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合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 754)

website: <http://www.irasia.com/listco/hk/hopson>

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2016

FINANCIAL HIGHLIGHTS

(for the six months ended 30th June 2016)

- Turnover was HK\$7,350 million.
- Profit attributable to equity holders was HK\$1,693 million.
- Basic earnings per share was HK\$0.759 per share.

BUSINESS REVIEW

Industry overview

- In the first half of 2016, China's gross domestic product amounted to RMB34,063.7 billion, representing an increase of 6.7% year-on-year. The National Bureau of Statistics stated that, in the light of the collaborative efforts attributed to further promotion of reform and innovation and consistent implementation of macro-economic policy since 2016, the national economy continued the development trend of generally stable growth and realizing progress and positive development amidst stability, which laid a sound foundation for the accomplishment of the annual economic objectives.
- Facing the continuous adjustment and control over land supply in first-tier cities, as well as the in-depth transformation of the real estate market, the Group continued to leverage its competitive edges as usual. Through its diversified portfolio comprising residential properties, commercial properties, industrial real estate and etc., the Group enhanced the additional value and quality of its products.

* For identification purposes only

- The Group has also continuously promoted innovation of products, enriched product varieties, optimized product structure, improved comprehensive ancillary facilities and created a high-end brand image to gain recognition from customers and market reputation so as to secure steady and solid growth in results.

Contracted sales performance

Details of properties sold under sale and pre-sale contracts in the first half of 2016 totalling RMB5,760 million (2015: RMB5,502 million) were as follows:

- In Guangzhou, a total GFA of 74,627 square metres (2015: 161,825 square metres) with a carrying value of RMB1,016 million (2015: RMB2,472 million) was sold. The decrease in sales was mainly attributable to the lower volume of newly launched properties during the period while new products of Hopson Regal Riviera and Hopson Belvedere Bay, which continued to record impressive sales, were launched during the same period of last year.
- In Shanghai, a total GFA of 184,042 square metres (2015: 110,394 square metres) with a carrying value of RMB1,988 million (2015: RMB1,270 million) was sold. The increase in sales was mainly attributable to the new supply of units of Hopson Asset Seascape Residence and The Town of Hangzhou Bay.
- In Beijing and Tianjin, a total GFA of 115,307 square metres (2015: 94,714 square metres) with a carrying value of RMB1,496 million (2015: RMB1,260 million) was sold. The increase in sales was mainly attributable to the increased sales of the project as a result of continual improvement of ancillary facilities of Hopson Belvedere Bay in Tianjin.
- In Huizhou, a total GFA of 188,831 square metres (2015: 88,033 square metres) with a carrying value of RMB1,260 million (2015: RMB500 million) was sold. The increase in sales was mainly attributable to the launch of new units and optimisation of channel resources, which contributed to the increase in contracted sales of Hopson International New City and Hopson Xiaogui Bay as compared to the same period of last year.

Properties sold but yet to be delivered

As at 30th June 2016, the GFA in respect of which the Group had entered into sale and pre-sale contracts and yet to be delivered to buyers was 1,049,636 square metres (31st December 2015: 907,683 square metres). Following the delivery of these properties, the proceeds received therefrom totalling HK\$12,642 million will be recognised as revenue in the Group's financial statements in the second half of 2016 and thereafter.

Delivery of properties

A total GFA of 420,854 square metres (2015: 339,989 square metres) was delivered in the first half of 2016.

Project development progress

- A total GFA of approximately 817,807 square metres was completed in the first half of 2016.
- A total GFA of approximately 1,417,169 square metres is expected to be completed in the second half of 2016.

Landbank

As of 30th June 2016, the Group had a landbank of 30.57 million square metres (31st December 2015: 30.99 million square metres).

Prospects

- In the first half of 2016, although China's real estate market has gradually recovered, the domestic and overseas environment remains complex and challenging while considerable downward pressure still remains. As a result, it is expected that the Party Central Committee and the State Council will adhere to the general tone of realizing progress amidst stability for the moderate expansion of aggregate demand and persevere in promoting the structural supply-side reform, develop a new economic structure and strengthen new development drivers so as to favor the consistent and healthy growth of the national economy.
- In response, the Group will make prudent assessment to ride on this wave of change, establish a good balance among its various businesses and set sales targets of achieving stable growth in line with market demand. Furthermore, we will step up our efforts in the existing markets while pursuing full-range expansion in geographical coverage to diversify operational risks. In order to further enhance our product qualities and brand influence in the face of the changing market environment, the Group will improve its product quality on the basis of enhanced cost control, intensify marketing efforts, improve product competitiveness and achieve even higher service standard.

The board (the "Board") of directors (the "Directors") of Hopson Development Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June 2016 together with the comparative figures for the previous period.

The interim financial information of the Company for the six months ended 30th June 2016 has been reviewed by the Company's audit committee and the Board.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Six months ended 30th June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenues	4	7,350,399	7,506,983
Cost of sales	6	<u>(5,762,067)</u>	<u>(5,633,686)</u>
Gross profit		1,588,332	1,873,297
Fair value gain on investment properties		1,589,302	572,382
Other income/gains, net	5	109,365	159,093
Selling and marketing expenses	6	(242,057)	(255,987)
General and administrative expenses	6	(583,181)	(611,848)
Finance income	7	13,439	59,135
Finance costs	7	(135,603)	(81,783)
Share of profit/(loss) of associates		898	(86)
Share of profit of joint ventures	8	<u>60,661</u>	<u>56,906</u>
Profit before taxation		2,401,156	1,771,109
Taxation	9	<u>(731,357)</u>	<u>(673,329)</u>
Profit for the period		<u>1,669,799</u>	<u>1,097,780</u>
Attributable to:			
Equity holders of the Company		1,692,739	1,117,050
Non-controlling interests		<u>(22,940)</u>	<u>(19,270)</u>
		<u>1,669,799</u>	<u>1,097,780</u>
Earnings per share for profit attributable to equity holders of the Company during the period (in HK\$ per share)			
— basic and diluted	10	<u>0.759</u>	<u>0.498</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	1,669,799	1,097,780
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss)/gain on available-for-sale financial assets	(69,721)	110,303
Assets revaluation reserve realised upon disposal of properties held for sale	(25,463)	(162,032)
Deferred tax	29,563	49,630
Currency translation differences	(1,132,164)	19,326
Other comprehensive (loss)/income for the period, net of tax	(1,197,785)	17,227
Total comprehensive income for the period	472,014	1,115,007
Attributable to:		
Equity holders of the Company	538,021	1,133,497
Non-controlling interests	(66,007)	(18,490)
	472,014	1,115,007

CONDENSED CONSOLIDATED BALANCE SHEET

	As at	
	30th June 2016 <i>HK\$'000</i> (Unaudited)	31st December 2015 <i>HK\$'000</i> (Audited)
<i>Note</i>		
ASSETS		
Non-current assets		
Land costs	1,906,122	1,976,377
Prepayments for acquisition of land	124,470	126,980
Prepayments for construction work	—	587,141
Properties and equipment	3,861,080	3,958,050
Investment properties	31,088,022	28,935,997
Goodwill	33,332	39,912
Investments in associates	146,530	148,579
Investments in joint ventures	7,685,201	7,778,864
Available-for-sale financial assets	2,998,817	3,129,699
Deferred tax assets	489,445	402,162
	<u>48,333,019</u>	<u>47,083,761</u>
Current assets		
Prepayments for acquisition of land	9,475,039	9,658,469
Properties under development for sale	47,924,708	49,836,168
Completed properties for sale	23,920,785	25,196,674
Financial assets at fair value through profit or loss	13,235	13,101
Accounts receivable	509,758	425,296
Prepayments, deposits and other current assets	2,336,745	2,497,694
Due from a joint venture	33,877	32,031
Due from associates	206	210
Due from related companies	5,395	3,899
Pledged/charged bank deposits	507,720	676,049
Cash and cash equivalents	9,964,916	4,753,340
	<u>94,692,384</u>	<u>93,092,931</u>
Total assets	<u>143,025,403</u>	<u>140,176,692</u>

	<i>Note</i>	As at	
		30th June 2016 HK\$'000 (Unaudited)	31st December 2015 HK\$'000 (Audited)
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		222,556	223,412
Reserves	15	54,369,940	54,112,981
		<u>54,592,496</u>	<u>54,336,393</u>
Non-controlling interests		2,133,717	2,181,998
		<u>56,726,213</u>	<u>56,518,391</u>
LIABILITIES			
Non-current liabilities			
Land cost payable		56,499	57,638
Borrowings	13	36,201,747	35,516,944
Due to non-controlling interests		527,569	538,205
Deferred tax liabilities		6,085,437	5,863,904
		<u>42,871,252</u>	<u>41,976,691</u>
Current liabilities			
Accounts payable	14	6,854,461	7,354,186
Land cost payable		81,283	83,092
Dividends payable		223,020	—
Borrowings	13	13,288,829	11,188,721
Deferred revenue		12,642,398	11,937,499
Accruals and other payables		2,868,943	3,177,798
Due to joint ventures		3,404,861	3,473,505
Due to an associate		6,458	6,588
Due to related companies		621,612	596,329
Current tax liabilities		3,436,073	3,863,892
		<u>43,427,938</u>	<u>41,681,610</u>
Total liabilities		<u>86,299,190</u>	<u>83,658,301</u>
Total equity and liabilities		<u>143,025,403</u>	<u>140,176,692</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 30th June 2016			
	Attributable to equity holders of the Company		Non-controlling interests	Total
	Share capital	Reserves		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1st January 2016	223,412	54,112,981	2,181,998	56,518,391
Total comprehensive income for the period	—	538,021	(66,007)	472,014
Transactions with owners:				
Dividends payable	—	(223,020)	—	(223,020)
Repurchase of own shares	(856)	(58,042)	—	(58,898)
Capital contribution by non-controlling interests of a subsidiary	—	—	17,726	17,726
	<u>(856)</u>	<u>(281,062)</u>	<u>17,726</u>	<u>(264,192)</u>
Balance at 30th June 2016	<u>222,556</u>	<u>54,369,940</u>	<u>2,133,717</u>	<u>56,726,213</u>
	Unaudited six months ended 30th June 2015			
	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 2015	224,392	55,375,974	2,385,072	57,985,438
Total comprehensive income for the period	—	1,133,497	(18,490)	1,115,007
Transactions with owners:				
Repurchase of own shares	(202)	(15,508)	—	(15,710)
Balance at 30th June 2015	<u>224,190</u>	<u>56,493,963</u>	<u>2,366,582</u>	<u>59,084,735</u>

Notes:

(1) GENERAL INFORMATION

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

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

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

This unaudited interim financial information is presented in Hong Kong dollars, unless otherwise stated and has been approved for issue by the Board of Directors on 30th August 2016.

(2) BASIS OF PREPARATION

This unaudited interim financial information for the six months ended 30th June 2016 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

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

This unaudited interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31st December 2015.

(3) ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of this unaudited interim financial information are consistent with those used in the annual financial statements for the year ended 31st December 2015, except for the adoption of amendments to the existing accounting standards as described below.

Adoption of new standards and amendments to existing standards

In 2016, the Group adopted the following amendments, which are effective for accounting periods beginning on or after 1st January 2016.

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agricultural: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual improvements 2012–2014 cycle	Improvements to HKFRSs

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

New standards and amendments to existing standards that are not yet effective		Effective for accounting periods beginning on or after
HKAS 12 (Amendments)	Income Taxes	1st January 2017
HKAS 7 (Amendments)	Statement of Cash Flows	1st January 2017
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contract with Customers	1st January 2018
HKFRS 16	Leases	1st January 2019

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

(4) SEGMENT INFORMATION

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

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

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

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

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

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

	Six months ended 30th June	
	2016	2015
	HK\$’000	HK\$’000
Sales of properties	6,204,398	6,635,845
Construction services		
— Decoration	241,108	65,241
Property management income	391,012	396,175
Income from hotel operations	91,743	111,903
Rental income		
— Investment properties	322,767	218,371
— Others	99,371	79,448
	<u>7,350,399</u>	<u>7,506,983</u>

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

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

The segment results by business lines and by geographical areas for the six months ended 30th June 2015 are as follows:

	Property development			Property investment			Hotel operations			Property management	Group
	SC	EC	NC	SC	EC	NC	SC	EC	NC		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30th June 2015											
Total revenues	1,772,788	3,617,799	1,936,398	95,120	84,828	40,695	38,466	6,790	70,725	403,238	8,066,847
Intra/inter-segment revenues	(485,289)	—	(61,162)	(2,272)	—	—	(30)	—	(4,048)	(7,063)	(559,864)
Revenues	<u>1,287,499</u>	<u>3,617,799</u>	<u>1,875,236</u>	<u>92,848</u>	<u>84,828</u>	<u>40,695</u>	<u>38,436</u>	<u>6,790</u>	<u>66,677</u>	<u>396,175</u>	<u>7,506,983</u>
Segment results	<u>352,334</u>	<u>659,467</u>	<u>49,331</u>	<u>348,975</u>	<u>145,457</u>	<u>220,085</u>	<u>4,303</u>	<u>(14,182)</u>	<u>(103,789)</u>	<u>(3,766)</u>	<u>1,658,215</u>
Depreciation	(5,680)	(1,336)	(12,066)	(390)	(58)	(53)	(4,197)	(117)	(56,818)	(1,419)	(82,134)
Amortisation	—	—	—	—	—	—	(9,774)	(13,347)	(3,432)	—	(26,553)
Provision for impairment of accounts receivable	—	—	—	—	—	—	—	—	—	(16,987)	(16,987)
Fair value gain on investment properties	—	—	—	297,681	84,543	190,158	—	—	—	—	572,382
Share of (loss)/profit of associates	(132)	—	46	—	—	—	—	—	—	—	(86)
Share of profit/(loss) of joint ventures	<u>32,293</u>	<u>—</u>	<u>(1,922)</u>	<u>—</u>	<u>—</u>	<u>26,535</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>56,906</u>

The segment assets by business lines and by geographical areas as at 30th June 2016 are as follows:

	Property development			Property investment			Hotel operations			Property management	Group
	SC	EC	NC	SC	EC	NC	SC	EC	NC		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at and for the six months ended 30th June 2016	<u>37,128,533</u>	<u>17,498,547</u>	<u>45,469,714</u>	<u>7,072,237</u>	<u>14,414,471</u>	<u>11,988,025</u>	<u>991,175</u>	<u>1,459,511</u>	<u>2,644,416</u>	<u>870,512</u>	<u>139,537,141</u>
Segment assets include:											
Investments in associates	3,125	—	143,405	—	—	—	—	—	—	—	146,530
Investments in joint ventures	<u>4,711,624</u>	<u>—</u>	<u>1,095,447</u>	<u>46,907</u>	<u>—</u>	<u>1,831,223</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,685,201</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>855</u>	<u>151</u>	<u>3,140</u>	<u>61,028</u>	<u>319,106</u>	<u>509,813</u>	<u>53</u>	<u>50,593</u>	<u>5,321</u>	<u>827</u>	<u>950,887</u>

The segment assets by business lines and by geographical areas as at 31st December 2015 are as follows:

	Property development			Property investment			Hotel operations			Property management	Group
	SC	EC	NC	SC	EC	NC	SC	EC	NC		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at and for the year ended 31st December 2015	<u>35,861,570</u>	<u>18,655,521</u>	<u>44,450,945</u>	<u>6,141,416</u>	<u>13,915,406</u>	<u>11,951,404</u>	<u>1,032,136</u>	<u>1,437,972</u>	<u>2,753,874</u>	<u>444,587</u>	<u>136,644,831</u>
Segment assets include:											
Investments in associates	2,300	—	146,279	—	—	—	—	—	—	—	148,579
Investments in joint ventures	<u>4,772,543</u>	<u>—</u>	<u>1,126,036</u>	<u>48,419</u>	<u>—</u>	<u>1,831,866</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,778,864</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>3,085</u>	<u>2,018</u>	<u>9,606</u>	<u>290,565</u>	<u>1,231,038</u>	<u>483,312</u>	<u>1,389</u>	<u>33,789</u>	<u>718,747</u>	<u>2,012</u>	<u>2,775,561</u>

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

	Six months ended 30th June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Reportable segment profit from operations	2,429,147	1,658,215
Unallocated corporate expenses (including exchange loss), net	(38,272)	(55,862)
Dividend income	132,445	191,404
Finance income	13,439	59,135
Finance costs	(135,603)	(81,783)
	<u>2,401,156</u>	<u>1,771,109</u>
Profit before taxation	<u>2,401,156</u>	<u>1,771,109</u>

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

	As at	
	30th June	31st December
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Total segment assets	139,537,141	136,644,831
Available-for-sale financial assets	2,998,817	3,129,699
Deferred tax assets	489,445	402,162
	<u>143,025,403</u>	<u>140,176,692</u>
Total assets	<u>143,025,403</u>	<u>140,176,692</u>

The Group primarily operates in Mainland China. All revenues for the six months ended 30th June 2016 and 2015 are from Mainland China.

As at 30th June 2016 and 31st December 2015, all non-current assets are located in Mainland China.

(5) OTHER INCOME/GAINS, NET

	Six months ended 30th June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividend income from		
— available-for-sale financial assets	132,294	191,404
— financial assets at fair value through profit or loss	151	—
Government grants	1,343	1,702
Fair value gain on financial assets at fair value through profit or loss	142	1,276
Excess of the fair value of net assets of a subsidiary acquired over acquisition cost	—	3,025
Net foreign exchange losses charged in consolidated income statement		
— net foreign exchange losses	(62,464)	(38,314)
— exchange losses relating to foreign currency borrowings capitalised	43,508	—
Provision for impairment of goodwill	(5,609)	—
	<u>109,365</u>	<u>159,093</u>

(6) EXPENSES BY NATURE

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

	Six months ended 30th June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Advertising and promotion costs	89,388	105,072
Amortisation of land costs	26,980	26,553
Cost of completed properties sold	4,882,719	5,029,519
Depreciation of properties and equipment	81,169	82,134
Direct operating expenses arising from investment properties that		
— generated rental income	125,259	60,953
— did not generate rental income	10,580	8,684
Employees' benefits costs (including Directors' emoluments)	472,847	472,889
Loss on disposals of properties and equipment	3,451	1,852
Operating lease rental in respect of premises	8,333	22,022
(Reversal of)/provision for impairment of accounts receivable	(4,239)	16,987

(7) FINANCE INCOME AND COSTS

	Six months ended 30th June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expense and other borrowing costs:		
— loans from banks and financial institutions	1,686,569	1,815,765
— senior notes	47,533	214,947
— corporate bonds and asset-backed securities	41,667	—
	<u>1,775,769</u>	<u>2,030,712</u>
Total borrowing costs incurred	1,775,769	2,030,712
Less: Amount capitalised as part of the cost of properties under development	(1,775,769)	(2,030,712)
	<u>—</u>	<u>—</u>
Costs on early redemption of senior notes (<i>Note 13</i>)	135,603	81,783
Interest income from banks and a joint venture	(13,439)	(59,135)
	<u>122,164</u>	<u>22,648</u>
Net finance costs	<u>122,164</u>	<u>22,648</u>

The weighted average interest rate of borrowing costs capitalised for the six months ended 30th June 2016 was approximately 6.5% (2015: 7.6%) per annum.

(8) SHARE OF PROFIT OF JOINT VENTURES

For the six months ended 30th June 2016, the amount included the share of fair value gain, net of tax, on the investment properties of joint ventures located in Beijing and Guangzhou, amounting to approximately HK\$23,536,000 (2015: HK\$1,334,000).

(9) TAXATION

	Six months ended 30th June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong profits tax	—	164
Mainland China corporate income tax	287,112	226,265
Mainland China land appreciation tax	170,090	335,603
Mainland China withholding income tax	—	22,388
	<u>457,202</u>	<u>584,420</u>
Deferred tax		
Mainland China corporate income tax	287,433	116,541
Mainland China land appreciation tax	(14,653)	(28,863)
Mainland China withholding income tax	1,375	1,231
	<u>274,155</u>	<u>88,909</u>
	<u>731,357</u>	<u>673,329</u>

No Hong Kong profits tax was provided for the six months ended 30th June 2016 as the Group did not have any assessable profit which is subject to Hong Kong profits tax. Hong Kong profits tax has been provided at 16.5% on the estimated assessable profit for the six months ended 30th June 2015.

Subsidiaries established and operated in Mainland China are subject to Mainland China corporate income tax at the rate of 25% for the six months ended 30th June 2016 (2015: 25%).

Mainland China land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

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

(10) EARNINGS PER SHARE

Basic

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

	Six months ended 30th June	
	2016 (Unaudited)	2015 (Unaudited)
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>1,692,739</u>	<u>1,117,050</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>2,230,209</u>	<u>2,243,155</u>
Basic earnings per share (<i>HK\$ per share</i>)	<u>0.759</u>	<u>0.498</u>

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Since there was no dilutive potential ordinary shares during the six months ended 30th June 2016 and 30th June 2015, diluted earnings per share is equal to basic earnings per share.

(11) DIVIDEND

The Board of Directors did not recommend the payment of any interim dividend in respect of the six months ended 30th June 2016 and 30th June 2015.

(12) ACCOUNTS RECEIVABLE

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

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

	As at	
	30th June 2016 HK\$'000 (Unaudited)	31st December 2015 HK\$'000 (Audited)
0 to 3 months	239,462	189,182
3 to 6 months	44,492	17,335
6 to 9 months	12,611	13,441
9 to 12 months	9,619	15,483
Over 12 months	203,574	189,855
	<u>509,758</u>	<u>425,296</u>

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

(13) BORROWINGS

	As at	
	30th June 2016 HK\$'000 (Unaudited)	31st December 2015 HK\$'000 (Audited)
Non-current		
Bank and financial institution borrowings	30,511,758	33,213,814
Senior notes (Note (a))	—	2,303,130
Corporate bonds (Note (b))	3,607,520	—
Asset-backed securities (Note (c))	2,082,469	—
	<u>36,201,747</u>	<u>35,516,944</u>
Current		
Bank and financial institution borrowings	12,936,358	11,188,721
Asset-backed securities (Note (c))	352,471	—
	<u>13,288,829</u>	<u>11,188,721</u>
	<u>49,490,576</u>	<u>46,705,665</u>

Notes:

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

In March 2016, the Company redeemed all the outstanding 2018 Notes at 104.9375% of the principal amount of US\$300,000,000 (equivalent to approximately HK\$2,325,288,000) according to the mechanism specified in the offering circular, plus accrued and unpaid interest to the redemption date. The redemption amount included a premium of US\$14,812,500 (equivalent to approximately HK\$114,811,000). The redemption premium together with the unamortised borrowing costs totalling HK\$135,603,000 were charged to the condensed consolidated income statement during the six months ended 30th June 2016.

- (b) In June 2016, the Company issued 4.95% corporate bonds with an aggregate nominal value of RMB3,100,000,000 (equivalent to approximately HK\$3,627,131,000) (the “Bonds”) for a total consideration of approximately HK\$3,627,131,000. The Bond mature in three years (June 2019) and are repayable at their nominal value of RMB3,100,000,000. The Company is entitled to adjust the coupon rate and the investors are entitled at its option to sell back the Bonds to the Company at the end of the second year from the date of issue, subject to the terms and conditions specified in the offering circular.
- (c) In March 2016, the Company issued asset-backed securities with an aggregate nominal value of RMB2,107,000,000 (equivalent to approximately HK\$2,465,279,000) (the “Securities”) for a total consideration of approximately HK\$2,465,279,000. The Securities mature in 2017, 2018, 2019, 2020, 2021 and 2022 and are repayable at their nominal value of RMB2,107,000,000. The Company is entitled to redeem all of the Securities matured in 2020, 2021 and 2022 at the end of the third year from the date of issue, subject to the terms and conditions specified in the offering circular. The investors are entitled to sell back all of the Securities matured in 2020, 2021 and 2022 at the end of the third year from the date of issue, subject to the terms and conditions specified in the offering circular.

(14) ACCOUNTS PAYABLE

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

	As at	
	30th June 2016 <i>HK\$'000</i> (Unaudited)	31st December 2015 <i>HK\$'000</i> (Audited)
0 to 3 months	539,594	1,229,903
3 to 6 months	503,236	862,143
6 to 9 months	840,305	520,335
9 to 12 months	504,691	559,100
Over 12 months	4,466,635	4,182,705
	<u>6,854,461</u>	<u>7,354,186</u>

As at 30th June 2016, approximately HK\$699,903,000 (31st December 2015: HK\$560,141,000) of accounts payable were due to certain related companies in respect of property construction.

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

(15) RESERVES

For the six months ended 30th June 2016

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

For the six months ended 30th June 2015

	Share premium <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Assets revaluation reserve <i>HK\$'000</i>	Currency translation differences <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1st January 2015	15,931,098	161,117	1,282,475	6,612,411	31,388,873	55,375,974
Profit for the period	—	—	—	—	1,117,050	1,117,050
Currency translation differences	—	—	—	18,546	—	18,546
Repurchase of own shares	(14,327)	—	—	—	(1,181)	(15,508)
Fair value gain on available-for-sale financial assets	—	—	110,303	—	—	110,303
Realised upon disposal of properties held for sale	—	—	(162,032)	—	—	(162,032)
Deferred tax	—	—	49,630	—	—	49,630
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30th June 2015	<u>15,916,771</u>	<u>161,117</u>	<u>1,280,376</u>	<u>6,630,957</u>	<u>32,504,742</u>	<u>56,493,963</u>

DIVIDEND

The Board of Directors did not recommend the payment of any interim dividend in respect of the six months ended 30th June 2016 and 30th June 2015.

FINANCIAL REVIEW

Turnover

(i) *Recognised Sales*

For the first six months of 2016, the Group recorded a turnover of RMB6,220 million (HK\$7,350 million), up 5% (denominated in RMB) and down 2% (denominated in HK\$) comparing to RMB5,921 million (HK\$7,507 million) of 2015, with a total GFA of 420,854 square metres (2015: 339,989 square metres). The major projects delivered include Hopson Regal Park (合生濱江帝景) in Beijing, Hopson Times Garden (合生前灘一號) and Hopson Asset Seascape Residence (合生財富海景公館) in Shanghai, Hopson Belvedere Bay (合生君景灣) in Tianjin and Hopson Belvedere Bay (佛山南海合生君景灣) in Nanhai, Foshan, Guangzhou.

The overall average selling price in respect of delivered and completed properties decreased by 19% to RMB12,368 per square metre (2015: RMB15,361 per square metre). In summary, it was mainly affected by the change in delivered projects and product mix.

In Beijing, the overall average selling price for the first half of 2016 increased to RMB18,287 per square metre (2015: RMB14,806 per square metre). The increase in average selling price was mainly due to the increased proportion of recognized sales of Hopson Regal Park (合生濱江帝景) and Hopson No. 8 Royal Park (合生霄雲路8號) which have relatively higher selling prices among the total recognized sales of the whole region.

In Shanghai, the overall average selling price for the first half of 2016 decreased to RMB11,958 per square metre (2015: RMB14,926 per square metre). The decrease is due to the increased proportion of units delivered under Hopson Asset Seascape Residence (合生財富海景公館) and Ningbo Hopson International City (寧波合生國際城), which have relatively lower selling prices, during the period as compared to the same period of last year, as well as the decreased proportion of units delivered under Hopson Times Garden (合生前灘一號), which has relatively higher selling prices, during the period as compared to the same period of last year.

In Guangzhou, the overall average selling price for the first half of 2016 decreased to RMB11,484 per square metre (2015: RMB25,350 per square metre). The decrease is due to the fact that the major project delivered during the first half of the year was Hopson Belvedere Bay (佛山南海合生君景灣) in Nanhai, Foshan, a project with relatively lower selling prices, while the major project delivered in the same period of last year was Hopson Regal Riviera (合生珠江帝景), a project with relatively higher selling prices.

In Huizhou, the overall average selling price for the first half of 2016 decreased to RMB6,154 per square metre (2015: RMB7,366 per square metre). The decrease is due to higher proportions of Hopson International New City (合生國際新城) and Hopson Xiaogui Bay (合生小桂灣), projects with relatively lower selling prices, in regional recognized sales during the first half of this year, while Hopson Regal Bay (合生帝景灣), a project with relatively higher selling prices, represented a higher proportion in regional recognized sales during the first half of last year.

(ii) *Contracted Sales*

The Group recorded total contracted sales of RMB5,760 million (2015: RMB5,502 million) for the first six months of 2016. Affected by the product mix, the average contracted selling price decreased by 15% to RMB10,235 per square metre (2015: RMB12,093 per square metre).

In the first half of 2016, Guangzhou and Huizhou had in total sixteen projects on sale and the contracted sales amounted to RMB2,276 million, representing 40% of the total contracted sales of the Group. The major projects were Hopson Regal Riviera (合生珠江帝景), Hopson International New City (合生國際新城) and Hopson Xiaogui Bay (合生小桂灣).

There were nine property projects on sale in Shanghai, mainly comprising Hopson Asset Seascap Residence (合生財富海景公館) and Hopson Times Garden (合生前灘一號). Contracted sales of Shanghai amounted to RMB1,988 million, representing 34% of the total contracted sales of the Group.

The combined contracted sales of Beijing and Tianjin were RMB1,496 million, representing 26% of the total contracted sales of the Group in the first half of 2016. Nine projects in total were on sale in Beijing and Tianjin, of which Hopson Regal Park (合生濱江帝景) and Hopson Belvedere Bay (合生君景灣) in Tianjin were the major sales contributors.

Gross Profit

Gross profit for the first half of 2016 amounted to HK\$1,588 million (2015: HK\$1,873 million) with a gross profit margin percentage of 22% (2015: 25%). The decrease in gross profit margin percentage was mainly attributable to the fact that a larger proportion of rigid demand products, which have lower profit margins, were delivered during the period.

Fair Value Gain on Investment Properties

Fair value gain on investment properties for the six months ended 30th June 2016 amounted to HK\$1,589.3 million (2015: HK\$572.4 million), up HK\$1,016.9 million or 178%. As at 30th June 2016, the Group has 11 (2015: 10) investment properties.

Other Income/Gains, Net

Other income/gains for the six months ended 30th June 2016 amounted to HK\$109.4 million (2015: HK\$159.1 million), comprising (1) dividend income of HK\$132.5 million from investment in listed and unlisted securities; (2) grants totalling HK\$1.4 million from government authorities in Mainland China; (3) fair value gain of HK\$0.1 million from listed securities; (4) net exchange loss of HK\$19.0 million; and (5) goodwill impairment of HK\$5.6 million.

Operating Costs

The operating costs relating to expenses for selling, marketing, general and administration decreased by 5% to HK\$825 million in the first half of 2016 (2015: HK\$868 million). The operating costs in the first half of the year remained stable as compared with the same period of last year.

Finance Costs

Gross interest expenses before capitalisation for the first half of 2016 decreased to HK\$1,776 million (2015: HK\$2,031 million), down HK\$255 million or 13%. The decrease was primarily attributable to the decrease in the weighted average interest rate during the first half of 2016 as compared to the same period of last year. The effective interest rate in respect of the Group's borrowings was approximately 6.5% per annum (2015: 7.6%).

Share of Profit of Joint Ventures

Share of profit of joint ventures represented the Group's share of profit of HK\$61 million from three joint ventures located in Beijing and Guangzhou.

Taxation

The effective tax rate was 31% for the first half of 2016, down 7% as compared with the same period of last year. The decrease was mainly attributable to the fact that the projects delivered in the first half of the year were mainly those with rigid demand. Such projects had a relatively lower appreciation rate and therefore dragged down the effective tax rate as land appreciation tax is calculated in accordance with the proportion of the amount of appreciation and the sum of deductible items using progressive rate.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders was HK\$1,693 million for the first half of 2016 (2015: HK\$1,117 million). Basic earnings per share was HK\$0.759. Excluding the effect of the net of tax gain from investment property revaluation of HK\$1,192 million, the net of tax gain from the investment property revaluation of two joint ventures of HK\$24 million, adding the impairment of goodwill of HK\$6 million and the costs on early redemption of senior notes of HK\$135 million, underlying profit for the period under review was HK\$618 million, representing a decrease of HK\$147 million, or 19%, as compared with that of the corresponding period in the prior year. The overall decrease of the underlying profit for the period was mainly attributable to the decrease in gross profit and the increase in finance costs.

Segment Information

Property development continued to be the Group's core business activity (84%). In 2016, the Group continued to develop its business in the three core economic regions, namely the Huanbohai Area, Pearl River Delta and Yangtze River Delta. Northern China (including Beijing, Tianjin, Dalian, Taiyuan and Qinhuangdao) contributed 53% to the total revenues of the Group, followed by Eastern China (including Shanghai, Hangzhou, Kunshan, Ningbo, Cixi and Taicang) (24%) and Southern China (including Guangzhou, Huizhou and Zhongshan) (23%).

Financial Position

As at 30th June 2016, total assets of the Group amounted to HK\$143,025 million and total liabilities came to HK\$86,299 million, representing an increase of 2% and 3% respectively as compared to 31st December 2015. The increase in total assets was mainly attributable to the increase in investment properties and cash and cash equivalents. The increase in total liabilities was mainly attributable to the increase in borrowings.

The Group's current ratio as at 30th June 2016 was 2.18 (31st December 2015: 2.23). Equity as at 30th June 2016 increased 0.37% to HK\$56,726 million from 31st December 2015, mainly due to the increase in profit attributable to equity holders during the period. The net-asset-value ("NAV") per share as at 30th June 2016 was HK\$25.49.

Liquidity and Financial Position

As at 30th June 2016, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding non-controlling interests) was 60% (31st December 2015: 60%). The net-debt-to-equity ratio (i.e. total debt less cash and bank deposits over shareholders' equity) was 69% (31st December 2015: 73%).

As at 30th June 2016, the Group had cash and bank deposits amounting to HK\$10,473 million (31st December 2015: HK\$5,429 million), of which approximately HK\$3 million (31st December 2015: HK\$3 million) was charged by certain banks in respect of the processing of mortgage facilities granted by the banks to the buyers of the Group's properties. 96.53% of the cash and bank deposits were denominated in Renminbi, 3.04% in Hong Kong dollars and 0.43% in United States dollars.

Total borrowings from banks and financial institutions amounted to HK\$43,448 million as at 30th June 2016, representing a decrease of 2% or HK\$955 million as compared to those as at 31st December 2015. Gearing ratio, measured by net bank and financial institution borrowings, corporate bonds and asset-backed securities (i.e. total bank and financial institution borrowings, corporate bonds and asset-backed securities less cash and bank deposits) as a percentage of shareholders' equity, was 69% as at 30th June 2016, representing a decrease of 4 percentage points from 73% as at 31st December 2015.

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

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

The Group's borrowings repayment profile as at 30th June 2016 was as follows:

(HK\$ million)	As at 30th June 2016				As at 31st December 2015					
	Bank and financial institution borrowings	Corporate bonds and asset-backed securities	Other borrowings	Total	Bank and financial institution borrowings	Guaranteed senior notes	Other borrowings	Total		
1 year	12,936	353	4,033	17,322	(32%)	11,189	—	4,076	15,265	(30%)
1–2 years	8,065	372	—	8,437	(16%)	8,206	—	—	8,206	(16%)
2–5 years	15,208	5,318	—	20,526	(38%)	18,387	2,303	—	20,690	(41%)
After 5 years	7,239	—	—	7,239	(14%)	6,621	—	—	6,621	(13%)
Total	43,448	6,043	4,033	53,524		44,403	2,303	4,076	50,782	
Less: Cash and bank deposits				(10,473)					(5,429)	
Net borrowings				<u>43,051</u>					<u>45,353</u>	

As at 30th June 2016, the Group had banking facilities of approximately HK\$92,160 million (31st December 2015: HK\$68,991 million) for short-term and long-term bank loans, of which HK\$42,669 million (31st December 2015: HK\$24,588 million) were unutilised.

Charge on Assets

As at 30th June 2016, certain assets of the Group with an aggregate carrying value of HK\$39,220 million (31st December 2015: HK\$38,371 million) and the Group's equity interests in subsidiaries of HK\$834 million (31st December 2015: HK\$1,007 million) were pledged with banks and financial institutions for loan facilities used by subsidiaries.

Financial Guarantees

As at 30th June 2016, the Group provided guarantees to banks for mortgage facilities granted to buyers of the Group's properties which amounted to HK\$12,103 million (31st December 2015: HK\$10,386 million).

Treasury Policies and Capital Structure

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

FOREIGN EXCHANGE FLUCTUATIONS

The Group earns revenue and incurs costs and expenses mainly in Renminbi and is exposed to foreign exchange fluctuation arising from the exposure of Renminbi against Hong Kong dollar 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 six months ended 30th June 2016.

EMPLOYEES

As at 30th June 2016, the Group, excluding its associates and joint ventures, employed a total of 8,285 (as at 31st December 2015: 8,220) staff, the majority of which were employed in Mainland China. Employees' costs (including Directors' emoluments) amounted to HK\$473 million for the six months ended 30th June 2016 (2015: HK\$473 million). The remuneration policies remained the same as disclosed in the Annual Report for the year ended 31st December 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the six months ended 30th June 2016.

CORPORATE GOVERNANCE

During the six months ended 30th June 2016, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (“CG Code”) contained in Appendix 14 of the Listing Rules except for the code provisions A.4.1 and E.1.2 as described below.

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

None of the independent non-executive Directors is appointed for 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 of Directors did not attend the annual general meeting for the year 2016 due to other business commitment.

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

During the six months ended 30th June 2016, the Company repurchased a total of 8,558,000 shares of HK\$0.10 each in the capital of the Company on the Stock Exchange, details of which are as follows:

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

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

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

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

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30th June 2016.

AUDIT COMMITTEE AND REVIEW OF RESULTS

The Company's audit committee comprises all the three independent non-executive Directors. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including a review of the unaudited interim financial information for the six months ended 30th June 2016.

INTERIM REPORT

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

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS

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

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

Hong Kong, 30th August 2016