal of land	18,739	12,874
Gain on disposal of financial assets at fair value through profit or loss	6,874	—
	<u>207,580</u>	<u>84,110</u>

(6) EXPENSES BY NATURE

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Advertising and promotion costs	94,875	156,790
Amortisation of land costs	52,284	52,723
Auditor's remuneration	10,965	9,953
Other professional fees	7,415	4,674
Cost of completed properties sold	7,119,168	10,158,010
Depreciation of properties and equipment	174,584	176,064
Direct operating expenses arising from investment properties that		
— generate rental income	415,668	301,938
— did not generate rental income	4,880	10,002
Employees' benefits costs (including Directors' emoluments)	928,598	890,024
Loss on disposal of properties and equipment	8,324	735
Operating lease rental in respect of premises	14,294	16,800
Provision for/(reversal of) impairment of accounts receivable	14,694	(9,875)
	<u> </u>	<u> </u>

(7) FINANCE INCOME AND COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Finance income		
Interest income from banks and a joint venture	43,918	79,439
Finance costs		
Interest expenses and other borrowing costs:		
— loans from banks and financial institutions	(2,819,268)	(2,899,794)
— corporate bonds and asset-backed securities	(338,465)	(219,732)
— senior notes	—	(46,440)
Total borrowing costs incurred	(3,157,733)	(3,165,966)
Less: Amount capitalised as part of the cost of properties under development, investment properties under development and properties and equipment	3,157,733	3,165,966
	—	—
Cost on early redemption of asset-backed securities (<i>Note 12</i>)	(5,242)	—
Cost on early redemption of senior notes	—	(132,484)
	(5,242)	(132,484)
Net finance income/(costs)	<u>38,676</u>	<u>(53,045)</u>

The weighted average interest rate of borrowing costs capitalised during the year ended 31st December 2017 was approximately 5.8% (2016: 6.2%) per annum.

(8) TAXATION

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax		
Hong Kong profits tax	1,990	—
Mainland China corporate income tax	864,639	817,917
Mainland China land appreciation tax	1,106,009	476,151
Mainland China withholding income tax	—	771
	<u>1,972,638</u>	<u>1,294,839</u>
Deferred tax		
Mainland China corporate income tax	1,011,350	508,302
Mainland China land appreciation tax	(51,939)	(20,354)
Mainland China withholding income tax	1,935	2,844
	<u>961,346</u>	<u>490,792</u>
	<u>2,933,984</u>	<u>1,785,631</u>

Hong Kong profits tax has been provided at 16.5% on the estimated assessable profit for the year ended 31st December 2017. No Hong Kong profits tax was provided for the year ended 31st December 2016.

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 2017 (2016: 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, development expenditures and construction costs.

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 rate of 5% or 10%, where applicable.

(9) EARNINGS PER SHARE

Basic

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

	2017	2016
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>5,796,385</u>	<u>3,868,433</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>2,225,560</u>	<u>2,227,872</u>
Basic earnings per share (<i>HK\$ per share</i>)	<u>2.60</u>	<u>1.74</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 share for the years ended 31st December 2017 and 2016, diluted earnings per share is equal to basic earnings per share.

(10) DIVIDEND

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed final dividend of HK\$0.15 (2016: HK\$0.10) per ordinary share	<u>333,834</u>	<u>222,556</u>

The final dividend of HK\$0.15 per share in respect of the financial year ended 31st December 2017 (2016: 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 2017 do not reflect this dividend payable.

(11) 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 is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 to 3 months	374,540	291,302
3 to 6 months	38,552	29,686
6 to 9 months	26,467	24,326
9 to 12 months	23,705	20,717
Over 12 months	167,389	176,943
	<u>630,653</u>	<u>542,974</u>

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

(12) BORROWINGS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current		
Bank and financial institution borrowings	35,810,619	29,183,000
Corporate bonds (<i>Note (a)</i>)	—	3,449,758
Asset-backed securities (<i>Note (b)</i>)	1,816,195	2,581,087
	<u>37,626,814</u>	<u>35,213,845</u>
Current		
Bank and financial institution borrowings	11,537,211	8,810,163
Corporate bonds (<i>Note (a)</i>)	3,698,135	—
Asset-backed securities (<i>Note (b)</i>)	327,627	728,215
	<u>15,562,973</u>	<u>9,538,378</u>
	<u>53,189,787</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\$3,708,533,000) (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\$2,520,606,000) (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\$1,052,745,000) (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\$1,052,745,000) 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\$5,242,000 were charged to the consolidated income statement for the year ended 31st December 2017.

(13) ACCOUNTS PAYABLE

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

	2017	2016
	HK\$'000	HK\$'000
0 to 3 months	3,084,449	382,073
3 to 6 months	38,683	192,173
6 to 9 months	403	277,598
9 to 12 months	10,705	333,951
Over 12 months	4,746,775	4,529,269
	7,881,015	5,715,064

As at 31st December 2017, approximately HK\$603,393,000 (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.

(14) RESERVES*For the year ended 31st December 2017*

	Share premium HK\$'000	Statutory reserve HK\$'000	Assets revaluation reserve HK\$'000	Currency translation differences HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1st January 2017	15,800,776	161,117	1,735,612	(189,495)	36,686,324	54,194,334
Profit for the year	—	—	—	—	5,796,385	5,796,385
Currency translation differences	—	—	—	3,998,372	—	3,998,372
Fair value gains on available-for-sale financial assets	—	—	378,207	—	—	378,207
Realised upon disposal of completed properties held for sale	—	—	(335,845)	—	—	(335,845)
Dividends paid	—	—	—	—	(222,556)	(222,556)
Deferred tax	—	—	62,672	—	—	62,672
	<u>15,800,776</u>	<u>161,117</u>	<u>1,840,646</u>	<u>3,808,877</u>	<u>42,260,153</u>	<u>63,871,569</u>

For the year ended 31st December 2016

	Share premium HK\$'000	Statutory reserve HK\$'000	Assets revaluation reserve HK\$'000	Currency translation differences HK\$'000	Retained earnings HK\$'000	Total HK\$'000
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 gains on available-for-sale financial assets	—	—	47,336	—	—	47,336
Realised upon disposal of completed 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>

DIVIDEND

The Board has recommended the payment of a final dividend of HK15 cents per share for the year ended 31st December 2017. No interim dividend has been declared for the half year ended 30th June 2017.

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, 15th June 2018, it is expected that the final dividend will be paid on Friday, 6th July 2018 to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 26th June 2018.

FINANCIAL REVIEW

Turnover

(i) *Recognised Sales*

The Group recognised a turnover of HK\$13,824 million in 2017, down 15% comparing to HK\$16,256 million of 2016. The overall GFA delivered by the Group in 2017 was 760,134 square metres (2016: 993,635 square metres), which mainly included Hopson Hushan Guoji Villa (合生湖山國際) and Hopson Regal Riviera (合生珠江帝景) in Guangzhou, Hopson No. 8 Royal Park (合生霄雲路8號) in Beijing, Hopson Asset Seascape Residence (合生財富海景公館) in Shanghai, and Hopson International New City (合生國際新城) in Huizhou.

The overall average selling price in respect of delivered and completed properties was RMB11,847 (2016: RMB11,815) per square metre, which was basically the same compared with the previous year.

(ii) *Contracted Sales*

During the year, the Group recorded a total of RMB9,228 million contracted sales (2016: RMB8,089 million), up 14%. As affected by the structure of product sales, the average contracted selling price increased 16% to RMB12,680 per square metre (2016: RMB10,975 per square metre).

Nineteen property projects were on sale in Guangdong and the contracted sales were RMB3,335 million in 2017, representing 36% of the total contracted sales of the Group. The major projects in Guangdong were Hopson International New City (合生國際新城), Hopson Xijing Garden (合生熹景花園), Hopson Hushan Guoji Villa (合生湖山國際), Hopson Yujing Bay (合生愉景灣) and Hopson Regal Riviera (合生珠江帝景).

The combined contracted sales of Beijing and Tianjin were RMB1,909 million, representing 21% of the total contracted sales of the Group in 2017. Ten projects were on sale in Beijing and Tianjin, of which Hopson No. 8 Royal Park (合生霄雲路8號) and Jingjin New Town (京津新城) were the major sales contributors.

There were eight 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 RMB3,984 million, representing 43% 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 a decrease in recognised sales this year as compared with the previous year and accordingly, resulted in a decrease of cost of sales by 25.8% to HK\$8,738 million (2016: HK\$11,776 million) and a decrease of proportion to turnover by 9% to 63% (2016: 72%).

Gross Profit

Gross profit margin percentage increased from 27.6% in 2016 to 36.8% in 2017, which was mainly attributable to the increase in the proportion of the delivery of projects with relatively higher gross profit margins during the year, such as Hopson No. 8 Royal Park (合生霄雲路8號) and Hopson Regal Riviera (合生珠江帝景) in Guangzhou.

Fair Value Gain on Investment Properties

Fair value gain on investment properties for 2017 was HK\$5,003.2 million (2016: HK\$2,604.1 million), up HK\$2,399.1 million or 92%. As at 31st December 2017, the Group owns 13 (2016: 11) investment properties.

Other Income/Gains, Net

Other net income/gains amounted to HK\$207.6 million in 2017 (2016: HK\$84.1 million), which included (1) dividend income of HK\$146.9 million from investment in listed and unlisted securities; (2) grants amounting to HK\$14.4 million in total from government authorities in Mainland China; (3) fair value gain of HK\$47.8 million from listed securities; (4) gain on disposal of financial assets at fair value through profit or loss of HK\$6.8 million; (5) gain on disposal of land of HK\$18.7 million; (6) net exchange loss of HK\$26.9 million; and (7) goodwill impairment of HK\$0.1 million.

Operating Costs

The operating costs relating to expenses for selling, marketing, general and administration for 2017 were HK\$1,678 million (2016: HK\$1,632 million), up 3% from the previous year.

Finance Costs

Gross interest expense before capitalisation in 2017 decreased to HK\$3,158 million (2016: HK\$3,166 million), down HK\$8 million or 0.25%, primarily due to the decline in weighted average interest rate in 2017 compared to the previous year. The effective interest rate in respect of the Group's borrowings was approximately 5.8% per annum (2016: 6.4%).

Share of Profit of Joint Ventures

Share of profit of joint ventures represented the Group's share of profit of HK\$87 million from three joint ventures located in Beijing and Guangzhou.

Taxation

The effective tax rate for 2017 was 33.5%, up 1.8% compared with the previous year (2016: 31.7%), which was mainly due to the fact that the land appreciation tax rate applicable to the major projects delivered this year was higher than that for major projects in the previous year.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders was HK\$5,796 million for 2017 (2016: HK\$3,868 million). Basic earnings per share was HK\$2.60 (2016: HK\$1.74). Excluding the effect of the net of tax gain from investment property revaluation of HK\$3,752 million, the net of tax gain on disposal of land of HK\$14 million, the net of tax gain from the investment property revaluation of two joint ventures of HK\$34 million, the net of tax gain on disposal of financial assets at fair value through profit or loss of HK\$5 million, adding the cost on early redemption of asset-backed securities of HK\$5 million and the net of tax goodwill impairment of HK\$1 million, underlying profit was HK\$1,997 million, down HK\$43 million or 2.1% as compared with the previous year. The overall decrease of the underlying profit for the year was mainly attributable to the increase in the land appreciation tax of the major projects contributing revenue from the properties delivered during the year.

Segment Information

Property development continued to be the Group's core business activity (80%). 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 55% of the total revenue of the Group, followed by 24% from Eastern China (including Shanghai, Hangzhou, Kunshan, Ningbo, Cixi and Taicang) and 21% from Northern China (including Beijing, Tianjin, Dalian, Taiyuan and Qinhuangdao).

Financial Position

As at 31st December 2017, total assets of the Group amounted to HK\$153,813 million and its total liabilities came to HK\$87,576 million, representing an increase of 16% and 14% respectively as compared to 31st December 2016. Total assets increased was mainly due to the increase in investment properties and completed properties for sale. Total liabilities increased was mainly due to the increase in borrowings and accounts payable.

The Group's current ratio as at 31st December 2017 was 2.17 (2016: 2.44). Equity at 31st December 2017 was HK\$66,238 million, up 17% compared to 31 December 2016, primarily due to the increase in profit attributable to equity holders during the year. The net asset value ("NAV") per share as at 31st December 2017 was HK\$29.76.

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 2017, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding non-controlling interests) was 57% (2016: 58%). The net debt-to-equity ratio (i.e. total debt less cash and bank deposits over shareholders' equity) was 72% (2016: 68%).

As at 31st December 2017, the Group had cash and short-term bank deposits amounting to HK\$5,803 million (2016: HK\$6,315 million), of which approximately HK\$3 million (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. 94.31% of the cash and bank deposits were denominated in Renminbi, 3.87% in Hong Kong dollars, 1.58% in United States dollars and 0.24% in other currencies.

Total borrowings from banks and financial institutions amounted to HK\$47,348 million as at 31st December 2017, representing an increase of 25% or HK\$9,355 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 72%, representing an increase of 4% from 68% as at 31st December 2016.

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 2017 was as follows:

<i>(HK\$ million)</i>	As at 31st December 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	11,537	4,026	3,439	19,002	(33%)	8,810	728	3,736	13,274	(27%)
1–2 years	8,793	1,816	—	10,609	(19%)	11,310	942	—	12,252	(25%)
2–5 years	21,573	—	—	21,573	(38%)	9,202	5,089	—	14,291	(30%)
After 5 years	5,445	—	—	5,445	(10%)	8,671	—	—	8,671	(18%)
Total	47,348	5,842	3,439	56,629		37,993	6,759	3,736	48,488	
Less: Cash and bank deposits				(5,803)					(6,315)	
Net borrowings				<u>50,826</u>					<u>42,173</u>	

As at 31st December 2017, the Group had banking facilities of approximately HK\$91,369 million (2016: HK\$104,991 million) for short-term and long-term bank loans, of which HK\$38,179 million (2016: HK\$60,239 million) were unutilised.

Charge on Assets

As at 31st December 2017, certain assets of the Group with an aggregate carrying value of HK\$43,377 million (2016: HK\$39,522 million) and the Group's equity interests in subsidiaries of HK\$1,792 million (2016: HK\$962 million) were pledged with banks and financial institutions for loan facilities used by subsidiaries.

Financial Guarantees

As at 31st December 2017, the Group provided guarantees to banks for mortgage facilities granted to buyers of the Group's properties which amounted to HK\$10,040 million (2016: HK\$10,295 million).

Commitments

The Group's commitments as at 31st December 2017 were as follows:

	As at 31st December 2017 HK\$ million	As at 31st December 2016 HK\$ million
Capital commitments		
Contracted but not provided for		
— Acquisition of land and equity interests in certain land holding entities	1,340	1,753
— Property construction costs	1,842	1,338
— Capital contribution to an associate	256	240
	<u>3,438</u>	<u>3,331</u>

Property development commitments

Contracted but not provided for		
— Property construction costs	13,635	15,035
	<u>13,635</u>	<u>15,035</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 2017 HK\$ million	As at 31st December 2016 HK\$ million
Amounts payable		
— Within one year	10	4
— Within two to five years	10	1
— After five years	36	33
	<u>56</u>	<u>38</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, 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 year.

EMPLOYEES

As at 31st December 2017, the Group, excluding its associates and joint ventures, employed a total of 8,110 (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\$929 million for the year ended 31st December 2017 (2016: HK\$890 million).

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "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 2017, 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 a 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 did not attend the annual general meeting for the year 2017 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

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 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 financial statements for the year ended 31st December 2017.

The figures in this preliminary announcement of the Group's results for the year ended 31st December 2017 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 HKICPA 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, 12th June 2018 to Friday, 15th June 2018 (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, 15th June 2018, 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, 11th June 2018.

The register of members of the Company will also be closed from Friday, 22nd June 2018 to Tuesday, 26th June 2018 (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 Thursday, 21st June 2018.

ANNUAL REPORT

The 2017 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 eight Directors. The Executive Directors are Mr. Chu Mang Yee (Chairman), Ms. Chu Kut Yung (Deputy Chairman), Mr. Au Wai Kin, 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, 29th March 2018