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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 2019

FINANCIAL HIGHLIGHTS

(for the year ended 31st December 2019)

- Turnover was HK\$18,601 million (2018: HK\$13,294 million).
- Profit attributable to equity holders was HK\$9,486 million (2018: HK\$5,775 million), of which net of tax gain on investment property revaluation accounted for HK\$6,132 million (2018: HK\$3,505 million).
- Underlying profit was HK\$3,230 million (2018: HK\$2,303 million).
- Basic earnings per share was HK\$4.26 per share (2018: HK\$2.60 per share).
- Proposed final dividend per share is HK30 cents per share.

* *For identification purposes only*

BUSINESS REVIEW

Industry Overview

- In 2019, the central government introduced a regional policy for developing the Beijing-Tianjin-Hebei Region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area at full steam, while reiterating the national housing policies of “properties are for accommodation, not for speculation” and “implementing different policies according to specific situation of different cities and giving category-based guidance” in pursuit of stabilising the real estate market. In light of such situation, the Group timely increased its land bank in these regions during the year, and strived to develop and boost the sales of residential products targeting improvement demand and rigid demand, thus accelerating the cash inflow of the Group. The Group also further increased the area under management and various online and offline value-added services of its property management sector. The Group also established a global lifestyle brand, “MAHÁ China”, to take advantage of the increasing demand for tertiary services in the domestic market, and further release the added value of its prime projects, thus pushing forward its strategy on the balanced development of light and heavy assets.

Contracted sales performance

Details of properties sold under sale and pre-sale contracts in 2019 totalling RMB21,258 million (2018: RMB14,975 million) are as follows:

- In Guangzhou, total GFA sold amounted to 311,953 square metres (2018: 184,146 square metres) with a carrying value of RMB5,698 million (2018: RMB2,979 million). The increase in sales was mainly attributable to Hopson Xijing Garden (合生熹景花園), Hopson Hushan Guoji Villa (合生湖山國際) and Nanhai Junjing Bay (南海君景灣) enjoying good sales.
- In Beijing and Tianjin, total GFA sold amounted to 304,651 square metres (2018: 166,780 square metres) with a carrying value of RMB3,687 million (2018: RMB2,445 million). The increase in sales was mainly attributable to the good sales of Tangshan Caofeidian Project (唐山曹妃甸) and Taiyuan Hopson International City (太原合生國際城).
- In Shanghai, total GFA sold amounted to 795,481 square metres (2018: 725,925 square metres) with a carrying value of RMB9,389 million (2018: RMB7,401 million). The increase in sales was mainly attributable to the prosper market for The Town of Hangzhou Bay (合生杭州灣國際新城), 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, as well as the good sales of Hopson International Garden (合生國際花園) and Hopson Guangfuhui (合生廣富匯).
- In Huizhou, total GFA sold amounted to 240,343 square metres (2018: 219,991 square metres) with a carrying value of RMB2,484 million (2018: RMB2,150 million). The increase in sales was mainly attributable to Hopson International New City (合生國際新城) and Hopson Xiaogui Bay (合生小桂灣) having sufficient units for selling and enjoying good sales.

Properties sold but yet to be delivered

As at 31st December 2019, the GFA in respect of which the Group had entered into sale and pre-sale contracts and yet to be delivered to buyers was 2,371,005 square metres (2018: 1,448,860 square metres). Following the delivery of these properties, the proceeds received therefrom totalling HK\$19,505 million will be recognised as revenue in the Group's financial statements in 2020 and thereafter.

Delivery of properties

A total GFA of 730,282 square metres (2018: 466,623 square metres) was delivered in 2019.

Project development progress

- A total GFA of 1,853,528 square metres (2018: 801,877 square metres) was completed during the year 2019.
- It is expected that a total GFA of 756,632 square metres will be completed in 2020.

Landbank

As at 31st December 2019, the Group had a landbank of 31.11 million square metres (31st December 2018: 29.22 million square metres).

Prospects

In 2020, the Group shall persist in employing the spirit of mutualism with integrity and innovation as its corporate culture, strive to advance its online sales services to encourage users with improvement demand and rigid demand to seize these golden opportunities for buying amid the domestic and overseas macroeconomic changes and the new coronavirus epidemic. Meanwhile, the Group will comply with its strategic planning on industry diversification as always by further optimising the tenant portfolio of its investment properties and increasing the area under management and value-added services of its property management sector.

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 2019 together with the comparative figures for the previous year.

The 2019 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 31st December	
		2019	2018
		HK\$’000	HK\$’000
Revenues	4	18,600,580	13,293,532
Cost of sales	6	(9,237,436)	(6,765,596)
Gross profit		9,363,144	6,527,936
Fair value gain on investment properties		8,175,781	4,673,345
Other gains, net	5	285,329	161,935
Selling and marketing expenses	6	(736,887)	(378,153)
General and administrative expenses	6	(1,831,815)	(1,581,856)
Finance income	7	394,311	173,949
Finance costs	7	(1,002,439)	(578,319)
Share of (loss)/profit of associates		(4,562)	1,637
Share of profit/(loss) of joint ventures		119,113	(6,152)
Profit before taxation		14,761,975	8,994,322
Taxation	8	(5,111,585)	(3,171,723)
Profit for the year		9,650,390	5,822,599
Attributable to:			
Equity holders of the Company		9,486,000	5,775,467
Non-controlling interests		164,390	47,132
		9,650,390	5,822,599
Earnings per share for profit attributable to equity holders of the Company during the year (in HK\$ per share)			
— basic and diluted	9	4.26	2.60

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended	
	31st December	
	2019	2018
	HK\$'000	HK\$'000
Profit for the year	9,650,390	5,822,599
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Assets revaluation reserve realised upon disposal of completed properties held for sale	(87,079)	(87,746)
Deferred tax	40,341	33,081
Currency translation differences	(1,535,553)	(3,205,050)
Items that will not be reclassified subsequently to profit or loss:		
Fair value loss on financial assets at fair value through other comprehensive income	(539,540)	(273,347)
Deferred tax	139,392	68,337
Other comprehensive loss for the year, net of tax	(1,982,439)	(3,464,725)
Total comprehensive income for the year	7,667,951	2,357,874
Attributable to:		
Equity holders of the Company	7,553,435	2,410,104
Non-controlling interests	114,516	(52,230)
	7,667,951	2,357,874

CONSOLIDATED BALANCE SHEET

	As at 31st December	
	2019	2018
Note	HK\$'000	HK\$'000
ASSETS		
Non-current assets		
Land costs	—	1,675,097
Prepayments for acquisition of land	118,758	121,411
Prepayments for construction work	244,107	—
Loan receivables	170,801	743,201
Properties and equipment	4,976,880	4,571,452
Investment properties	56,961,529	46,856,835
Goodwill	34,534	35,249
Investments in associates	364,855	147,668
Investments in joint ventures	5,059,567	7,514,062
Financial assets at fair value through other comprehensive income	3,337,773	3,144,258
Financial assets at fair value through profit or loss	—	35,000
Finance lease receivables	344,656	159,828
Right-of-use assets	1,634,045	—
Deferred tax assets	1,309,259	784,147
	<u>74,556,764</u>	<u>65,788,208</u>
Current assets		
Prepayments for acquisition of land	10,767,194	9,403,647
Properties under development for sale	57,047,059	41,237,995
Completed properties for sale	31,260,655	30,299,744
Financial assets at fair value through profit or loss	788,403	775,943
Accounts receivable	11 1,058,081	784,882
Loan receivables	2,520,879	1,983,693
Prepayments, deposits and other current assets	8,060,451	5,370,900
Due from a joint venture	48,845	45,112
Due from associates	58,964	201
Due from related companies	8,318	7,149
Contract assets	982,860	473,606
Pledged/charged bank deposits	1,466,913	483,182
Cash and cash equivalents	12,635,125	7,456,708
	<u>126,703,747</u>	<u>98,322,762</u>
Assets classified as held for sale	12 2,843,132	—
	<u>129,546,879</u>	<u>98,322,762</u>
Total assets	<u><u>204,103,643</u></u>	<u><u>164,110,970</u></u>

		As at 31st December	
		2019	2018
	<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	15	<u>72,358,121</u>	<u>65,472,354</u>
		72,580,677	65,694,910
Non-controlling interests		<u>2,434,725</u>	<u>2,078,725</u>
Total equity		<u>75,015,402</u>	<u>67,773,635</u>
LIABILITIES			
Non-current liabilities			
Land cost payable		91,043	88,310
Borrowings	13	50,700,558	41,656,532
Lease liabilities		676,246	—
Due to non-controlling interests		2,126,867	514,605
Deferred tax liabilities		<u>9,957,093</u>	<u>8,323,506</u>
		63,551,807	50,582,953
Current liabilities			
Accounts payable, accruals and other payables	14	22,970,848	13,942,503
Land cost payable		359,201	4,996
Borrowings	13	12,689,322	13,444,611
Contract liabilities		19,505,008	10,304,371
Lease liabilities		8,419	—
Due to an associate		5,964	6,299
Due to related companies		366,248	260,654
Due to joint ventures		3,011,241	2,773,349
Current tax liabilities		<u>6,620,183</u>	<u>5,017,599</u>
		65,536,434	45,754,382
Total liabilities		<u>129,088,241</u>	<u>96,337,335</u>
Total equity and liabilities		<u>204,103,643</u>	<u>164,110,970</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 2019	222,556	65,472,354	2,078,725	67,773,635
Profit for the year	—	9,486,000	164,390	9,650,390
Other comprehensive (loss)/income:				
Fair value loss on financial assets at fair value through other comprehensive income	—	(539,540)	—	(539,540)
Assets revaluation reserve realised upon disposal of completed properties held for sale	—	(87,079)	—	(87,079)
Deferred tax	—	179,733	—	179,733
Currency translation differences	—	(1,485,679)	(49,874)	(1,535,553)
Other comprehensive loss for the year, net of tax	—	(1,932,565)	(49,874)	(1,982,439)
Total comprehensive income for the year	—	7,553,435	114,516	7,667,951
Transactions with owners:				
Dividends paid	—	(667,668)	—	(667,668)
Capital contributions by non-controlling interests of subsidiaries	—	—	453,112	453,112
Acquisition of additional interest in a subsidiary	—	—	(211,628)	(211,628)
	—	(667,668)	241,484	(426,184)
Balance at 31st December 2019	222,556	72,358,121	2,434,725	75,015,402

	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	—	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

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 commercial properties investment, property management and infrastructure business.

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 24th March 2020.

(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 2019, 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 2019.

HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures
HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 (Amendments)	Annual improvements to HKFRS Standards 2015–2017 Cycle
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK (IFRIC) 23	Uncertainty over Income Tax Treatments

The impact of the adoption of HKFRS 16 and the new accounting policies are disclosed below. The other new amendments to existing standards did not have significant impact on the Group’s accounting policies.

(ii) **New standards and amendments to existing standards that are not yet effective**

		Effective for accounting periods beginning on or after
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.

EFFECT ON ADOPTION OF HKFRS 16

The Group's right-of-use assets relate to (i) land leases for prepaid operating lease payments in respect of hotel properties and buildings which are held for self-use; and (ii) land and property leases with lease terms ranging from 1 to 40 years which were classified as operating leases prior to the adoption of HKFRS 16. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, land leases for prepaid operating lease payments in respect of hotel properties and buildings which are held for self-use are reclassified from land costs to right-of-use assets, while operating leases for land and properties are initially recognised as right-of-use assets and lease liabilities at the date of which the leased assets are available for use.

The Group has used the practical expedient as permitted by the standard that the accounting for operating leases with a remaining lease term of less than 12 months as at 1st January 2019 are treated as short-term leases. Payments for short-term leases and low-value leases are recognised on a straight-line basis as an expense. The right-of-use assets for other leases were measured on a retrospective basis as if the new rules had always been applied. Right-of-use assets are measured at cost comprised of the amount of the initial measurement of lease liabilities; any lease payments made at or before the commencement date, less any lease incentive received; any initial direct costs; and restoration costs. It is depreciated over the lease terms on a straight-line basis.

Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable. The lease liabilities were discounted at an incremental borrowing rate at 1st January 2019 of 2.23% to 6.89%. Payments associated with short-term leases with lease terms less than a year are expensed on a straight-line basis in the consolidated income statement.

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31st December 2018	52,965
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(20,007)
Short-term and low-value leases to be recognised on a straight-line basis as expenses	<u>(11,234)</u>
Lease liabilities recognised as at 1st January 2019	<u><u>21,724</u></u>
Of which are	
Current liabilities	4,459
Non-current liabilities	<u>17,265</u>
Lease liabilities recognised as at 1st January 2019	<u><u>21,724</u></u>

The change in accounting policy affected the following items in the balance sheet on 1st January 2019:

- Right-of-use assets — increase by HK\$1,704,990,000;
- Land cost — decrease by HK\$1,675,097,000;
- Prepayments, deposits and other current assets — decrease by HK\$8,169,000;
- Lease liabilities (current) — increase by HK\$4,459,000;
- Lease liabilities (non-current) — increase by HK\$17,265,000.

(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, commercial properties investment, property management and infrastructure business. Geographically, the property development segment and the commercial properties investment segment 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).

During the year, management reassessed and changed the Group's reportable operating segments in accordance with their economic characteristics. The previously reported property investment and hotel operations segments are combined as commercial properties investment segment, while the infrastructure business which was previously included within the property development segment, is now separately reported. Infrastructure business represents design services provided to property buyers and construction services. The corresponding segment information for the year ended 31st December 2018 has been re-presented accordingly.

The Executive Directors assess the performance of the operating segments based on the segment results. Corporate income/expenses, finance income and costs, dividend income, interest 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 and certain loan receivables, 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 revenue from property development, revenue from commercial properties investment, property management income and infrastructure income.

	2019	2018
	HK\$'000	HK\$'000
Revenue from property development	12,848,239	8,639,708
Revenue from commercial properties investment	3,154,385	2,434,941
Property management income	1,183,147	1,136,282
Infrastructure income	1,414,809	1,082,601
	18,600,580	13,293,532

The segment results by business lines and which applicable by geographical areas for the year ended 31st December 2019 are as follows:

	Property development			Commercial properties investment			Property management	Infrastructure	Group
	SC	EC	NC	SC	EC	NC			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31st December 2019									
Total revenues	6,701,846	3,369,153	2,939,920	651,565	1,209,869	1,510,866	1,719,509	6,407,400	24,510,128
Intra/inter-segment revenues	(114,255)	(46,830)	(1,595)	(26,708)	(35,401)	(155,806)	(536,362)	(4,992,591)	(5,909,548)
Revenues	6,587,591	3,322,323	2,938,325	624,857	1,174,468	1,355,060	1,183,147	1,414,809	18,600,580
Revenue from contracts with customers:									
Recognised at a point in time	6,587,591	3,322,323	2,938,325	—	—	—	—	—	12,848,239
Recognised over time	—	—	—	38,904	249,247	100,563	1,183,147	1,414,809	2,986,670
Revenue from other sources:									
Rental income	—	—	—	585,953	925,221	1,254,497	—	—	2,765,671
	6,587,591	3,322,323	2,938,325	624,857	1,174,468	1,355,060	1,183,147	1,414,809	18,600,580
Segment results	3,200,416	1,234,954	125,482	772,470	3,735,560	5,277,272	117,836	698,541	15,162,531
Depreciation of properties and equipment	(84,558)	(470)	(19,656)	(1,362)	(18,034)	(67,975)	(3,620)	(781)	(196,456)
Depreciation of right-of-use assets	(5,072)	(716)	—	(36,808)	(18,295)	(15,696)	—	—	(76,587)
Provision for impairment of accounts receivable	—	—	—	—	—	—	(7,960)	—	(7,960)
Fair value gain on investment properties	—	—	—	382,117	3,076,964	4,716,700	—	—	8,175,781
Share of profit/(loss) of associates	1,016	—	(5,578)	—	—	—	—	—	(4,562)
Share of profit/(loss) of joint ventures	84,128	39	(742)	—	—	35,688	—	—	119,113

The segment results by business lines and which applicable by geographical areas for the year ended 31st December 2018 are as follows:

	Property development			Commercial properties investment			Property management	Infrastructure	Group
	SC	EC	NC	SC	EC	NC			
	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000	HK\$'000 (Restated)	HK\$'000
Year ended 31st December 2018									
Total revenues	3,528,081	3,012,882	2,111,112	399,602	1,026,102	1,174,711	1,324,977	4,333,207	16,910,674
Intra/inter-segment revenues	(12,367)	—	—	(26,436)	(16,265)	(122,773)	(188,695)	(3,250,606)	(3,617,142)
Revenues	<u>3,515,714</u>	<u>3,012,882</u>	<u>2,111,112</u>	<u>373,166</u>	<u>1,009,837</u>	<u>1,051,938</u>	<u>1,136,282</u>	<u>1,082,601</u>	<u>13,293,532</u>
Revenue from contracts with customers:									
Recognised at a point in time	3,515,714	3,012,882	2,111,112	—	—	—	—	—	8,639,708
Recognised over time	—	—	—	46,498	260,226	125,433	1,136,282	1,082,601	2,651,040
Revenue from other sources:									
Rental income	—	—	—	326,668	749,611	926,505	—	—	2,002,784
	<u>3,515,714</u>	<u>3,012,882</u>	<u>2,111,112</u>	<u>373,166</u>	<u>1,009,837</u>	<u>1,051,938</u>	<u>1,136,282</u>	<u>1,082,601</u>	<u>13,293,532</u>
Segment results	<u>1,307,845</u>	<u>1,436,304</u>	<u>483,087</u>	<u>456,697</u>	<u>1,391,558</u>	<u>3,928,493</u>	<u>111,050</u>	<u>273,677</u>	<u>9,388,711</u>
Depreciation	(13,223)	(2,891)	(30,293)	(9,421)	(34,081)	(88,696)	(3,566)	(1,073)	(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	842,380	3,554,018	—	—	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 assets by business lines and which applicable by geographical areas as at 31st December 2019 are as follows:

	Property development			Commercial properties investment			Property management	Infrastructure	Group
	SC	EC	NC	SC	EC	NC			
	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 2019									
	<u>54,725,866</u>	<u>25,600,368</u>	<u>53,805,369</u>	<u>9,455,010</u>	<u>20,303,646</u>	<u>32,038,354</u>	<u>892,061</u>	<u>1,133,397</u>	<u>197,954,071</u>
Segment assets include:									
Investments in associates	272,091	—	92,764	—	—	—	—	—	364,855
Investments in joint ventures	<u>4,942,038</u>	<u>2,823</u>	<u>—</u>	<u>114,706</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,059,567</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>575,735</u>	<u>45,946</u>	<u>4,662</u>	<u>528,602</u>	<u>186</u>	<u>2,637,850</u>	<u>3,567</u>	<u>3,336</u>	<u>3,799,884</u>

The segment assets by business lines and which applicable by geographical areas as at 31st December 2018 are as follows:

	Property development			Commercial properties investment			Property management	Infrastructure	Group
	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>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>		<i>(Restated)</i>	
As at and for the year ended 31st December 2018	<u>39,481,816</u>	<u>16,873,871</u>	<u>46,905,213</u>	<u>8,680,766</u>	<u>17,778,246</u>	<u>27,432,083</u>	<u>1,343,354</u>	<u>169,007</u>	<u>158,664,356</u>
Segment assets include:									
Investments in associates	4,015	—	143,653	—	—	—	—	—	147,668
Investments in joint ventures	<u>4,571,172</u>	<u>—</u>	<u>1,074,599</u>	<u>39,443</u>	<u>—</u>	<u>1,828,848</u>	<u>—</u>	<u>—</u>	<u>7,514,062</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>1,171,310</u>	<u>17,848</u>	<u>6,161</u>	<u>40,275</u>	<u>23,651</u>	<u>1,340,378</u>	<u>6,014</u>	<u>4,140</u>	<u>2,609,777</u>

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

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment profit from operations	15,162,531	9,388,711
Unallocated corporate expenses (including exchange loss), net	(42,717)	(147,220)
Dividend income	155,841	149,184
Gain on disposal of financial assets at fair value through profit or loss	88,642	8,017
Interest income from financial assets at fair value through profit or loss	5,806	—
Finance income	394,311	173,949
Finance costs	(1,002,439)	(578,319)
Profit before taxation	<u>14,761,975</u>	<u>8,994,322</u>

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

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total segment assets	197,954,071	158,664,356
Financial assets at fair value through profit or loss	788,403	810,943
Financial assets at fair value through other comprehensive income	3,337,773	3,144,258
Loan receivables	714,137	707,266
Deferred tax assets	1,309,259	784,147
Total assets	<u>204,103,643</u>	<u>164,110,970</u>

The Group primarily operates in Mainland China. All revenues for the years ended 31st December 2019 and 2018 were from Mainland China. As at 31st December 2019 and 2018, non-current assets were mainly located in Mainland China.

(5) OTHER GAINS, NET

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Dividend income from		
— financial assets at fair value through other comprehensive income	155,413	143,025
— financial assets at fair value through profit and loss	428	6,159
Fair value loss on financial assets at fair value through profit or loss	(9,208)	(72,276)
Interest income from financial assets at fair value through profit or loss	5,806	—
Net foreign exchange losses charged in consolidated income statement		
— net foreign exchange losses	(40,610)	(50,833)
— exchange losses arising from foreign currency borrowings capitalised	25,442	62,224
Gain on disposal of financial assets at fair value through profit or loss	88,642	8,017
Government grants	44,951	65,410
Others	14,465	209
	<u>285,329</u>	<u>161,935</u>

(6) EXPENSES BY NATURE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Advertising and promotion costs	236,812	135,744
Amortisation of land costs	—	56,767
Auditor's remuneration	11,758	10,536
Other professional fees	8,123	9,935
Cost of completed properties sold	6,536,776	4,362,243
Depreciation of properties and equipment	196,456	183,244
Depreciation of right-of-use assets	76,587	—
Direct operating expenses arising from investment properties that		
— generate rental income	324,781	421,152
— did not generate rental income	8,497	6,684
Employees' benefits costs (including Directors' emoluments)	1,580,931	1,298,953
Loss on disposal of properties and equipment	1,420	2,878
Short-term and low-value assets lease expenses*	20,084	—
Lease rental in respect of premises	—	20,447
Provision for impairment of accounts receivable	7,960	12,623
	<u>7,960</u>	<u>12,623</u>

* These lease payments are directly charged to general and administrative expenses and are not included in the measurement of lease liabilities under HKFRS 16.

(7) FINANCE INCOME AND COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Finance income		
Interest income on bank deposits, advance to a joint venture and loan receivables	<u>394,311</u>	<u>173,949</u>
Finance costs		
Interest expenses and other borrowing costs:		
— loans from banks and financial institutions	(3,630,521)	(2,958,316)
— corporate bonds, senior notes, asset-backed securities and commercial mortgage-backed securities	<u>(695,549)</u>	<u>(467,467)</u>
Total borrowing costs incurred	(4,326,070)	(3,425,783)
Less: Amount capitalised as part of the cost of properties under development, investment properties under development and properties and equipment	<u>3,323,631</u>	<u>2,849,906</u>
	(1,002,439)	(575,877)
Cost on early redemption of corporate bonds	<u>—</u>	<u>(2,442)</u>
	<u>(1,002,439)</u>	<u>(578,319)</u>
Net finance costs	<u><u>(608,128)</u></u>	<u><u>(404,370)</u></u>

(8) TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax		
Hong Kong profits tax	33,294	2,683
Mainland China corporate income tax	1,622,239	990,069
Mainland China land appreciation tax	<u>1,988,978</u>	<u>1,141,566</u>
	3,644,511	2,134,318
Deferred tax		
Mainland China corporate income tax	1,481,393	1,051,398
Mainland China land appreciation tax	(16,068)	(11,365)
Mainland China withholding income tax	<u>1,749</u>	<u>(2,628)</u>
	<u>1,467,074</u>	<u>1,037,405</u>
	<u><u>5,111,585</u></u>	<u><u>3,171,723</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 2019 (2018: 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 2019 (2018: 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.

	2019	2018
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>9,486,000</u>	<u>5,775,467</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>4.26</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 2019 and 2018, diluted earnings per share is equal to basic earnings per share.

(10) DIVIDEND

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interim dividend paid of HK\$0.10 (2018: HK\$0.20) per ordinary share	222,556	445,112
Proposed final dividend of HK\$0.30 (2018: HK\$0.20) per ordinary share	<u>667,668</u>	<u>445,112</u>

The final dividend of HK\$0.30 per share in respect of the financial year ended 31st December 2019 (2018: 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 2019 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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 to 3 months	655,018	487,785
3 to 6 months	44,725	48,065
6 to 9 months	48,604	44,186
9 to 12 months	71,912	43,969
Over 12 months	<u>237,822</u>	<u>160,877</u>
	<u>1,058,081</u>	<u>784,882</u>

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) ASSETS CLASSIFIED AS HELD FOR SALE

On 30 November 2018, the Group has entered in to a sales and purchase agreement to dispose its entire equity interests in the investment in a joint venture (the "Investment"). Certain pre-sale conditions need to be fulfilled by both before the completion of the disposal. As at 31 December 2019, management is in the view that the Investment is available for immediate sale in the present condition, subject only to terms that are usual and customary for sales and it is highly probable that the disposal will be completed within the next twelve months. Accordingly, the Investment was reclassified as assets classified as held for sale.

In accordance with the terms of the sale and purchase agreement, the Group has received a deposit amounted to approximately HK\$111,635,000, which is included in accounts payable, accruals and other payables.

(13) BORROWINGS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current		
Bank and financial institution borrowings	38,873,684	36,026,674
Commercial mortgage-backed securities (<i>Note (a)</i>)	7,986,349	5,629,858
Senior notes (<i>Note (b)</i>)	3,840,525	—
	<u>50,700,558</u>	<u>41,656,532</u>
Current		
Bank and financial institution borrowings	12,661,692	9,436,196
Corporate bonds	—	2,280,415
Asset-backed securities	—	1,686,913
Commercial mortgage-backed securities (<i>Note (a)</i>)	27,630	41,087
	<u>12,689,322</u>	<u>13,444,611</u>
	<u>63,389,880</u>	<u>55,101,143</u>

Notes:

- (a) In June 2018, the Group issued commercial mortgage-backed securities with an aggregate nominal value of RMB5,600,000,000 (equivalent to approximately HK\$6,251,535,000) (the “Securities”). The Securities will mature in 2039 and are repayable at their nominal value of RMB5,600,000,000. 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 2019, the Securities are secured by an investment property of approximately HK\$11,215 million (31st December 2018: HK\$7,180 million) and rental receivables of the investment property.

In June 2019, the Group issued commercial mortgage-backed securities with an aggregate nominal value of RMB2,000,000,000 (equivalent to approximately HK\$2,232,691,000) (the “Securities”). The Securities will mature in 2037 and are repayable at their nominal value of RMB2,000,000,000. 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 2019, the Securities are secured by an investment property of approximately HK\$2,900 million and rental receivables of the investment property.

- (b) In June 2019, the Group issued 7.5% senior notes with an aggregate nominal value of US\$500,000,000 (equivalent to approximately HK\$3,893,925,000) (the “Notes”). The Notes will mature in June 2022 and are repayable at their nominal value of US\$500,000,000. The Group may redeem all or a portion of the Notes at the redemption prices specified in the offering circular, plus accrued and unpaid interests to the redemption date, subject to the terms and conditions specified in the offering circular.

(14) ACCOUNTS PAYABLE, ACCRUALS AND OTHER PAYABLES

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 to 3 months	3,034,732	2,371,199
3 to 6 months	1,692,416	416,286
6 to 9 months	2,974,763	520,536
9 to 12 months	835,278	388,946
Over 12 months	5,482,251	5,363,350
	<u>14,019,440</u>	<u>9,060,317</u>

As at 31st December 2019, approximately HK\$829,032,000 (2018: HK\$454,670,000) of accounts payable were due to certain related companies in respect of property construction.

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

(15) RESERVES

For the year ended 31st December 2019

	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 2019	15,800,776	161,117	1,579,907	705,929	47,224,625	65,472,354
Profit for the year	—	—	—	—	9,486,000	9,486,000
Currency translation differences	—	—	—	(1,485,679)	—	(1,485,679)
Fair value loss on financial assets at fair value through other comprehensive income	—	—	(539,540)	—	—	(539,540)
Realised upon disposal of completed properties held for sale	—	—	(87,079)	—	—	(87,079)
Dividends paid	—	—	—	—	(667,668)	(667,668)
Deferred tax	—	—	179,733	—	—	179,733
Balance at 31st December 2019	<u>15,800,776</u>	<u>161,117</u>	<u>1,133,021</u>	<u>(779,750)</u>	<u>56,042,957</u>	<u>72,358,121</u>

For the year ended 31st December 2018

	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 2018	15,800,776	161,117	1,840,646	3,808,877	42,260,153	63,871,569
Changes in accounting policy	—	—	(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>

DIVIDEND

The Board has recommended the payment of a final dividend of HK30 cents per share for the year ended 31st December 2019. An interim dividend of HK10 cents per share has been declared for the half year ended 30th June 2019.

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, 12th June 2020, it is expected that the final dividend will be paid on Friday, 3rd July 2020 to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 22nd June 2020.

FINANCIAL REVIEW

Turnover

(i) *Recognised Sales*

The Group recognised a turnover of HK\$18,601 million in 2019, up 40% comparing to HK\$13,294 million of 2018. The overall GFA delivered by the Group in 2019 was 730,282 square metres (2018: 466,623 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), Hopson International New City (合生國際新城) in Huizhou, Hopson Asset Seascape Residence (合生財富海景公館) in Shanghai and Hopson Hushan Guoji Villa (合生湖山國際) in Guangzhou.

The overall average selling price in respect of delivered and completed properties was RMB15,362 (2018: RMB15,431) per square metre, which decreased by 0.5% as compared with 2018.

(ii) *Contracted Sales*

During the year, the Group recorded a total of RMB21,258 million contracted sales (2018: RMB14,975 million), up 42% year on year. As affected by market factors and the structure of product sales, the average contracted selling price increased 11% to RMB12,865 per square metre (2018: RMB11,547 per square metre).

Fourteen property projects were on sale in Guangzhou and the contracted sales were RMB5,698 million in 2019, representing 27% of the total contracted sales of the Group. The major projects included Hopson Hushan Guoji Villa (合生湖山國際), Hopson Belvedere Bay (合生君景灣), Hopson Xijing Garden (合生熹景花園) and Hopson Regal Riviera (合生珠江帝景).

The contracted sales in Beijing and Tianjin were RMB3,687 million, representing 17% of the total contracted sales of the Group in 2019. Twelve projects were on sale in Beijing and Tianjin, of which Hopson No. 8 Royal Park (合生霄雲路8號) and Taiyuan Hopson International City (太原合生國際城) were the major sales contributors.

There were nine property projects on sale in Shanghai, mainly comprising The Town of Hangzhou Bay (合生杭州灣國際新城) and Hopson International Garden (合生國際花園). The contracted sales in Shanghai amounted to RMB9,389 million, representing 44% of the total contracted sales of the Group.

There were six property projects on sale in Huizhou mainly comprising Hopson International New City (合生國際新城) and Hopson Xiaogui Bay (合生小桂灣). The contracted sales in amounted to RMB2,484 million, representing 12% of the total contracted sales of the Group.

Cost of Sales

Cost of sales included land and construction costs, decoration and design costs, and capitalised interest. There was an increase in recognised sales this year as compared with the previous year and accordingly, which resulted in an increase of cost of sales by 37% to HK\$9,237 million (2018: HK\$6,766 million) and a decrease of proportion to turnover by 1% to 50% (2018: 51%).

Gross Profit

Gross profit margin increased from 49% in 2018 to 50% in 2019, 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 Hushan Guoji Villa (合生湖山國際) and Hopson Xijing Garden (合生熹景花園), and the increase in rental from an additional investment property, namely Tianjin International Building (天津國際大廈), during the year. In view of the increase in the total area delivered by the Group as compared with the previous year, coupled with the slight decrease in unit sales price, there was smaller effect on the gross profit, maintaining stable growth.

Fair Value Gain on Investment Properties

Fair value gain on investment properties for 2019 was \$8,175.8 million (2018: HK\$4,673.3 million), up HK\$3,502.5 million. As at 31st December 2019, the Group had 15 (2018: 13) investment properties.

Other Income/Gains, Net

Other income/gains, net amounted to HK\$285.3 million in 2019 (2018: HK\$161.9 million), which included (1) gains from disposal of listed securities of HK\$88.6 million; (2) grants amounting to HK\$45.0 million in total from government authorities in Mainland China; (3) fair value loss on financial assets at fair value through profit or loss of HK\$9.2 million; (4) dividend income of HK\$155.8 million from investment in listed and unlisted securities; (5) interest income of HK\$5.8 million from financial assets at fair value through profit or loss; (6) net exchange losses of HK\$15.2 million; and (7) gain of HK\$8.7 million from disposal of subsidiaries; and (8) gain of HK\$5.8 million from disposal of an associate and a joint venture, respectively.

Operating Costs

The operating costs relating to expenses for selling, marketing, general and administration for 2019 increased by 31% to HK\$2,569 million (2018: HK\$1,960 million).

Finance Costs

Gross interest expense before capitalisation in 2019 increased by HK\$900 million or 26% to HK\$4,326 million (2018: HK\$3,426 million) primarily due to the increase in weighted average interest rate in 2019 as compared to the previous year.

Share of Profit of Joint Ventures

Share of profit of joint ventures represented the Group's share of profit of HK\$119.1 million from six joint ventures.

Taxation

The effective tax rate for 2019 was 34.6%, down 0.7% compared with the previous year (2018: 35.3%), which was mainly due to the fact that the land appreciation tax rate applicable to the major projects delivered this year was lower than that for major projects in the previous year.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders was HK\$9,486 million for 2019 (2018: HK\$5,775 million). Basic earnings per share were HK\$4.26 (2018: HK\$2.60). During the period under review, excluding the effect of the net of tax gain from investment property revaluation of HK\$6,132 million, the net of tax gain from the investment property revaluation of two joint ventures of HK\$47 million, the net of tax gain on disposal of financial assets at fair value through profit or loss of HK\$67 million, the net of tax gains from disposal of subsidiaries and associates as well as joint ventures of HK\$10 million, the underlying profit was HK\$3,230 million, up HK\$927 million or 40% as compared with the previous year.

Segment Information

Property development continued to be the Group's core business activity (68%). In 2019, 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, Zhongshan and Yangshuo) contributed 47.2% of the total revenue of the Group, followed by 24.6% from Eastern China (including Shanghai, Hangzhou, Kunshan, Ningbo, Cixi and Taicang) and 28.2% from Northern China (including Beijing, Tianjin, Dalian, Taiyuan and Qinhuangdao).

Financial Position

As at 31st December 2019, total assets of the Group amounted to HK\$204,104 million and its total liabilities amounted to HK\$129,088 million, representing an increase of 24.37% and 34.00% respectively as compared to 31st December 2018. 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, accruals and other payables.

The Group's current ratio as at 31st December 2019 was 1.98 (2018: 2.15). Equity as at 31st December 2019 was HK\$75,015 million, up 10.69% as compared with 31st December 2018 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 2019 was HK\$33.71.

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 2019, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding non-controlling interests) was 63% (2018: 59%). The net debt-to-equity ratio (i.e. total debt less cash and bank deposits over shareholders' equity) was 66% (2018: 70%).

As at 31st December 2019, the Group had cash and short-term bank deposits amounting to HK\$14,102 million (2018: HK\$7,940 million), of which approximately HK\$2 million (2018: approximately 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. 89.87% of the cash and bank deposits were denominated in Renminbi, 2.66% in Hong Kong dollars, 7.46% in United States dollars and 0.01% in other currencies.

Total borrowings from banks and financial institutions amounted to HK\$51,536 million as at 31st December 2019, representing an increase of 13% or HK\$6,073 million as compared to those as at 31st December 2018. Gearing ratio, measured by net borrowings from banks and financial institutions, corporate bonds, senior notes, asset-backed securities and commercial mortgage-backed securities (i.e. total borrowings from banks and financial institutions, corporate bonds, senior notes, asset-backed securities and commercial mortgage-backed securities less cash and bank deposits) as a percentage of shareholders' equity, was 66% as at 31st December 2019, representing a decrease of 4% from 70% as at 31st December 2018.

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 commercial mortgage-backed securities were secured and denominated in Renminbi.

All of the senior notes were secured and denominated in United State dollars.

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

The Group's borrowings repayment profile as at 31st December 2019 is as follows:

	As at 31st December 2019					As at 31st December 2018					
	Bank and financial institution borrowings	Commercial mortgage-backed securities	Senior notes	Other borrowings	Total	Bank and financial institution borrowings	Corporate bonds, commercial mortgage-backed securities and asset-backed securities	Other borrowings	Total		
<i>(HK\$ million)</i>											
Within one year	12,662	28	—	3,383	16,073	(24%)	9,436	4,008	3,040	16,484	(28%)
One to two years	15,413	75	—	—	15,488	(23%)	13,369	17	—	13,386	(23%)
Within two to five years	15,376	7,911	3,840	—	27,127	(41%)	19,461	5,613	—	25,074	(43%)
After five years	8,085	—	—	—	8,085	(12%)	3,197	—	—	3,197	(6%)
Total borrowings	51,536	8,014	3,840	3,383	66,773		45,463	9,638	3,040	58,141	
Less: Cash and bank deposits					(14,102)					(7,940)	
Net borrowings					52,671					50,201	

As at 31st December 2019, the Group had banking facilities of approximately HK\$88,053 million (2018: HK\$91,977 million) for short-term and long-term bank loans, of which HK\$24,663 million (2018: HK\$36,876 million) was unutilised.

Charge on Assets

As at 31st December 2019, certain assets of the Group with an aggregate carrying value of HK\$78,951 million (2018: HK\$50,364 million) and the Group's equity interest in subsidiaries of HK\$1,267 million (2018: HK\$1,393 million) was pledged with banks and financial institutions for loan facilities used by subsidiaries.

Financial Guarantees

As at 31st December 2019, the Group provided guarantees to banks for mortgage facilities granted to buyers of the Group's properties which amounted to HK\$11,846 million (2018: HK\$8,045 million).

Commitments

The Group's commitments as at 31st December 2019 were as follows:

	As at 31st December 2019 HK\$ million	As at 31st December 2018 HK\$ million
Capital commitments		
Contracted but not provided for		
— Acquisition of land and equity interests in certain land holding entities	916	1,266
— Property construction costs	1,532	1,821
— Capital contribution to an associate	239	254
	<u>2,687</u>	<u>3,341</u>
Property development commitments		
Contracted but not provided for		
— Property construction costs	25,390	20,680

The Group has operating lease commitments in respect of leased premises under various non-cancellable operating lease agreements. The balance as at 31st December 2018 included all leases, while upon the adoption of HKFRS 16, the balance as at 31st December 2019 included only the commitments for low-value leases and short term leases with a lease term of less than 12 months. The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	As at 31st December 2019 HK\$ million	As at 31st December 2018 HK\$ million
Amounts payable		
— Within one year	16	14
— Within two to five years	4	5
— After five years	—	34
	<u>20</u>	<u>53</u>

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

Treasury Policies and Capital Structure

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

EVENTS AFTER THE BALANCE SHEET DATE

Since January 2020, the coronavirus epidemic (“COVID 19”) has spread across China and other countries, and it has affected the business and economic activities. It may have certain impacts on the Group’s business operations, including slow-down of the Group’s property sales and construction activities, and temporary waivers of rentals in the Group’s property rental operations. The Group will keep continuous attention on the situation, assess and react actively to its impacts on the Group’s business operations. Up to the date of this report, the assessment is still in progress and the related financial impact on the Group could not be reasonably estimated at this stage, and will be reflected in the Group’s 2020 interim and annual financial statements.

On 19 February 2020, Hopson Capital International Group Co Ltd 合生資本國際集團有限公司, an indirect wholly-owned subsidiary of the Company, issued 6.0% senior notes due 2021 in an aggregate principal amount of US\$500,000,000 (equivalent to approximately HK\$3,893,925,000) which were guaranteed by the Company and certain wholly-owned subsidiaries of the Company. The Directors believe that the issue of the guaranteed senior notes allow the Group to obtain financing from international investors and improve its capital structure. The Group intends to use the proceeds from the issue of the guaranteed senior notes for project investments, constructions, refinancing and general corporate purposes.

FOREIGN EXCHANGE FLUCTUATIONS

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

MANAGEMENT CONTRACT

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

EMPLOYEES

As at 31st December 2019, the Group, excluding its associates and joint ventures, employed a total of 10,385 (as at 31st December 2018: 9,576) staff, the majority of which were employed in Mainland China. Employees' costs (including Directors' emoluments) amounted to HK\$1,581 million for the year ended 31st December 2019 (2018: HK\$1,299 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 2019, 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, whose appointment is for a 3-year term subject to renewal, none of the independent non-executive Directors is appointed for a specific term. This constitutes a deviation from code provision A.4.1. However, as all the independent non-executive Directors are subject to retirement by rotation and re-election by shareholders at the annual general meetings of the Company in accordance with the Company's Bye-laws, in the opinion of the Directors, this meets the objective of the CG Code.

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting for the year 2019 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 2019.

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 2019.

The figures in this preliminary announcement of the Group's results for the year ended 31st December 2019 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, 9th June 2020 to Friday, 12th June 2020 (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, 12th June 2020, 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, 8th June 2020.

The register of members of the Company will also be closed from Thursday, 18th June 2020 to Monday, 22nd June 2020 (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, 17th June 2020.

ANNUAL REPORT

The 2019 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 Ms. Chu Kut Yung (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 Kut Yung
Chairman

Hong Kong, 24th March 2020

* *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*