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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 2019

FINANCIAL HIGHLIGHTS

(for the six months ended 30th June 2019)

- Turnover was HK\$7,222 million.
- Profit attributable to equity holders was HK\$2,655 million.
- Basic earnings per share was HK\$1.193 per share.
- Interim dividends were HK\$10 cents per share.

BUSINESS REVIEW

Industry overview

In the first half of 2019, the National Bureau of Statistics of China pointed out that the national economy operated within a reasonable range, sustaining the momentum of being generally stable with steady progress, with a year-on-year increase of 10.9% in the investment in real estate development nationwide. During the period, the Political Bureau of the CPC Central Committee reiterated the insistence on “housing is for living in, not for speculation”, and the implementation of long-standing regulatory mechanism including “one city one policy”, “different policies according to specific situation of different cities” and “accountability of local governments”.

In response to the regulatory policies of the Central Government on the real estate market, the Group accelerated the sales of residential products targeting improvement demand and rigid demand based on each city’s requirements under “one city one policy”, and strived to move toward the Group’s sales target. At the same time, the Group will also continue to optimise the tenant portfolio of the investment properties, while continuously enhancing the property management and brand business, so as to grasp the rising demand for high-end services in the domestic market, and to promote the Group’s strategy on the balanced development of light and heavy assets.

* For identification purposes only

Contracted sales performance

Details of properties sold under sale and pre-sale contracts in the first half of 2019 totalling RMB10,369 million (2018: RMB6,235 million) are as follows:

- In Guangzhou, a total GFA of 144,887 square metres (2018: 100,318 square metres) with a carrying value of RMB2,788 million (2018: RMB1,497 million) was sold. The increase in sales was mainly attributable to the newly launched units of Hopson Xijing Garden (合生熹景花園) and Hopson Belvedere Bay (合生君景灣), whose high-rise units continuously enjoyed good sales during the period, and the ample supply of units of Hopson Hushan Guoji Villa (合生湖山國際) enjoying substantial sales growth driven by policies.
- In Shanghai, a total GFA of 406,840 square metres (2018: 231,041 square metres) with a carrying value of RMB4,949 million (2018: RMB2,713 million) was sold. The increase in sales was mainly attributable to the ample supply of The Town of Hangzhou Bay (合生杭州灣國際新城) and Hopson Asset Seascape Residence (合生財富海景公館) enjoying good sales and increase in the area sold.
- In Beijing and Tianjin, a total GFA of 106,965 square metres (2018: 58,884 square metres) with a carrying value of RMB1,317 million (2018: RMB1,104 million) was sold. The increase in sales was mainly attributable to the substantial increase in the area sold driven by the featured apartments of Hopson Dreams World (合生世界村) and the sale of the newly launched carpark spaces of Hopson Regal Park (合生濱江帝景).
- In Huizhou, a total GFA of 127,490 square metres (2018: 96,189 square metres) with a carrying value of RMB1,315 million (2018: RMB921 million) was sold. The increase in sales was mainly attributable to the substantial increase in the area sold and unit price as compared to the same period of last year driven by the featured sales of houses of Hopson International New City (合生國際新城).

Properties sold but yet to be delivered

As at 30th June 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 1,993,068 square metres (31st December 2018: 1,448,860 square metres). Following the delivery of these properties, the proceeds received therefrom totalling HK\$16,409 million will be recognised as revenue in the Group's financial statements in the second half of 2019 and thereafter.

Delivery of properties

A total GFA of 241,974 square metres (2018: 155,421 square metres) was delivered in the first half of 2019.

Project development progress

- A total GFA of approximately 687,512 square metres was completed in the first half of 2019.
- A total GFA of approximately 1,216,999 square metres is expected to be completed in the second half of 2019.

Landbank

As of 30th June 2019, the Group had a landbank of 29.40 million square metres (31st December 2018: 29.22 million square metres).

Outlook

On 30th July 2019, a meeting was held by the Political Bureau of the CPC Central Committee to analyse and study the current economy and economic measures. The meeting reaffirmed the concept of “housing is for living in, not for speculation” and the implementation of “long-standing management mechanism for real estate”. It is expected that the Central Committee will implement the measures of “one city one policy” and “different policies according to specific situation of different cities” in the second half of 2019, so as to resolutely guard against the risk of overheating in the real estate market.

Rooting on the clear positioning of “housing is for living in, not for speculation” and “the implementation of long-standing management mechanism for real estate”, the Group will continue to leverage its competitive edges as usual. The Group will focus on its core assets, make innovations in business development, and through its diversified portfolio comprising residential properties, commercial properties, property management and infrastructure segments, enhance product quality and additional value, so as to improve the Group’s competitiveness and bring in a higher level of income.

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 2019 together with the comparative figures for the previous period.

The interim financial information of the Company for the six months ended 30th June 2019 has been reviewed by the Company’s audit committee and the Board.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th June	
		2019	2018
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenues	5	7,222,307	4,965,091
Cost of sales	7	<u>(3,450,032)</u>	<u>(2,588,732)</u>
Gross profit		3,772,275	2,376,359
Fair value gain on investment properties		1,385,215	2,076,730
Other gains, net	6	268,491	141,307
Selling and marketing expenses	7	(315,696)	(102,303)
General and administrative expenses	7	(768,660)	(752,637)
Finance income	8	180,856	133,228
Finance costs	8	(454,581)	(293,823)
Share of loss of associates		(3,109)	(65)
Share of profit of joint ventures	9	<u>54,753</u>	<u>43,533</u>
Profit before taxation		4,119,544	3,622,329
Taxation	10	<u>(1,416,387)</u>	<u>(1,154,819)</u>
Profit for the period		<u>2,703,157</u>	<u>2,467,510</u>
Attributable to:			
Equity holders of the Company		2,654,976	2,473,415
Non-controlling interests		<u>48,181</u>	<u>(5,905)</u>
		<u>2,703,157</u>	<u>2,467,510</u>
Earnings per share for profit attributable to equity holders of the Company during the period (in HK\$ per share)			
— basic and diluted	11	<u>1.193</u>	<u>1.111</u>
Dividends	12	<u>222,556</u>	<u>445,112</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30th June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	2,703,157	2,467,510
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Assets revaluation reserve realised upon disposal of completed properties held for sale	(53,230)	(17,023)
Deferred tax	24,660	6,418
Currency translation differences	(231,800)	(611,013)
Item that will not be reclassified subsequently to profit or loss:		
Fair value loss on financial assets at fair value through other comprehensive income	(318,770)	(316,579)
Deferred tax	80,872	79,145
Other comprehensive loss for the period, net of tax	(498,268)	(859,052)
Total comprehensive income for the period	2,204,889	1,608,458
Attributable to:		
Equity holders of the Company	2,165,791	1,632,479
Non-controlling interests	39,098	(24,021)
	2,204,889	1,608,458

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at	
		30th June 2019 <i>HK\$'000</i> (Unaudited)	31st December 2018 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Land costs		1,657,339	1,675,097
Prepayments for acquisition of land		120,934	121,411
Loan receivables		312,550	743,201
Properties and equipment		5,028,871	4,571,452
Investment properties		49,764,807	46,856,835
Goodwill		35,108	35,249
Investments in associates		373,032	147,668
Investments in joint ventures		7,543,128	7,514,062
Financial assets at fair value through other comprehensive income		3,509,038	3,144,258
Financial assets at fair value through profit or loss		35,000	35,000
Right-of-use assets		26,860	—
Finance lease receivable		191,108	159,828
Deferred tax assets		809,954	784,147
		<u>69,407,729</u>	<u>65,788,208</u>
Current assets			
Prepayments for acquisition of land		9,404,707	9,403,647
Properties under development for sale		44,752,430	41,237,995
Completed properties for sale		30,771,934	30,299,744
Financial assets at fair value through profit or loss		51,214	775,943
Accounts receivable	13	928,576	784,882
Loan receivables		2,442,191	1,983,693
Prepayments, deposits and other current assets		6,584,907	5,370,900
Due from a joint venture		47,331	45,112
Due from associates		200	201
Due from related companies		6,738	7,149
Contract assets		600,063	473,606
Pledged/charged bank deposits		452,130	483,182
Cash and cash equivalents		19,373,385	7,456,708
		<u>115,415,806</u>	<u>98,322,762</u>
Total assets		<u>184,823,535</u>	<u>164,110,970</u>

	<i>Note</i>	As at	
		30th June 2019 <i>HK\$'000</i> (Unaudited)	31st December 2018 <i>HK\$'000</i> (Audited)
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		222,556	222,556
Reserves	16	<u>67,193,033</u>	<u>65,472,354</u>
		67,415,589	65,694,910
Non-controlling interests		<u>2,530,445</u>	<u>2,078,725</u>
Total equity		<u>69,946,034</u>	<u>67,773,635</u>
LIABILITIES			
Non-current liabilities			
Land cost payable		87,963	88,310
Borrowings	14	47,325,204	41,656,532
Lease liabilities		14,978	—
Due to non-controlling interests		1,692,511	514,605
Deferred tax liabilities		<u>8,515,023</u>	<u>8,323,506</u>
		<u>57,635,679</u>	<u>50,582,953</u>
Current liabilities			
Accounts payable	15	10,027,364	9,060,317
Land cost payable		4,976	4,996
Borrowings	14	14,178,830	13,444,611
Contract liabilities		16,409,184	10,304,371
Dividends payable		445,112	—
Accruals and other payables		8,124,714	4,882,186
Lease liabilities		4,415	—
Due to an associate		6,274	6,299
Due to related companies		273,157	260,654
Due to joint ventures		2,878,971	2,773,349
Current tax liabilities		<u>4,888,825</u>	<u>5,017,599</u>
		<u>57,241,822</u>	<u>45,754,382</u>
Total liabilities		<u>114,877,501</u>	<u>96,337,335</u>
Total equity and liabilities		<u>184,823,535</u>	<u>164,110,970</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 30th June 2019			
	Attributable to equity holders of the Company		Non- controlling interests	Total
	Share capital HK\$'000	Reserves HK\$'000		
Balance at 1st January 2019	222,556	65,472,354	2,078,725	67,773,635
Total comprehensive income for the period	—	2,165,791	39,098	2,204,889
Transactions with owners:				
Dividends payable	—	(445,112)	—	(445,112)
Capital contribution by non-controlling interests of subsidiaries	—	—	412,622	412,622
	—	(445,112)	412,622	(32,490)
Balance at 30th June 2019	222,556	67,193,033	2,530,445	69,946,034

	Unaudited six months ended 30th June 2018			
	Attributable to equity holders of the Company		Non- controlling interests	Total
	Share capital HK\$'000	Reserves HK\$'000		
Balance at 31st December 2017, as previously stated	222,556	63,871,569	2,143,533	66,237,658
Change 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
Total comprehensive income/(loss) for the period	—	1,632,479	(24,021)	1,608,458
Transactions with owners:				
Dividends payable	—	(445,110)	—	(445,110)
Dividends to non-controlling interests	—	—	(33,881)	(33,881)
	—	(445,110)	(33,881)	(478,991)
Balance at 30th June 2018	222,556	65,139,843	2,085,631	67,448,030

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”).

This interim condensed consolidated financial information is presented in Hong Kong dollars, unless otherwise stated and has been approved for issue by the Board of Directors on 21st August 2019.

(2) BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30th June 2019 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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRS”), the interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2018, which have been prepared in accordance with HKFRS.

(3) ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial information for the year ended 31st December 2018, as described in those annual financial statements, except for the adoption of new and amendments to the existing accounting standards as described below.

Adoption of new and amendments to existing standards

In 2019, the Group adopted the following new and amendments to existing standards, which 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 in note 4. The other new amendments to existing standards did not have significant impact on the Group’s accounting policies and did not require retrospective adjustments.

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 condensed consolidated financial statements.

(4) EFFECT ON ADOPTION OF HKFRS 16

The Group's right-of-use assets relate to property leases with lease terms ranging from 1 to 40 years. Before the adoption of HKFRS16, the Group's leases of properties were classified as operating leases. 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 1st 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 1st January 2019.

On adoption of HKFRS 16, leases 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 condensed consolidated income statement.

HK\$'000

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 21,724

Of which are

Current liabilities	4,459
Non-current liabilities	<u>17,265</u>

Lease liabilities recognised as at 1st January 2019 21,724

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

- Right-of-use assets — increase by HK\$29,893,000;
- 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.

Impact on segment disclosures and earnings per share

Segment assets and segment liabilities for the six month ended 30th June 2019 increased and the segment results decreased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas finance lease liabilities were previously excluded from segment liabilities. The following segments were affected by the change in policy.

	Segment results	Segment assets	Segment liabilities
	HK\$'000	HK\$'000	HK\$'000
Property development	<u>(3,277)</u>	<u>26,860</u>	<u>19,393</u>

Earnings per share decreased by HK\$0.001 for the six months to 30th June 2019 as a result of the adoption of HKFRS 16.

(5) 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, commercial properties investment, property management and infrastructure business. Geographically, the property development segment and 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 period, 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. The corresponding segment information for the period ended 30th June 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 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.

	Six months ended 30th June	
	2019	2018
	HK\$’000	HK\$’000
Revenue from property development	4,669,874	3,054,681
Revenue from commercial properties investment	1,497,843	1,092,284
Property management income	559,284	504,039
Infrastructure income	495,306	314,087
	<u>7,222,307</u>	<u>4,965,091</u>

The segment results by business lines and by geographical areas for the six months ended 30th June 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
Six months ended 30th June 2019									
Total revenues	2,633,057	987,837	1,191,797	377,572	562,333	649,312	626,804	2,584,993	9,613,705
Intra/inter-segment revenues	(142,817)	—	—	(11,051)	(13,425)	(66,898)	(67,520)	(2,089,687)	(2,391,398)
Revenues	<u>2,490,240</u>	<u>987,837</u>	<u>1,191,797</u>	<u>366,521</u>	<u>548,908</u>	<u>582,414</u>	<u>559,284</u>	<u>495,306</u>	<u>7,222,307</u>
Revenue from contracts with customers:									
Recognised at a point in time	2,490,240	987,837	1,191,797	—	—	—	—	—	4,669,874
Recognised over time	—	—	—	23,344	125,113	53,052	559,284	495,306	1,256,099
Revenue from other sources:									
Rental income	—	—	—	343,177	423,795	529,362	—	—	1,296,334
	<u>2,490,240</u>	<u>987,837</u>	<u>1,191,797</u>	<u>366,521</u>	<u>548,908</u>	<u>582,414</u>	<u>559,284</u>	<u>495,306</u>	<u>7,222,307</u>
Segment results (<i>Note</i>)	<u>1,160,391</u>	<u>362,177</u>	<u>350,316</u>	<u>361,303</u>	<u>1,159,021</u>	<u>720,429</u>	<u>10,983</u>	<u>41,161</u>	<u>4,165,781</u>
Depreciation	(24,960)	(843)	(21,822)	(4,126)	(36,550)	(57,536)	(3,221)	(545)	(149,603)
Amortisation	—	—	—	(3,341)	(5,008)	(4,485)	—	—	(12,834)
Provision for impairment of accounts receivable	—	—	—	—	—	—	(10,498)	—	(10,498)
Fair value gain on investment properties	—	—	—	108,881	825,450	450,884	—	—	1,385,215
Share of loss of associates	(3,109)	—	—	—	—	—	—	—	(3,109)
Share of profit/(loss) of joint ventures	<u>19,181</u>	<u>(458)</u>	<u>14</u>	<u>—</u>	<u>—</u>	<u>36,016</u>	<u>—</u>	<u>—</u>	<u>54,753</u>

Note: Segment results for the infrastructure business before intra/inter-segment eliminations were approximately HK\$360,982,000.

The segment results by business lines and by geographical areas for the six months ended 30th June 2018 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
Six months ended 30th June 2018									
Total revenues	736,400	1,352,047	966,234	180,282	494,522	478,049	576,090	1,022,235	5,805,859
Intra/inter-segment revenues	—	—	—	(7,547)	(5,538)	(47,484)	(72,051)	(708,148)	(840,768)
Revenues	<u>736,400</u>	<u>1,352,047</u>	<u>966,234</u>	<u>172,735</u>	<u>488,984</u>	<u>430,565</u>	<u>504,039</u>	<u>314,087</u>	<u>4,965,091</u>
Revenue from contracts with customers:									
Recognised at a point in time	736,400	1,352,047	966,234	—	—	—	—	—	3,054,681
Recognised over time	—	—	—	23,765	126,377	11,355	504,039	314,087	979,623
Revenue from other sources:									
Rental income	—	—	—	148,970	362,607	419,210	—	—	930,787
	<u>736,400</u>	<u>1,352,047</u>	<u>966,234</u>	<u>172,735</u>	<u>488,984</u>	<u>430,565</u>	<u>504,039</u>	<u>314,087</u>	<u>4,965,091</u>
Segment results (<i>Note</i>)	<u>83,795</u>	<u>1,233,272</u>	<u>146,194</u>	<u>159,459</u>	<u>416,415</u>	<u>1,608,750</u>	<u>49,000</u>	<u>90,666</u>	<u>3,787,551</u>
Depreciation	(6,664)	(1,450)	(10,022)	(2,344)	(12,418)	(52,132)	(1,664)	(473)	(87,167)
Amortisation	—	—	—	(9,023)	(12,579)	(8,174)	—	—	(29,776)
Provision for impairment of accounts receivable	—	—	—	—	—	—	(8,154)	—	(8,154)
Fair value gain on investment properties	—	—	—	76,586	482,484	1,517,660	—	—	2,076,730
Share of (loss)/profit of associates	(345)	—	280	—	—	—	—	—	(65)
Share of profit/(loss) of joint ventures	<u>20,939</u>	<u>—</u>	<u>(434)</u>	<u>—</u>	<u>—</u>	<u>23,028</u>	<u>—</u>	<u>—</u>	<u>43,533</u>

Note: Segment results for the infrastructure business before intra/inter-segment eliminations were approximately HK\$187,774,000.

The segment assets by business lines and by geographical areas as at 30th June 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 six months ended 30th June 2019	<u>50,298,312</u>	<u>21,037,541</u>	<u>49,490,292</u>	<u>8,748,119</u>	<u>18,563,028</u>	<u>30,077,176</u>	<u>1,300,156</u>	<u>163,070</u>	<u>179,677,694</u>
Segment assets include:									
Investments in associates	276,153	—	96,879	—	—	—	—	—	373,032
Investments in joint ventures	<u>4,266,753</u>	<u>3,520</u>	<u>1,341,728</u>	<u>73,526</u>	<u>—</u>	<u>1,857,601</u>	<u>—</u>	<u>—</u>	<u>7,543,128</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>539,650</u>	<u>15,545</u>	<u>1,222</u>	<u>2,322</u>	<u>5</u>	<u>1,744,339</u>	<u>1,126</u>	<u>650</u>	<u>2,304,859</u>

The segment assets by business lines and 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			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at and for the year ended 31st December 2018	<u>39,481,816</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:

	Six months ended 30th June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Reportable segment profit from operations	4,165,781	3,787,551
Unallocated corporate expenses (including exchange gains), net	(3,248)	(158,646)
Gain on disposal of financial assets at fair value through profit or loss	73,315	8,175
Dividend income	157,421	145,844
Finance income	180,856	133,228
Finance costs	(454,581)	(293,823)
Profit before taxation	<u>4,119,544</u>	<u>3,622,329</u>

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

	As at	
	30th June 2019 <i>HK\$'000</i> (Unaudited)	31st December 2018 <i>HK\$'000</i> (Audited)
Total segment assets	179,677,694	158,664,356
Financial assets at fair value through other comprehensive income	3,509,038	3,144,258
Financial assets at fair value through profit or loss	86,214	810,943
Loan receivables	740,635	707,266
Deferred tax assets	809,954	784,147
	<u>184,823,535</u>	<u>164,110,970</u>

The Group primarily operates in Mainland China. All revenues for the six months ended 30th June 2019 and 2018 are from Mainland China.

As at 30th June 2019 and 31st December 2018, non-current assets were mainly located in Mainland China.

(6) OTHER GAINS, NET

	Six months ended 30th June	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Dividend income from financial assets at fair value through other comprehensive income	157,421	145,844
Fair value loss on financial assets at fair value through profit or loss	(8,379)	(46,437)
Net foreign exchange gains	8,456	10,099
Gain on disposal of financial assets at fair value through profit or loss	73,315	8,175
Others	37,678	23,626
	<u>268,491</u>	<u>141,307</u>

(7) **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	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Advertising and promotion costs	93,781	31,899
Amortisation of land costs	12,834	29,776
Cost of completed properties sold	2,125,997	1,613,919
Depreciation of properties and equipment	149,603	87,167
Depreciation of right-of-use assets	2,921	—
Direct operating expenses arising from investment properties that		
— generated rental income	139,335	179,456
— did not generate rental income	2,982	4,167
Employees' benefits costs (including Directors' emoluments)	738,018	589,275
Loss on disposals of properties and equipment	226	16,624
Lease rental in respect of premises	—	5,837
Short-term and low-value assets lease expenses*	15,510	—
Provision for impairment of accounts receivable	10,498	8,154

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

(8) FINANCE INCOME AND COSTS

	Six months ended 30th June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income on bank deposits, advance to a joint venture and loan receivables	(180,856)	(133,228)
Finance costs		
Interest expense and other borrowing costs:		
— loans from banks and financial institutions	1,767,125	1,588,432
— corporate bonds, asset-backed securities and commercial mortgage-backed securities	272,870	155,109
Total borrowing costs incurred	2,039,995	1,743,541
Less: Amount capitalised as part of the cost of properties under development, investment properties under development and properties and equipment	(1,585,414)	(1,449,718)
	454,581	293,823
Net finance costs	273,725	160,595

The weighted average interest rate of borrowing costs capitalised for the six months ended 30th June 2019 was approximately 6.6% (2018: 5.9%) per annum.

(9) SHARE OF PROFIT OF JOINT VENTURES

For the six months ended 30th June 2019, 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\$5,766,000 (2018: HK\$22,768,000).

(10) TAXATION

	Six months ended 30th June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Mainland China corporate income tax (<i>Note (a)</i>)	411,356	310,760
Mainland China land appreciation tax (<i>Note (b)</i>)	703,748	280,852
	<u>1,115,104</u>	<u>591,612</u>
Deferred tax		
Mainland China corporate income tax (<i>Note (a)</i>)	309,304	564,609
Mainland China land appreciation tax (<i>Note (b)</i>)	(9,785)	(3,396)
Mainland China withholding income tax (<i>Note (c)</i>)	1,764	1,994
	<u>301,283</u>	<u>563,207</u>
	<u>1,416,387</u>	<u>1,154,819</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.

Notes:

(a) Mainland China Corporate Income Tax

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 2019 (2018: 25%).

(b) Mainland China Land Appreciation Tax

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.

(c) Mainland China Withholding Income Tax

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.

(11) 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	
	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>2,654,976</u>	<u>2,473,415</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>1.193</u>	<u>1.111</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 2019 and 30th June 2018, diluted earnings per share is equal to basic earnings per share.

(12) DIVIDEND

	Six months ended 30th June	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Declared interim dividend of HK\$0.10 (2018: HK\$0.20) per ordinary share	<u>222,556</u>	<u>445,112</u>

The interim dividend has not been recognised as a liability at the end of reporting period.

(13) 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	31st December
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 to 3 months	579,427	487,785
3 to 6 months	77,004	48,065
6 to 9 months	49,480	44,186
9 to 12 months	44,713	43,969
Over 12 months	177,952	160,877
	<hr/>	<hr/>
	928,576	784,882
	<hr/> <hr/>	<hr/> <hr/>

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.

(14) BORROWINGS

	As at	
	30th June 2019 HK\$'000 (Unaudited)	31st December 2018 HK\$'000 (Audited)
Non-current		
Bank and financial institution borrowings	35,327,206	36,026,674
Commercial mortgage-backed securities (<i>Note (a)</i>)	8,155,517	5,629,858
Senior notes (<i>Note (b)</i>)	3,842,481	—
	<u>47,325,204</u>	<u>41,656,532</u>
Current		
Bank and financial institution borrowings	14,131,766	9,436,196
Corporate bonds	—	2,280,415
Asset-backed securities	—	1,686,913
Commercial mortgage-backed securities (<i>Note (a)</i>)	47,064	41,087
	<u>14,178,830</u>	<u>13,444,611</u>
	<u>61,504,034</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\$6,366,096,000) (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 30th June 2019, the Securities are secured by an investment property of approximately HK\$7,848 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\$2,273,606,000) (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 30th June 2019, the Securities are secured by an investment property of approximately HK\$2,581 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\$3,907,590,000) (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.

(15) ACCOUNTS PAYABLE

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

	As at	
	30th June 2019 <i>HK\$'000</i> (Unaudited)	31st December 2018 <i>HK\$'000</i> (Audited)
0 to 3 months	1,690,871	2,371,199
3 to 6 months	878,240	416,286
6 to 9 months	1,774,232	520,536
9 to 12 months	227,774	388,946
Over 12 months	5,456,247	5,363,350
	<u>10,027,364</u>	<u>9,060,317</u>

As at 30th June 2019, approximately HK\$460,655,000 (31st December 2018: HK\$454,670,000) of accounts payable were due to certain related companies in respect of property constructions.

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

(16) RESERVES*For the six months ended 30th June 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 period	—	—	—	—	2,654,976	2,654,976
Currency translation differences	—	—	—	(222,717)	—	(222,717)
Fair value loss on financial assets at fair value through other comprehensive income	—	—	(318,770)	—	—	(318,770)
Realised upon disposal of completed properties held for sale	—	—	(53,230)	—	—	(53,230)
Deferred tax	—	—	105,532	—	—	105,532
Dividends payable	—	—	—	—	(445,112)	(445,112)
	<u>15,800,776</u>	<u>161,117</u>	<u>1,313,439</u>	<u>483,212</u>	<u>49,434,489</u>	<u>67,193,033</u>
Balance at 30th June 2019	<u>15,800,776</u>	<u>161,117</u>	<u>1,313,439</u>	<u>483,212</u>	<u>49,434,489</u>	<u>67,193,033</u>

For the six months ended 30th June 2018

	Share premium <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Assets revaluation reserve <i>HK\$'000</i>	Currency translation differences <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 31st December 2017, as previously stated	15,800,776	161,117	1,840,646	3,808,877	42,260,153	63,871,569
Change in accounting policy	—	—	(1,064)	2,740	79,229	80,905
Balance at 1st January 2018, restated	15,800,776	161,117	1,839,582	3,811,617	42,339,382	63,952,474
Profit for the period	—	—	—	—	2,473,415	2,473,415
Currency translation differences	—	—	—	(592,897)	—	(592,897)
Fair value loss on financial assets at fair value through other comprehensive income	—	—	(316,579)	—	—	(316,579)
Realised upon disposal of completed properties held for sale	—	—	(17,023)	—	—	(17,023)
Deferred tax	—	—	85,563	—	—	85,563
Dividends payable	—	—	—	—	(445,110)	(445,110)
	<u>15,800,776</u>	<u>161,117</u>	<u>1,591,543</u>	<u>3,218,720</u>	<u>44,367,687</u>	<u>65,139,843</u>
Balance at 30th June 2018	<u>15,800,776</u>	<u>161,117</u>	<u>1,591,543</u>	<u>3,218,720</u>	<u>44,367,687</u>	<u>65,139,843</u>

DIVIDEND

The Board of Directors has declared an interim dividend of HK\$10 cents per share for the six months ended 30th June 2019 (30th June 2018: HK\$20 cents), payable on Friday, 29th November 2019 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 18th October 2019.

FINANCIAL REVIEW

Turnover

(i) *Recognised Sales*

For the first six months of 2019, the Group recorded a turnover of RMB6,341 million (HK\$7,222 million), up 52.1% (denominated in RMB) and up 45.5% (denominated in HK\$) comparing to RMB4,168 million (HK\$4,965 million) for the first six months of 2018, with a total GFA delivered of 241,974 square metres (2018: 155,421 square metres). The major projects delivered include Hopson Regal Riviera (合生珠江帝景) and Hopson Xijing Garden (合生熹景花園) in Guangzhou, Hopson No. 8 Royal Park (合生霄雲路8號) in Beijing, Hopson Asset Seascape Residence (合生財富海景公館) and Hopson Sheshan Dongziyuan (合生佘山東紫園) in Shanghai and Hopson International New City (合生國際新城) in Huizhou.

The overall average selling price in respect of delivered and completed properties increased by 4% to RMB16,374 per square metre (2018: RMB15,808 per square metre). In summary, it was mainly affected by the change in delivered projects and product structure.

In Beijing, the overall average selling price for the first half of 2019 increased to RMB27,851 per square metre (2018: RMB19,155 per square metre). The increase in average selling price was mainly due to the substantial increase in the proportion of recognised sales of Hopson No. 8 Royal Park (合生霄雲路8號) among the total recognised sales of the whole region during the period.

In Shanghai, the overall average selling price for the first half of 2019 increased to RMB27,863 per square metre (2018: RMB22,282 per square metre). The increase was due to the increased proportion of units delivered under Hopson Sheshan Dongziyuan (合生佘山東紫園) and Hopson Guangfuhui (合生廣富匯), which have relatively higher selling prices, as well as the decreased proportion of units delivered under Ningbo Hopson International City (寧波合生國際城), which have relatively lower selling prices, in the first half of 2019 as compared to the same period of last year.

In Guangzhou, the overall average selling price for the first half of 2019 increased to RMB16,493 per square metre (2018: RMB14,366 per square metre). The increase was due to the increased proportion of units delivered under Hopson Regal Riviera (合生珠江帝景), which have relatively higher selling prices, in the first half of 2019 as compared to the same period of last year.

In Huizhou, the overall average selling price for the first half of 2019 increased to RMB9,927 per square metre (2018: RMB8,148 per square metre). The increase was due to the overall increase in unit sales price in the region and residential units delivered with higher selling prices as the product of Hopson International New City (合生國際新城), which had higher proportions in sales during the first half of this year.

(ii) *Contracted Sales*

The Group recorded total contracted sales of RMB10,369 million (2018: RMB6,235 million) for the first six months of 2019. Affected by the product structure of sales, the average contracted selling price increased by 3% to RMB13,188 per square metre (2018: RMB12,818 per square metre).

In the first half of 2019, Guangzhou and Huizhou had in total sixteen projects on sale and the contracted sales amounted to RMB4,103 million, representing 39% of the total contracted sales of the Group. The major projects were 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), Hopson International New City (合生國際新城) and Hopson Xiaogui Bay (合生小桂灣).

There were eight property projects on sale in Shanghai, mainly comprising Hopson Sea Block (合生伴海) and The Town of Hangzhou Bay (合生杭州灣國際新城). Contracted sales of Shanghai amounted to RMB4,949 million, representing 48% of the total contracted sales of the Group.

The combined contracted sales of Beijing and Tianjin were RMB1,317 million, representing 13% of the total contracted sales of the Group in the first half of 2019. Eleven projects in total 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.

Gross Profit

Gross profit for the first half of 2019 amounted to HK\$3,772 million (2018: HK\$2,376 million) with a gross profit margin percentage of 52% (2018: 48%). The increase in gross profit margin percentage was mainly attributable to the larger proportion of improvement products, which have higher gross profit margins, being delivered during the period.

Fair Value Gain on Investment Properties

Fair value gain on investment properties for the six months ended 30th June 2019 amounted to HK\$1,385.2 million (2018: HK\$2,076.7 million), down HK\$691.5 million or 33%. As at 30th June 2019, the Group owns 14 (2018: 13) investment properties.

Other Gains, Net

Other gains for the six months ended 30th June 2019 amounted to HK\$268.5 million (2018: HK\$141.3 million), comprising (1) dividend income of HK\$157.4 million from investment in listed and unlisted securities; (2) fair value loss on financial assets at fair value through profit or loss of HK\$8.4 million; (3) gains from disposal of listed securities of HK\$73.3 million; (4) net exchange gains of HK\$8.5 million; and (5) other net gains of HK\$37.7 million.

Operating Costs

The operating costs relating to expenses for selling, marketing, general and administration increased by 26.8% to HK\$1,084 million in the first half of 2019 (2018: HK\$855 million). The increase was primarily attributable to the increase in costs of sales promotion and sales marketing.

Finance Costs

Gross interest expenses before capitalisation for the first half of 2019 increased to HK\$2,040 million (2018: HK\$1,744 million), up HK\$296 million or 17%. The increase was primarily attributable to the increase in borrowings from banks and financial institutions during the first half of 2019 as compared to the same period of last year. The effective interest rate in respect of the Group's borrowings was approximately 6.6% per annum (2018: 5.9%).

Share of Profit of Joint Ventures

Share of profit of joint ventures represented the Group's share of profit of HK\$55 million from six joint ventures.

Taxation

The effective tax rate was 34.4% for the first half of 2019, increased 2.5% as compared with the same period of last year, mainly due to the land appreciation tax clearance of certain projects with high land appreciation tax rate in the first half of 2019.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders was HK\$2,655.0 million for the first half of 2019 (2018: HK\$2,473.4 million). Basic earnings per share was HK\$1.193. During the period, excluding the effect of the net of tax gain from investment property revaluation of HK\$1,038.9 million, the net of tax gain from the investment property revaluation of two joint ventures of HK\$5.8 million, the net of tax gain on disposal of financial assets at fair value through profit or loss of HK\$55.0 million and the net of tax gain on disposal of subsidiaries and an associate of HK\$8.1 million, the underlying profit amounted to HK\$1,547.2 million, representing an increase of HK\$660.2 million, or 74.4%, as compared to the same period of last year. The overall increase of the underlying profit for the period was mainly attributable to the increase in properties delivered and rental income as compared to the same period of last year.

Segment Information

Property development continued to be the Group's core business activity (65%). 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. Eastern China (including Shanghai, Hangzhou, Kunshan, Ningbo, Cixi and Taicang) contributed 22% of the total revenues of the Group, followed by 32% from Northern China (including Beijing, Tianjin, Dalian, Taiyuan and Qinhuangdao) and 46% from Southern China (including Guangzhou, Huizhou and Zhongshan).

Financial Position

As at 30th June 2019, total assets of the Group amounted to HK\$184,824 million and total liabilities came to HK\$114,878 million, representing an increase of 13% and 19% respectively as compared to 31st December 2018. The increase in total assets was mainly attributable to the increase in properties under development for sale and completed properties for sale. The increase in total liabilities was mainly attributable to the increase in borrowings.

The Group's current ratio as at 30th June 2019 was 2.02 (31st December 2018: 2.15). Equity as at 30th June 2019 increased by 3% to HK\$69,946 million from 31st December 2018, 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 2019 was HK\$31.43.

Liquidity and Financial Position

As at 30th June 2019, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding non-controlling interests) was 62% (31st December 2018: 59%). The net-debt-to-equity ratio (i.e. total debt less cash and bank deposits over shareholders' equity) was 60% (31st December 2018: 70%).

As at 30th June 2019, the Group had cash and bank deposits amounting to HK\$19,826 million (31st December 2018: HK\$7,940 million), of which approximately HK\$2 million (31st December 2018: 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. 74.84% of the cash and bank deposits were denominated in Renminbi, 4.77% in Hong Kong dollars, 20.38% in United States dollars and 0.01% in other currencies.

Total borrowings from banks and financial institutions amounted to HK\$49,459 million as at 30th June 2019, representing an increase of 9% or HK\$3,996 million as compared to those as at 31st December 2018. Gearing ratio, measured by net bank and financial institution borrowings, commercial mortgage-backed securities and senior notes (i.e. total bank and financial institution borrowings, commercial mortgage-backed securities and senior notes less cash and bank deposits) as a percentage of shareholders' equity, was 60% as at 30th June 2019 (decreased by 10% as compared with 70% as at 31st December 2018).

All of the bank and financial institution borrowings were either secured or covered by guarantees and 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 States dollars.

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

The Group's borrowings repayment profile as at 30th June 2019 was as follows:

	As at 30th June 2019						As at 31st December 2018					
	Bank and financial institution borrowings	Commercial mortgage-backed securities	Senior notes	Other borrowings	Total	Percentage	Bank and financial institution borrowings	Corporate bonds, asset-backed securities and commercial mortgage-backed securities	Other borrowings	Total	Percentage	
(HK\$ million)												
1 year	14,132	47	—	3,158	17,337	(27%)	9,436	4,008	3,040	16,484	(28%)	
1-2 years	12,424	35	—	—	12,459	(19%)	13,369	17	—	13,386	(23%)	
2-5 years	20,013	6,076	3,842	—	29,931	(46%)	19,461	5,613	—	25,074	(43%)	
After 5 years	2,890	2,045	—	—	4,935	(8%)	3,197	—	—	3,197	(6%)	
Total	49,459	8,203	3,842	3,158	64,662		45,463	9,638	3,040	58,141		
Less: Cash and bank deposits					(19,826)					(7,940)		
Net borrowings					<u>44,836</u>					<u>50,201</u>		

As at 30th June 2019, the Group had banking facilities of approximately HK\$88,324 million (31st December 2018: HK\$91,977 million) for short-term and long-term bank loans, of which HK\$26,820 million (31st December 2018: HK\$36,876 million) were unutilised.

Charge on Assets

As at 30th June 2019, certain assets of the Group with an aggregate carrying value of HK\$71,106 million (31st December 2018: HK\$50,364 million) and the Group's equity interests in subsidiaries of HK\$1,290 million (31st December 2018: HK\$1,393 million) were pledged with banks and financial institutions for loan facilities used by subsidiaries.

Financial Guarantees

As at 30th June 2019, the Group provided guarantees to banks for mortgage facilities granted to buyers of the Group's properties which amounted to HK\$10,240 million (31st December 2018: HK\$8,045 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 2019.

EMPLOYEES

As at 30th June 2019, the Group, excluding its associates and joint ventures, employed a total of 10,027 (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\$738 million for the six months ended 30th June 2019 (for the six months ended 30th June 2018: HK\$589 million). The remuneration policies remained the same as disclosed in the Annual Report for the year ended 31st December 2018.

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 2019.

CORPORATE GOVERNANCE

During the six months ended 30th June 2019, 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. 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 of Directors did not attend the annual general meeting for the year 2019 due to other business commitment.

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 six months ended 30th June 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 unaudited interim financial information for the six months ended 30th June 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 15 October 2019 to Friday, 18 October 2019 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the interim dividend. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 14 October 2019.

INTERIM REPORT

The 2019 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. Xi Ronggui (Chief Executive Officer), Mr. Au Wai Kin, Mr. Xie Bao Xin and Mr. Bao Wenge; and the independent non-executive Directors are Mr. Lee Tsung Hei, David, Mr. Tan Leng Cheng, Aaron and Mr. Ching Yu Lung.

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

Hong Kong, 21st August 2019