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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 2018

FINANCIAL HIGHLIGHTS

(for the year ended 31st December 2018)

- Turnover was HK\$13,294 million (2017: HK\$13,824 million).
- Profit attributable to equity holders was HK\$5,775 million (2017: HK\$5,796 million), of which net of tax gain on investment property revaluation accounted for HK\$3,505 million (2017: HK\$3,752 million).
- Underlying profit was HK\$2,303 million (2017: HK\$1,997 million).
- Basic earnings per share was HK\$2.60 per share (2017: HK\$2.60 per share).
- Proposed final dividend per share is HK20 cents per share.

* *For identification purposes only*

BUSINESS REVIEW

Industry Overview

- In 2018, the government was adamant about the development concept of “properties are for accommodation, not for speculation” and “implementing different policies according to specific situation of different cities and giving category-based guidance”, leading to stable operation in the real estate market.
- During the Year, for the residential segment, the Group accelerated the sales of residential products targeting improvement demand and rigid demand, resulting in a significant increase in its contracted sales amount. For the commercial segment, the Group made great efforts in promoting the leasing of its large-scale shopping malls and continued to optimise the tenant portfolio of its other investment properties, resulting in a satisfactory growth of rental income, and implementing the Group’s strategic layout of industrial diversification.

Contracted sales performance

Details of properties sold under sale and pre-sale contracts in 2018 totalling RMB14,975 million (2017: RMB9,228 million) are as follows:

- In Guangzhou, total GFA sold amounted to 184,146 square metres (2017: 114,144 square metres) with a carrying value of RMB2,979 million (2017: RMB1,925 million). The increase in sales was mainly attributable to Hopson Xijing Garden and Hopson Hushan Guoji Villa enjoying good sales.
- In Beijing and Tianjin, total GFA sold amounted to 166,780 square metres (2017: 96,615 square metres) with a carrying value of RMB2,445 million (2017: RMB1,909 million). The increase in sales was mainly attributable to the sales of the high-end products of Hopson No. 8 Royal Park and the good sales of Hopson International City.
- In Shanghai, total GFA sold amounted to 725,925 square metres (2017: 361,686 square metres) with a carrying value of RMB7,401 million (2017: RMB3,985 million). The increase in sales was mainly attributable to the prosper market for The Town of Hangzhou Bay, which had sufficient units for selling, as a result of the shifting of housing demand to Cixi and other regions as affected by the housing policy in Shanghai this year.
- In Huizhou, total GFA sold amounted to 219,991 square metres (2017: 155,289 square metres) with a carrying value of RMB2,150 million (2017: RMB1,409 million). The increase in sales was mainly attributable to Hopson International New City and Hopson Seaside Garden having sufficient units for selling and enjoying good sales with respective year-on-year increases of 126% and 248% in terms of sales area.

Properties sold but yet to be delivered

As at 31st December 2018, the GFA in respect of which the Group had entered into sale and pre-sale contracts and yet to be delivered to buyers was 1,448,860 square metres (2017: 618,641 square metres). Following the delivery of these properties, the proceeds received therefrom totalling HK\$10,304 million will be recognised as revenue in the Group's financial statements in 2019 and thereafter.

Delivery of properties

A total GFA of 466,623 square metres (2017: 760,134 square metres) was delivered in 2018.

Project development progress

- A total GFA of 801,877 square metres (2017: 1,090,803 square metres) was completed during the year 2018.
- It is expected that a total GFA of 1,544,169 square metres will be completed in 2019.

Landbank

As at 31st December 2018, the Group had a landbank of 29.22 million square metres (31st December 2017: 29.33 million square metres).

Prospects

By virtue of actively promulgated national policy of coordinated regional development in the Beijing-Tianjin-Hebei Region, Yangtze River Delta and the Guangdong-Hong Kong- Macao Greater Bay Area, the Group will, making best use of the circumstances, give full play to its land reserve advantages in the Beijing-Tianjin-Hebei Region, Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area. On the one hand, we will actively promote the development and sales of residential products targeting improvement demand and rigid demand in these areas. On the other hand, we will identify the cities with sustainable economic growth and sustainable net population inflow in the Beijing-Tianjin-Hebei Region, Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, and prudently purchase land parcels to enrich the Group's land bank for future development. For commercial real estate, the Group will also continue to optimise the tenant portfolio of the investment properties, and at the same time also grasp the opportunity created by higher demand for high-end service in the domestic market and continually enhance its property management services, and strive to expand brand business so as to promote the Group's strategy on the balanced development of 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 2018 together with the comparative figures for the previous year.

The 2018 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	
		2018	2017
	<i>Note</i>	HK\$’000	HK\$’000
Revenues	4	13,293,532	13,823,946
Cost of sales	6	(6,765,596)	(8,738,475)
		6,527,936	5,085,471
Gross profit		4,673,345	5,003,235
Fair value gain on investment properties		161,935	207,580
Other gains, net	5	(378,153)	(328,673)
Selling and marketing expenses	6	(1,581,856)	(1,349,594)
General and administrative expenses	6	173,949	43,918
Finance income	7	(578,319)	(5,242)
Finance costs	7	1,637	2,408
Share of profit of associates		(6,152)	86,701
Share of (loss)/profit of joint ventures			
Profit before taxation		8,994,322	8,745,804
Taxation	8	(3,171,723)	(2,933,984)
Profit for the year		5,822,599	5,811,820
Attributable to:			
Equity holders of the Company		5,775,467	5,796,385
Non-controlling interests		47,132	15,435
		5,822,599	5,811,820
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	2.60

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended	
	31st December	
	2018	2017
	HK\$'000	HK\$'000
Profit for the year	5,822,599	5,811,820
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains on available-for-sale financial assets	—	378,207
Assets revaluation reserve realised upon disposal of completed properties held for sale	(87,746)	(335,845)
Deferred tax	33,081	62,672
Currency translation differences	(3,205,050)	4,138,294
Items that will not be reclassified subsequently to profit or loss:		
Fair value loss on financial assets at fair value through other comprehensive income	(273,347)	—
Deferred tax	68,337	—
Other comprehensive (loss)/income for the year, net of tax	(3,464,725)	4,243,328
Total comprehensive income for the year	2,357,874	10,055,148
Attributable to:		
Equity holders of the Company	2,410,104	9,899,791
Non-controlling interests	(52,230)	155,357
	2,357,874	10,055,148

CONSOLIDATED BALANCE SHEET

	As at 31st December	
	2018	2017
Note	HK\$'000	HK\$'000
ASSETS		
Non-current assets		
Land costs	1,675,097	1,846,674
Prepayments for acquisition of land	121,411	127,264
Loan receivables	743,201	1,536,051
Properties and equipment	4,571,452	3,724,771
Investment properties	46,856,835	42,971,253
Goodwill	35,249	33,552
Investments in associates	147,668	153,106
Investments in joint ventures	7,514,062	8,035,057
Available-for-sale financial assets	—	4,039,343
Financial assets at fair value through other comprehensive income	3,144,258	—
Financial assets at fair value through profit or loss	35,000	—
Finance lease receivables	159,828	—
Deferred tax assets	784,147	740,160
	<u>65,788,208</u>	<u>63,207,231</u>
Current assets		
Prepayments for acquisition of land	9,403,647	10,079,270
Properties under development for sale	41,237,995	42,112,261
Completed properties for sale	30,299,744	27,358,063
Financial assets at fair value through profit or loss	775,943	174,852
Accounts receivable	11 784,882	630,653
Loan receivables	1,983,693	299,075
Available-for-sale financial assets	—	220,000
Prepayments, deposits and other current assets	5,370,900	3,879,004
Due from a joint venture	45,112	42,230
Due from associates	201	211
Due from related companies	7,149	7,713
Contract assets	473,606	—
Pledged/charged bank deposits	483,182	405,842
Cash and cash equivalents	7,456,708	5,396,990
	<u>98,322,762</u>	<u>90,606,164</u>
Total assets	<u>164,110,970</u>	<u>153,813,395</u>

		As at 31st December	
		2018	2017
	<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>65,472,354</u>	<u>63,871,569</u>
		65,694,910	64,094,125
Non-controlling interests		<u>2,078,725</u>	<u>2,143,533</u>
Total equity		<u>67,773,635</u>	<u>66,237,658</u>
LIABILITIES			
Non-current liabilities			
Land cost payable		88,310	92,830
Borrowings	12	41,656,532	37,626,814
Due to non-controlling interests		514,605	539,409
Deferred tax liabilities		<u>8,323,506</u>	<u>7,646,741</u>
		50,582,953	45,905,794
Current liabilities			
Accounts payable	13	9,060,317	7,881,015
Land cost payable		4,996	5,327
Borrowings	12	13,444,611	15,562,973
Deferred revenue		—	5,766,727
Contract liabilities		10,304,371	—
Accruals and other payables		4,882,186	3,979,917
Due to an associate		6,299	6,603
Due to related companies		260,654	223,907
Due to joint ventures		2,773,349	3,208,176
Current tax liabilities		<u>5,017,599</u>	<u>5,035,298</u>
		45,754,382	41,669,943
Total liabilities		<u>96,337,335</u>	<u>87,575,737</u>
Total equity and liabilities		<u>164,110,970</u>	<u>153,813,395</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 31st December 2017, as previously stated	222,556	63,871,569	2,143,533	66,237,658
Changes in accounting policy (<i>note 3</i>)	—	80,905	—	80,905
Balance at 1st January 2018, as restated	222,556	63,952,474	2,143,533	66,318,563
Profit for the year	—	5,775,467	47,132	5,822,599
Other comprehensive (loss)/income:				
Fair value loss on financial assets at fair value through other comprehensive income	—	(273,347)	—	(273,347)
Assets revaluation reserve realised upon disposal of completed properties held for sale	—	(87,746)	—	(87,746)
Deferred tax	—	101,418	—	101,418
Currency translation differences	—	(3,105,688)	(99,362)	(3,205,050)
Other comprehensive loss for the year, net of tax	—	(3,365,363)	(99,362)	(3,464,725)
Total comprehensive income/(loss) for the year	—	2,410,104	(52,230)	2,357,874
Transactions with owners:				
Dividends paid	—	(890,224)	—	(890,224)
Dividends to non-controlling interests	—	—	(33,225)	(33,225)
Capital contribution by non-controlling interests of a subsidiary	—	—	20,647	20,647
	—	(890,224)	(12,578)	(902,802)
Balance at 31st December 2018	222,556	65,472,354	2,078,725	67,773,635

	Attributable to equity holders of the Company		Non-controlling interests	Total
	Share capital	Reserves		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1st January 2017	222,556	54,194,334	1,988,176	56,405,066
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

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 27th March 2019.

(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, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are measured at fair value.

(3) ACCOUNTING POLICIES

(i) New and amended standards adopted by the Group

In 2018, 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 2018.

HKAS 40 (Amendment)	Transfers of Investment Property
HKFRS 1 and HKAS 28 (Amendment)	Annual Improvements to HKFRS 2014–2016 Cycle
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarification to HKFRS 15
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

The above new standards, amendments, improvements and interpretation effective for the financial year beginning 1st January 2018 do not have a material impact on the Group, except for HKFRS 9 “Financial instruments” and HKFRS 15 “Revenue from contracts with customers” as described below.

Following the adoption of HKFRS 9 and HKFRS 15, the Group has elected to apply a modified retrospective approach for transition. The reclassifications and the adjustments arising from the new standards are therefore not restated in the balance sheet as at 31st December 2017, but are recognised in the opening balance sheet on 1st January 2018.

The table below shows the adjustments recognised in the opening balances of each individual financial statement line item. Line items that were not affected by the changes have not been included.

Consolidated balance sheet (extract)	As previously stated <i>HK\$'000</i>	At 1st January 2018		As restated <i>HK\$'000</i>
		Impact on initial application of HKFRS 9 <i>HK\$'000</i>	Impact on initial application of HKFRS 15 <i>HK\$'000</i>	
Non-current assets				
Available-for-sale (“AFS”) financial assets	4,039,343	(4,039,343)	—	—
Financial assets at fair value through other comprehensive income (“FVOCI”)	—	3,575,742	—	3,575,742
Financial assets at fair value through profit or loss (“FVPL”)	—	463,601	—	463,601
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Current assets				
Loan receivables	299,075	220,000	—	519,075
AFS financial assets	220,000	(220,000)	—	—
Contract assets	—	—	107,872	107,872
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Equity				
Reserves	63,871,569	—	80,905	63,952,474
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Non-current liabilities				
Deferred tax liabilities	7,646,741	—	26,967	7,673,708
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Current liabilities				
Contract liabilities	—	—	5,766,727	5,766,727
Deferred revenue	5,766,727	—	(5,766,727)	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

HKFRS 9 Financial Instruments

Nature of change

The new standard 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.

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.

Impact

Classification and measurement of financial instruments

Management has assessed the business models and the contractual terms of the cash flows apply to the financial assets held by the Group at the date of initial application of HKFRS 9 and has classified its financial instruments into the appropriate HKFRS 9 categories, which are those to be measured subsequently at fair value either through FVOCI, or through FVPL, and those to be measured at amortised cost.

AFS financial assets are reclassified on 1st January 2018. Certain equity investments, with carrying value of approximately HK\$3,575,742,000 and HK\$2,991,000 were reclassified to financial assets at FVOCI and financial assets at FVPL respectively; while certain debt investments, with carrying value of HK\$460,610,000 and HK\$220,000,000, were reclassified to financial assets at FVPL and loan receivables according to the Group's business model and the contractual cash flow characteristics of the financial instruments. Corresponding accumulated fair value gains of HK\$1,064,000 were transferred from assets revaluation reserve to retained earnings on 1st January 2018. Such reclassification has no impact on the measurement of these financial assets.

Derivatives and hedging activities

Since the Group does not have any hedge relationships currently, the application of HKFRS 9 does not have any impact on the Group's financial statements.

Impairment of financial assets

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, contract assets under HKFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. At 1st January 2018 and 31st December 2018, the Group assessed that the impact of loss allowance under the application of HKFRS 9 was insignificant.

Trade receivables

The Group applies the simplified approach under HKFRS 9 to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The financial impact of the adoption is insignificant.

HKFRS 15 Revenue from Contracts with Customers

Nature of change

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that a company should recognise revenue when control of a good or service transfers to a customer.

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

Impact

Accounting for property development activities

In prior reporting periods, the Group recognised revenue from sale of properties when significant risks and rewards of ownerships of properties have been transferred to customers at a single time and not continuously as construction progresses.

Under HKFRS 15, the Group determines whether the properties have alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date.

- For properties which have no alternative use to the Group and the Group has no enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied at a point in time when the customer obtains control of the property and the Group satisfies the performance obligations.
- The timing of revenue recognition for sale of certain stock of properties, which was based on whether significant risks and rewards of ownership of properties have been transferred in the past, is now recognised at a point in time when the underlying property is legally or physically transferred to the customer.
- For properties which have no alternative use to the Group and the Group has enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied over time in accordance with the input method for measuring progress.
- The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

Accounting for costs incurred for obtaining a contract

Following the adoption of HKFRS 15, costs such as sales commission incurred directly attributable for obtaining a pre-sale property contract, if recoverable, are capitalised and recorded in contract assets.

Accounting for significant financing component

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

Presentation of contract assets and contract liabilities

Reclassifications were made at 1st January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract assets in relation to capitalise sales commission were previously presented in selling and marketing expenses.
- Contract liabilities for progress billings recognised in relation to property development activities were previously presented as deferred revenue.

The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated balance sheet that has been impacted by HKFRS 15.

Consolidated balance sheet (extract)	At 1st January 2018			
	As previously stated HK\$'000	Reclassification HK\$'000	Remeasurements HK\$'000	As restated HK\$'000
Current assets				
Contract assets	—	—	107,872	107,872
	<u>—</u>	<u>—</u>	<u>107,872</u>	<u>107,872</u>
Equity				
Reserves	63,871,569	—	80,905	63,952,474
	<u>63,871,569</u>	<u>—</u>	<u>80,905</u>	<u>63,952,474</u>
Non-current liabilities				
Deferred tax liabilities	7,646,741	—	26,967	7,673,708
	<u>7,646,741</u>	<u>—</u>	<u>26,967</u>	<u>7,673,708</u>
Current liabilities				
Contract liabilities	—	5,766,727	—	5,766,727
Deferred revenue	5,766,727	(5,766,727)	—	—
	<u>5,766,727</u>	<u>(5,766,727)</u>	<u>—</u>	<u>—</u>

The amount by each financial statements line items affected in 2018 and at 31 December 2018 by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows:

As at 31 December 2018			
Consolidated balance sheet (extract)	Amounts without the adoption of HKFRS 15 <i>HK\$'000</i>	Effects of the adoption of HKFRS 15 <i>HK\$'000</i>	Amounts as reported <i>HK\$'000</i>
Contract assets	—	473,606	473,606
Deferred tax liabilities	8,205,104	118,402	8,323,506
Contract liabilities	—	10,304,371	10,304,371
Deferred revenue	10,304,371	(10,304,371)	—
Reserves	65,117,150	355,204	65,472,354
	<u>65,117,150</u>	<u>355,204</u>	<u>65,472,354</u>
Year ended 31 December 2018			
Consolidated income statement (extract)	Amounts without the adoption of HKFRS 15 <i>HK\$'000</i>	Effects of the adoption of HKFRS 15 <i>HK\$'000</i>	Amounts as reported <i>HK\$'000</i>
Selling and marketing expenses	(757,571)	379,418	(378,153)
Taxation	(3,266,577)	94,854	(3,171,723)
Profit for the year	5,538,035	284,564	5,822,599
	<u>5,538,035</u>	<u>284,564</u>	<u>5,822,599</u>
Attributable to			
Equity holders of the Company	5,490,903	284,564	5,775,467
	<u>5,490,903</u>	<u>284,564</u>	<u>5,775,467</u>

(ii) **New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31st December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for accounting periods beginning on or after
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1st January 2019
HKFRS 19 (Amendment)	Plan Amendment, Curtailment of Settlement	1st January 2019
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures	1st January 2019
HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 (Amendments)	Annual improvements to HKFRS Standards 2015–2017 Cycle	1st January 2019
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1st January 2019
HKFRS 16	Leases	1st January 2019
HKFRS 3 (Amendment)	Definition of a Business	1st January 2020
HKAS 1 and HKAS 8 (Amendment)	Definition of Material	1st January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1st January 2020
HKFRS 17	Insurance Contracts	1st January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined

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 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, 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.

Impact

As at 31st December 2018, the Group has non-cancellable operating lease commitments of HK\$52,965,000. The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

The Group expects an increase in the amount of recognised financial liabilities and right-of-use assets for significant long term lease contracts. Operating cash flows will increase and financing cash flows decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group does not expect any significant impact on the financial statements for the Group's activities as a lessor. However, some additional disclosures will be required from next year.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1st January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

(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 financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, certain loan receivables and certain 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.

	2018	2017
	HK\$'000	HK\$'000
Sales of properties	9,433,038	11,125,122
Property management income	1,136,282	936,085
Income from hotel operations	432,157	408,269
Rental income		
— Investment properties	2,002,784	1,127,631
— Others	289,271	226,839
	13,293,532	13,823,946

The segment results by business lines and by geographical areas for the year ended 31st December 2018 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 2018											
Total revenues	5,280,335	4,621,223	3,083,724	353,104	760,004	1,035,319	46,498	266,098	139,392	1,324,977	16,910,674
Intra/inter-segment revenues	(1,298,403)	(1,586,417)	(378,153)	(26,436)	(10,393)	(108,814)	—	(5,872)	(13,959)	(188,695)	(3,617,142)
Revenues	3,981,932	3,034,806	2,705,571	326,668	749,611	926,505	46,498	260,226	125,433	1,136,282	13,293,532
Revenue from contracts with customers:											
Recognised at a point in time	3,981,932	3,034,806	2,705,571	—	—	—	—	—	—	—	9,722,309
Recognised over time	—	—	—	—	—	—	46,498	260,226	125,433	1,136,282	1,568,439
Revenue from other sources:											
Rental income	—	—	—	326,668	749,611	926,505	—	—	—	—	2,002,784
	3,981,932	3,034,806	2,705,571	326,668	749,611	926,505	46,498	260,226	125,433	1,136,282	13,293,532
Segment results	1,503,609	1,327,477	669,827	447,174	1,348,516	4,051,349	9,523	43,042	(122,856)	111,050	9,388,711
Depreciation	(13,619)	(3,047)	(30,814)	(5,927)	(9,722)	(5,870)	(3,494)	(24,359)	(82,826)	(3,566)	(183,244)
Amortisation	—	—	—	—	—	—	(16,063)	(24,672)	(16,032)	—	(56,767)
Provision for impairment of accounts receivable	—	—	—	—	—	—	—	—	—	(12,623)	(12,623)
Fair value gain on investment properties	—	—	—	276,947	3,554,018	842,380	—	—	—	—	4,673,345
Share of profit of associates	192	—	1,445	—	—	—	—	—	—	—	1,637
Share of profit/(loss) of joint ventures	46,405	—	(431)	—	—	(52,126)	—	—	—	—	(6,152)

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	47,999	—	(26,069)	—	—	64,771	—	—	—	—	86,701

The segment assets by business lines and by geographical areas as at 31st December 2018 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 2018	<u>39,508,950</u>	<u>16,887,131</u>	<u>47,033,826</u>	<u>8,122,558</u>	<u>16,404,388</u>	<u>25,390,617</u>	<u>558,208</u>	<u>1,373,858</u>	<u>2,041,466</u>	<u>1,343,354</u>	<u>158,664,356</u>
Segment assets include:											
Investments in associates	4,015	—	143,653	—	—	—	—	—	—	—	147,668
Investments in joint ventures	4,571,172	—	1,074,600	39,442	—	1,828,848	—	—	—	—	7,514,062
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>1,171,896</u>	<u>18,470</u>	<u>9,093</u>	<u>40,275</u>	<u>11,854</u>	<u>1,331,603</u>	<u>—</u>	<u>11,797</u>	<u>8,775</u>	<u>6,014</u>	<u>2,609,777</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		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at and for the year ended 31st December 2017	35,753,844	16,090,939	45,230,696	8,193,164	16,298,681	21,156,817	963,704	1,493,637	2,552,612	1,079,798	148,813,892
Segment assets include:											
Investments in associates	4,008	—	149,098	—	—	—	—	—	—	—	153,106
Investments in joint ventures	4,894,529	—	1,093,126	77,024	—	1,970,378	—	—	—	—	8,035,057
Additions to non-current assets (other than financial instruments and deferred tax assets)	85,158	53,075	11,397	580,449	106,591	3,437,481	678	20,983	25,350	7,948	4,329,110

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Reportable segment profit from operations	9,388,711	8,560,141
Unallocated corporate expenses (including exchange loss), net	(147,220)	(6,880)
Gain on disposal of financial assets at fair value through profit or loss	8,017	6,874
Dividend income	149,184	146,993
Finance income	173,949	43,918
Finance costs	(578,319)	(5,242)
Profit before taxation	8,994,322	8,745,804

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Total segment assets	158,664,356	148,813,892
Available-for-sale financial assets	—	4,259,343
Financial assets at fair value through profit or loss	810,943	—
Financial assets at fair value through other comprehensive income	3,144,258	—
Loan receivables	707,266	—
Deferred tax assets	784,147	740,160
Total assets	164,110,970	153,813,395

The Group primarily operates in Mainland China. All revenues for the years ended 31st December 2018 and 2017 were from Mainland China.

As at 31st December 2018 and 2017, non-current assets were mainly located in Mainland China.

(5) OTHER GAINS, NET

	2018 HK\$'000	2017 <i>HK\$'000</i>
Dividend income from		
— financial assets at fair value through other comprehensive income	143,025	—
— available-for-sale financial assets	—	141,511
— financial assets at fair value through profit and loss	6,159	5,482
Government grants	65,410	14,493
Fair value (loss)/gain on financial assets at fair value through profit or loss	(72,276)	47,808
Net foreign exchange losses charged in consolidated income statement		
— net foreign exchange losses	(50,833)	(69,742)
— exchange losses arising from foreign currency borrowings capitalised	62,224	42,874
Provision for impairment of goodwill	(26)	(459)
Gain on disposal of land	—	18,739
Gain on disposal of financial assets at fair value through profit or loss	8,017	6,874
Others	235	—
	161,935	207,580

(6) EXPENSES BY NATURE

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

	2018 HK\$'000	2017 <i>HK\$'000</i>
Advertising and promotion costs	135,744	94,875
Amortisation of land costs	56,767	52,284
Auditor's remuneration	10,536	10,965
Other professional fees	9,935	7,415
Cost of completed properties sold	4,362,243	7,119,168
Depreciation of properties and equipment	183,244	174,584
Direct operating expenses arising from investment properties that		
— generate rental income	421,152	415,668
— did not generate rental income	6,684	4,880
Employees' benefits costs (including Directors' emoluments)	1,298,953	928,598
Loss on disposal of properties and equipment	2,878	8,324
Operating lease rental in respect of premises	20,447	14,294
Provision for impairment of accounts receivable	12,623	14,694

(7) FINANCE INCOME AND COSTS

	2018 HK\$'000	2017 <i>HK\$'000</i>
Finance income		
Interest income on bank deposits, advance to a joint venture and loan receivables	<u>173,949</u>	<u>43,918</u>
Finance costs		
Interest expenses and other borrowing costs:		
— loans from banks and financial institutions	(2,958,316)	(2,819,268)
— corporate bonds, asset-backed securities and commercial mortgage-backed securities	<u>(467,467)</u>	<u>(338,465)</u>
Total borrowing costs incurred	(3,425,783)	(3,157,733)
Less: Amount capitalised as part of the cost of properties under development, investment properties under development and properties and equipment	<u>2,849,906</u>	<u>3,157,733</u>
	(575,877)	—
Cost on early redemption of asset-backed securities (<i>Note 12</i>)	—	(5,242)
Cost on early redemption of corporate bonds (<i>Note 12</i>)	<u>(2,442)</u>	<u>—</u>
	<u>(578,319)</u>	<u>(5,242)</u>
Net finance (costs)/income	<u><u>(404,370)</u></u>	<u><u>38,676</u></u>

The weighted average interest rate of borrowing costs capitalised during the year ended 31st December 2018 was approximately 6.0% (2017: 5.8%) per annum.

(8) TAXATION

	2018 HK\$'000	2017 <i>HK\$'000</i>
Current tax		
Hong Kong profits tax	2,683	1,990
Mainland China corporate income tax	990,069	864,639
Mainland China land appreciation tax	<u>1,141,566</u>	<u>1,106,009</u>
	<u>2,134,318</u>	<u>1,972,638</u>
Deferred tax		
Mainland China corporate income tax	1,051,398	1,011,350
Mainland China land appreciation tax	(11,365)	(51,939)
Mainland China withholding income tax	<u>(2,628)</u>	<u>1,935</u>
	<u>1,037,405</u>	<u>961,346</u>
	<u><u>3,171,723</u></u>	<u><u>2,933,984</u></u>

The Company is exempted from taxation in Bermuda until March 2035. Subsidiaries in the British Virgin Islands are incorporated under the International Business Companies Act (now the BVI Business Companies Act, 2004) of the British Virgin Islands, or the BVI Business Companies Act, 2004 of the British Virgin Islands, and are not liable to any form of taxation in the British Virgin Islands.

Hong Kong profits tax has been provided at 16.5% on the estimated assessable profit for the year ended 31st December 2018 (2017: 16.5%).

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 2018 (2017: 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.

	2018	2017
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>5,775,467</u>	<u>5,796,385</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>2,225,560</u>	<u>2,225,560</u>
Basic earnings per share (<i>HK\$ per share</i>)	<u>2.60</u>	<u>2.60</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 2018 and 2017, diluted earnings per share is equal to basic earnings per share.

(10) DIVIDEND

	2018	2017
	HK\$'000	HK\$'000
Interim dividend paid of HK\$0.20 (2017: nil) per ordinary share	445,112	—
Proposed final dividend of HK\$0.20 (2017: HK\$0.20) per ordinary share	445,112	445,112
	<u><u> </u></u>	<u><u> </u></u>

The final dividend of HK\$0.20 per share in respect of the financial year ended 31st December 2018 (2017: HK\$0.20) 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 2018 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:

	2018	2017
	HK\$'000	HK\$'000
0 to 3 months	487,785	374,540
3 to 6 months	48,065	38,552
6 to 9 months	44,186	26,467
9 to 12 months	43,969	23,705
Over 12 months	160,877	167,389
	<u><u> </u></u>	<u><u> </u></u>
	784,882	630,653

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

(12) BORROWINGS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current		
Bank and financial institution borrowings	36,026,674	35,810,619
Asset-backed securities (<i>Note (b)</i>)	—	1,816,195
Commercial mortgage-backed securities (<i>Note (c)</i>)	5,629,858	—
	<u>41,656,532</u>	<u>37,626,814</u>
Current		
Bank and financial institution borrowings	9,436,196	11,537,211
Corporate bonds (<i>Note (a)</i>)	2,280,415	3,698,135
Asset-backed securities (<i>Note (b)</i>)	1,686,913	327,627
Commercial mortgage-backed securities (<i>Note (c)</i>)	41,087	—
	<u>13,444,611</u>	<u>15,562,973</u>
	<u>55,101,143</u>	<u>53,189,787</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\$3,538,005,000) (the “Bonds”). In June 2018, the Group redeemed bonds with aggregate nominal value of RMB1,100,000,000 (equivalent to approximately HK\$1,310,296,000). The redemption amount was equal to its nominal value. The unamortised borrowing costs totalling HK\$2,442,000 were charged to the consolidated income statement for the year ended 31st December 2018. The Bonds will mature in June 2019 and are repayable at their nominal value of RMB2,000,000,000. 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\$2,404,702,000) (the “Securities”). The Securities were partially repaid and the carrying amount of the remaining Securities as at 31st December 2018 amounted to HK\$1,686,913,000. The remaining Securities will mature in 2019, 2020, 2021 and 2022. 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”). 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.

(c) In June 2018, the Group issued commercial mortgage-backed securities with an aggregate nominal value of RMB5,000,000,000 (equivalent to approximately HK\$5,706,460,000) (the “Securities”). The Securities will mature in 2039 and are repayable at their nominal value of RMB5,000,000,000. Subject to the terms and conditions specified in the offering circular, the Group has the right to redeem all of the Securities every three years (the “Redeemable Securities”) from the date of issue, the investor are also entitled to sell back the Redeemable Securities to the Group on the same date. As at 31st December 2018, the Securities are secured by an investment property of approximately HK\$7,180 million and rental receivables of the investment property.

(13) ACCOUNTS PAYABLE

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

	2018	2017
	HK\$'000	HK\$'000
0 to 3 months	2,371,199	3,084,449
3 to 6 months	416,286	38,683
6 to 9 months	520,536	403
9 to 12 months	886,035	10,705
Over 12 months	4,866,261	4,746,775
	9,060,317	7,881,015

As at 31st December 2018, approximately HK\$454,670,000 (2017: HK\$603,393,000) 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 2018*

	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 2018	15,800,776	161,117	1,840,646	3,808,877	42,260,153	63,871,569
Changes in accounting policy (<i>Note 3</i>)	—	—	(1,064)	2,740	79,229	80,905
Balance at 1st January 2018, as restated	15,800,776	161,117	1,839,582	3,811,617	42,339,382	63,952,474
Profit for the year	—	—	—	—	5,775,467	5,775,467
Currency translation differences	—	—	—	(3,105,688)	—	(3,105,688)
Fair value loss on financial assets at fair value through other comprehensive income	—	—	(273,347)	—	—	(273,347)
Realised upon disposal of completed properties held for sale	—	—	(87,746)	—	—	(87,746)
Dividends paid	—	—	—	—	(890,224)	(890,224)
Deferred tax	—	—	101,418	—	—	101,418
Balance at 31st December 2018	<u>15,800,776</u>	<u>161,117</u>	<u>1,579,907</u>	<u>705,929</u>	<u>47,224,625</u>	<u>65,472,354</u>

For the year ended 31st December 2017

	Share premium <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Assets revaluation reserve <i>HK\$'000</i>	Currency translation differences <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1st January 2017	15,800,776	161,117	1,735,612	(189,495)	36,686,324	54,194,334
Profit for the 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
Balance at 31st December 2017	<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>

DIVIDEND

The Board has recommended the payment of a final dividend of HK20 cents per share for the year ended 31st December 2018. An interim dividend of HK20 cents per share has been declared for the half year ended 30th June 2018.

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, 14th June 2019, it is expected that the final dividend will be paid on Friday, 5th July 2019 to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 24th June 2019.

FINANCIAL REVIEW

Turnover

(i) *Recognised Sales*

The Group recognised a turnover of HK\$13,294 million in 2018, down 4% comparing to HK\$13,824 million of 2017. The overall GFA delivered by the Group in 2018 was 466,623 square metres (2017: 760,134 square metres), which mainly included Hopson No. 8 Royal Park (合生霄雲路8號) in Beijing, The Town of Hangzhou Bay (合生杭州灣國際新城) in Hangzhou, Hopson Seaside Garden (合生海岸花園) in Huizhou, Hopson Asset Seascape Residence (合生財富海景公館) in Shanghai and Hopson Regal Riviera (合生珠江帝景) in Guangzhou.

The overall average selling price in respect of delivered and completed properties was RMB15,431 (2017: RMB11,847) per square metre, which increased by 30% as compared with 2017.

(ii) *Contracted Sales*

During the year, the Group recorded a total of RMB14,975 million contracted sales (2017: RMB9,228 million), up 62% year on year. As affected by market factors and the structure of product sales, the average contracted selling price decreased 9% to RMB11,547 per square metre (2017: RMB12,680 per square metre).

Fourteen property projects were on sale in Guangdong and the contracted sales were RMB5,129 million in 2018, representing 34% of the total contracted sales of the Group. The major projects included 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 Seaside Garden (合生海岸花園) and Hopson Belvedere Bay (合生君景灣).

The contracted sales in Beijing and Tianjin were RMB2,445 million, representing 16% of the total contracted sales of the Group in 2018. Ten projects were on sale in Beijing and Tianjin, of which Hopson No. 8 Royal Park (合生霄雲路8號) and Hopson International City (合生國際城) were the major sales contributors.

There were ten property projects on sale in Shanghai, mainly comprising The Town of Hangzhou Bay (合生杭州灣國際新城) and Hopson Sea Block (合生伴海). The contracted sales in Shanghai amounted to RMB7,401 million, representing 50% 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, which resulted in a decrease of cost of sales by 23% to HK\$6,766 million (2017: HK\$8,738 million) and a decrease of proportion to turnover by 12% to 51% (2017: 63%).

Gross Profit

Gross profit margin increased from 37% in 2017 to 49% in 2018, which was mainly attributable to the increase in the proportion of the delivery of projects with relatively higher gross profit margins such as Hopson No. 8 Royal Park (合生霄雲路8號), Hopson Dongjiao Villa (合生東郊別墅) and Hopson Seaside Garden (合生海岸花園) during the year, and the higher rental from Hopson One Shopping Mall (合生匯購物中心) and Hopson International Plaza (合生國際廣場) during the year. The decrease in the total area delivered by the Group as compared with the previous year, and the increase in unit sales price and rental had greater effect on the gross profit.

Fair Value Gain on Investment Properties

Fair value gain on investment properties for 2018 was HK\$4,673.3 million (2017: HK\$5,003.2 million), down HK\$329.9 million or 7%. As at 31st December 2018, the Group had 13 (2017: 13) investment properties.

Other Income/Gains, Net

Other income/gains, net amounted to HK\$161.9 million in 2018 (2017: HK\$207.6 million), which included (1) gains from disposal of listed securities of HK\$8.0 million; (2) gains from disposal of assets of HK\$0.2 million; (3) grants amounting to HK\$65.4 million in total from government authorities in Mainland China; (4) fair value loss on financial assets at fair value through profit or loss of HK\$72.3 million; (5) dividend income of HK\$149.2 million from investment in listed and unlisted securities; (6) net exchange gains of HK\$11.4 million; and (7) goodwill impairment of HK\$0.02 million.

Operating Costs

The operating costs relating to expenses for selling, marketing, general and administration for 2018 increased by 16.8% to HK\$1,960 million (2017: HK\$1,678 million).

Finance Costs

Gross interest expense before capitalisation in 2018 increased by HK\$268 million or 8% to HK\$3,426 million (2017: HK\$3,158 million) primarily due to the increase in weighted average interest rate in 2018 as compared to the previous year. The effective interest rate in respect of the Group's borrowings was approximately 6.0% per annum (2017: 5.8%).

Share of Loss/Profit of Joint Ventures

Share of loss/profit of joint ventures represented the Group's share of loss of HK\$6.2 million (2017: profit of HK\$87 million) from six joint ventures.

Taxation

The effective tax rate for 2018 was 35.3%, up 1.8% compared with the previous year (2017: 33.5%), 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\$5,775 million for 2018 (2017: HK\$5,796 million). Basic earnings per share were HK\$2.60 (2017: HK\$2.60). During the period under review, excluding the effect of the net of tax gain from investment property revaluation of HK\$3,505 million, the net of tax loss from the investment property revaluation of two joint ventures of HK\$36 million, the net of tax gain on disposal of financial assets at fair value through profit or loss of HK\$6 million, adding the cost on early redemption of corporate bonds of HK\$2.4 million and goodwill impairment of HK\$0.02 million, the underlying profit was HK\$2,303 million, up HK\$306 million or 15.3% as compared with the previous year.

Segment Information

Property development continued to be the Group's core business activity (63%). In 2018, 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 37.6% of the total revenue of the Group, followed by 31.2% from Eastern China (including Shanghai, Hangzhou, Kunshan, Ningbo, Cixi and Taicang) and 31.2% from Northern China (including Beijing, Tianjin, Dalian, Taiyuan and Qinhuangdao).

Financial Position

As at 31st December 2018, total assets of the Group amounted to HK\$164,111 million and its total liabilities amounted to HK\$96,337 million, representing an increase of 6.70% and 10.00% respectively as compared to 31st December 2017. Total assets increased mainly due to the increase in investment properties and completed properties for sale. Total liabilities increased mainly due to the increase in borrowings and accounts payable.

The Group's current ratio as at 31st December 2018 was 2.15 (2017: 2.17). Equity at 31st December 2018 was HK\$67,774 million, up 2.32% as compared with 31st December 2017 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 2018 was HK\$30.45.

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 2018, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding non-controlling interests) was 59% (2017: 57%). The net debt-to-equity ratio (i.e. total debt less cash and bank deposits over shareholders' equity) was 70% (2017: 72%).

As at 31st December 2018, the Group had cash and short-term bank deposits amounting to HK\$7,940 million (2017: HK\$5,803 million), of which approximately HK\$2 million (2017: approximately 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. 96.60% of the cash and bank deposits were denominated in Renminbi, 1.11% in Hong Kong dollars, 2.28% in United States dollars and 0.01% in other currencies.

Total borrowings from banks and financial institutions amounted to HK\$45,463 million as at 31st December 2018, representing a decrease of 4% or HK\$1,885 million as compared to those as at 31st December 2017. Gearing ratio, measured by net borrowings from banks and financial institutions, corporate bonds, asset-backed securities and commercial mortgage-backed securities (i.e. total borrowings from banks and financial institutions, corporate bonds, asset-backed securities and commercial mortgage-backed securities less cash and bank deposits) as a percentage of shareholders' equity, was 70% as at 31st December 2018, representing a decrease of 2% from 72% as at 31st December 2017.

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 2018 is as follows:

	As at 31st December 2018				As at 31st December 2017					
	Bank and financial institution borrowings	Corporate bonds, asset-backed securities and commercial mortgage-backed securities	Other borrowings	Total	Bank and financial institution borrowings	Corporate bonds and asset-backed securities	Other borrowings	Total		
<i>(HK\$ million)</i>										
1 year	9,436	4,008	3,040	16,484	(28%)	11,537	4,026	3,439	19,002	(33%)
1-2 years	13,369	17	—	13,386	(23%)	8,793	1,816	—	10,609	(19%)
2-5 years	19,461	5,613	—	25,074	(43%)	21,573	—	—	21,573	(38%)
After 5 years	3,197	—	—	3,197	(6%)	5,445	—	—	5,445	(10%)
Total	45,463	9,638	3,040	58,141		47,348	5,842	3,439	56,629	
Less: Cash and bank deposits				(7,940)					(5,803)	
Net borrowings				<u>50,201</u>					<u>50,826</u>	

As at 31st December 2018, the Group had banking facilities of approximately HK\$91,977 million (2017: HK\$91,369 million) for short-term and long-term bank loans, of which HK\$36,876 million (2017: HK\$38,179 million) was unutilised.

Charge on Assets

As at 31st December 2018, certain assets of the Group with an aggregate carrying value of HK\$50,364 million (2017: HK\$43,377 million) and the Group's equity interest in subsidiaries of HK\$1,393 million (2017: HK\$1,792 million) was pledged with banks and financial institutions for loan facilities used by subsidiaries.

Financial Guarantees

As at 31st December 2018, the Group provided guarantees to banks for mortgage facilities granted to buyers of the Group's properties which amounted to HK\$8,045 million (2017: HK\$10,040 million).

Commitments

The Group's commitments as at 31st December 2018 were as follows:

	As at 31st December 2018 HK\$ million	As at 31st December 2017 HK\$ million
Capital commitments		
Contracted but not provided for		
— Acquisition of land and equity interests in certain land holding entities	1,266	1,340
— Property construction costs	1,821	1,842
— Capital contribution to an associate	254	256
	3,341	3,438

Property development commitments

Contracted but not provided for		
— Property construction costs	20,680	13,635
	20,680	13,635

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 2018 HK\$ million	As at 31st December 2017 HK\$ million
Amounts payable		
— Within one year	14	10
— Within two to five years	5	10
— After five years	34	36
	53	56

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.

EVENTS AFTER THE BALANCE SHEET DATE

On 4th February 2019, the Company's wholly-owned subsidiary, 廣州展騰投資有限公司(Guangzhou Zhan Teng Investments Company Limited**), entered into the sale and purchase agreement (“SPA”) with 北京華裕東方投資有限公司 (Beijing Hua Yu Dong Fang Investments Company Limited **) and 北京鳳凰文投置業有限公司(Beijing Feng Huang Wen Tou Properties Company Limited **) (the “Vendor”) in relation to the acquisition of 51% of the equity interest in 桂林鳳凰文投置業有限公司 (Guilin Feng Huang Wen Tou Properties Company Limited **) (“Target Company”) which is the successful bidder of lands in Yangshuo, Guangxi, PRC (the “Acquisition”) and anticipated provision of shareholder's loan to the Target Company. Completion of the SPA is subject to the fulfilment (or waiver, if applicable) of the conditions precedent provided under the SPA. Upon completion of the Acquisition, the Target Company will become an indirect non-wholly-owned subsidiary of the Company.

The Acquisition constitutes a connected transaction of the Company since the Vendor is a connected person of the Company which is ultimately controlled by Mr. Chu Wai Hong who is the son of Mr. Chu Mang Yee (the chairman of the Board and an executive director) and the elder brother of Ms. Chu Kut Yung (the deputy chairman of the Board and an executive director). Upon completion of the Acquisition, the Target Company will become a connected person of the Company by virtue of it being a connected subsidiary and, accordingly, the shareholder's loan transaction, if entered into, will also constitute a connected transaction of the Company. For details, please refer to the announcement of the Company dated 4th February 2019 and the supplemental announcement of the Company dated 22nd February 2019.

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 2018, the Group, excluding its associates and joint ventures, employed a total of 9,576 (as at 31st December 2017: 8,110) staff, the majority of which were employed in Mainland China. Employees' costs (including Directors' emoluments) amounted to HK\$1,299 million for the year ended 31st December 2018 (2017: HK\$929 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 2018, 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 2018 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 2018.

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 2018.

The figures in this preliminary announcement of the Group's results for the year ended 31st December 2018 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, 11th June 2019 to Friday, 14th June 2019 (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, 14th June 2019, 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, 10th June 2019.

The register of members of the Company will also be closed from Thursday, 20th June 2019 to Monday, 24th June 2019 (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, 19th June 2019.

ANNUAL REPORT

The 2018 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. Xi Ronggui (Chief Executive Officer), 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, 27th March 2019

* *For identification purpose only*

** *For ease of reference, the names of PRC established companies or entities (if any) and PRC laws, regulations and organisations (if any) have generally been included in this announcement in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail*