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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 2020**

### **FINANCIAL HIGHLIGHTS**

*(for the six months ended 30th June 2020)*

- Turnover was HK\$10,737 million.
- Profit attributable to equity holders was HK\$5,102 million.
- Basic earnings per share was HK\$2.292 per share.
- Interim dividends were HK\$60 cents per share.

### **BUSINESS REVIEW**

#### **Industry overview**

In the first half of 2020, facing the severe challenges brought by the COVID-19 pandemic, under the strong leadership of the Central Committee of the Communist Party of China with President Xi Jinping at the core, all departments in all regions strived to implement the decision-making deployments made by the Central Committee of the Communist Party of China and the State Council thoroughly, and advanced the prevention and control of COVID-19 as well as economic and social development. As such, the pandemic prevention and control continued to improve. The resumption of work, production, business activities as well as market resumption advanced in an orderly manner. As the macroeconomic policies have been taking effect, economic growth turned from negative to positive, along with the steady recovery in the overall economy.

\* For identification purposes only

- In particular, the further progress made in resumption of work, production, business activities as well as market resumption beginning from June 2020 continued to unleash the demand for housing. The local governments fully implemented the decisions and arrangements made by the Central Committee of the Communist Party of China and the State Council while adhering to the positioning of “housing is for living in, not for speculation”. Policies were tailored for each city according to its own specific situation to maintain the balance of supply and demand as well as the market order. Driven by various favorable factors, the domestic real estate market in 70 large and medium-sized cities maintained stable operation, and recorded a slight increase in price.
- Seizing the opportunity arising from the market recovery, the Group launched new projects such as Jinmao Palace (Phase II) in Beijing in June, and accelerated the delivery of the existing residential products with improvement and rigid demand, heading towards the completion of its sales target.

### **Contracted sales performance**

Details of properties sold under sale and pre-sale contracts in the first half of 2020 totalling RMB13,014 million (2019: RMB11,353 million), including contracted sales of properties of RMB12,525 million (2019: RMB11,047 million) and contracted sales of decoration of RMB489 million (2019: RMB306 million) are as follows:

- In Guangzhou, a total GFA of 212,039 square metres (2019: 144,887 square metres) with a carrying value of RMB4,254 million (2019: RMB3,040 million) was sold. The increase in sales was mainly attributable to the ample supply of units of Hopson Belvedere Bay (合生君景灣), Hopson Regal Riviera (合生珠江帝景) and Hopson Hushan Guoji Villa (合生湖山國際) enjoying substantial sales growth driven by policies.
- In Shanghai, a total GFA of 270,477 square metres (2019: 406,840 square metres) with a carrying value of RMB4,309 million (2019: RMB5,324 million) was sold. The decrease in sales was mainly attributable to the slowdown in sales of The Town of Hangzhou Bay (合生杭州灣國際新城) and Hopson Sea Block (合生伴海) which resulted in decrease in the area sold.

- In Beijing and Tianjin, a total GFA of 236,132 square metres (2019: 106,965 square metres) with a carrying value of RMB3,805 million (2019: RMB1,588 million) was sold. The increase in sales was mainly attributable to the substantial increase in the area sold driven by the newly launched Jinmao Palace (Phase II) (金茂府(二期)) and Hopson Aristocratic Regal (合生御府帝景), and Hopson No. 8 Royal Park (合生霄雲路8號) enjoying good sales.
- In Huizhou, a total GFA of 68,651 square metres (2019: 127,490 square metres) with a carrying value of RMB646 million (2019: RMB1,401 million) was sold. The decrease in sales was mainly attributable to the decrease in the area sold and unit price as compared to the same period of last year as Hopson International New City (合生國際新城) and Hopson Xiaogui Bay (合生小桂灣) focused on selling the existing units and did not launch any new products during the period.

### **Properties sold but yet to be delivered**

As at 30th June 2020, the GFA in respect of which the Group had entered into sale and pre-sale contracts and yet to be delivered to buyers was 2,836,688 square metres (31st December 2019: 2,371,005 square metres). Following the delivery of these properties, the proceeds received therefrom totalling HK\$23,841 million will be recognised as revenue in the Group's financial statements in the second half of 2020 and thereafter.

### **Delivery of properties**

A total GFA of 291,089 square metres (2019: 241,974 square metres) was delivered in the first half of 2020.

### **Project development progress**

- A total GFA of approximately 46,467 square metres was completed in the first half of 2020.
- A total GFA of approximately 710,165 square metres is expected to be completed in the second half of 2020.

## **Landbank**

As of 30th June 2020, the Group had a landbank of 31.70 million square metres (31st December 2019: 31.11 million square metres).

## **Outlook**

Although the investment in real estate development turned positive in the first half of 2020, other real estate market indicators, such as the area of new construction, the area of land acquisition and the sales of commercial residential buildings, are currently still in a falling range. Thus, the Group should still be prudent about the real estate trend in the second half of the year. With respect to residential properties, commercial properties, property management and infrastructure segments, while anchoring its business presence in the three core economic zones in Pearl River Delta, Yangtze River Delta and Huanbohai Area, the Group will fully utilize its edges in land reserves in first-tier cities, and steadily make in-depth development in the real estate markets of first-tier cities and actively explore cities with prime locations and promising real estate markets with excellent development potential, thereby forming a layout for the reasonable development of first-tier cities and peripheral markets.

During the pandemic, various new industries, new business types, and new models have emerged, which continued to provide strong support for economic recovery. The Group believes that the new technologies represented by cloud computing, big data, and artificial intelligence developed rapidly during the epidemic in the first half of the year, and new industries such as digital economy, smart manufacturing, and life and health formed more growth poles, which will provide more support for the next stage of economic growth. In light of such situation, with respect to equity investment business, the Group will allocate resources to equity investment in high-tech companies on an ongoing basis, thereby incubating and cultivating the high-tech investment business segment for the Group, and facilitating the Group's gradual transformation from a real estate developer and commercial real estate operator to a technology-enabled and industry-driven comprehensive investment holding platform company.

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 2020 together with the comparative figures for the previous period.

The interim financial information of the Company for the six months ended 30th June 2020 has been reviewed by the Company's audit committee and the Board.

## CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th June	
		2020	2019
	<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Revenues	4	10,736,681	7,222,307
Cost of sales	6	<u>(3,590,845)</u>	<u>(3,450,032)</u>
<b>Gross profit</b>		<b>7,145,836</b>	<b>3,772,275</b>
Fair value gain on investment properties		478,377	1,385,215
Other gains, net	5	611,535	268,491
Selling and marketing expenses	6	(299,906)	(315,696)
General and administrative expenses	6	(888,530)	(768,660)
Finance income	7	153,433	180,856
Finance costs	7	(606,994)	(454,581)
Share of loss of associates		(20)	(3,109)
Share of profit of joint ventures		<u>13,084</u>	<u>54,753</u>
Profit before taxation		6,606,815	4,119,544
Taxation	8	<u>(1,491,486)</u>	<u>(1,416,387)</u>
<b>Profit for the period</b>		<b><u>5,115,329</u></b>	<b><u>2,703,157</u></b>
Attributable to:			
Equity holders of the Company		5,101,795	2,654,976
Non-controlling interests		<u>13,534</u>	<u>48,181</u>
		<b><u>5,115,329</u></b>	<b><u>2,703,157</u></b>
<b>Earnings per share for profit attributable to equity holders of the Company during the period (in HK\$ per share)</b>			
— basic and diluted	9	<u>2.292</u>	<u>1.193</u>
Dividends	10	<u>1,335,336</u>	<u>222,556</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>5,115,329</b>	2,703,157
<b>Other comprehensive income/(loss)</b>		
Items that may be reclassified subsequently to profit or loss:		
Assets revaluation reserve realised upon disposal of completed properties held for sale	(85,843)	(53,230)
Deferred tax	37,640	24,660
Currency translation differences	(1,563,710)	(231,800)
Item that will not be reclassified subsequently to profit or loss:		
Fair value loss on financial assets at fair value through other comprehensive income	(76,167)	(318,770)
Deferred tax	22,661	80,872
<b>Other comprehensive loss for the period, net of tax</b>	<b>(1,665,419)</b>	(498,268)
<b>Total comprehensive income for the period</b>	<b>3,449,910</b>	2,204,889
Attributable to:		
Equity holders of the Company	3,485,226	2,165,791
Non-controlling interests	(35,316)	39,098
	<b>3,449,910</b>	2,204,889

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at	
		30th June 2020 HK\$'000 (Unaudited)	31st December 2019 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Prepayments for acquisition of land		116,462	118,758
Prepayments for construction work		241,057	244,107
Financial assets at amortised cost		203,284	170,801
Properties and equipment		4,749,332	4,976,880
Investment properties		56,513,838	56,961,529
Goodwill		29,129	34,534
Investments in associates		360,364	364,855
Investments in joint ventures		4,978,171	5,059,567
Financial assets at fair value through other comprehensive income		3,373,602	3,337,773
Finance lease receivables		385,843	344,656
Right-of-use assets		1,531,477	1,634,045
Deferred tax assets		1,346,483	1,309,259
		<u>73,829,042</u>	<u>74,556,764</u>
<b>Current assets</b>			
Prepayments for acquisition of land		13,805,946	10,767,194
Properties under development for sale		76,910,898	57,047,059
Completed properties for sale		35,356,685	31,260,655
Financial assets at fair value through profit or loss		13,482,208	788,403
Accounts receivable	<i>11</i>	1,516,426	1,058,081
Financial assets at amortised cost		3,387,537	2,520,879
Prepayments, deposits and other current assets		11,015,805	8,060,451
Due from a joint venture		50,220	48,845
Due from associates		—	58,964
Due from related companies		190,889	8,318
Contract assets		1,208,618	982,860
Pledged/charged bank deposits		1,849,126	1,466,913
Cash and cash equivalents		15,366,506	12,635,125
		<u>174,140,864</u>	<u>126,703,747</u>
Assets classified as held for sale		—	2,843,132
		<u>174,140,864</u>	<u>129,546,879</u>
<b>Total assets</b>		<u>247,969,906</u>	<u>204,103,643</u>

		As at	
		30th June 2020	31st December 2019
	Note	HK\$'000 (Unaudited)	HK\$'000 (Audited)
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		222,556	222,556
Reserves	14	75,175,679	72,358,121
		<u>75,398,235</u>	72,580,677
Non-controlling interests		<u>2,569,814</u>	<u>2,434,725</u>
<b>Total equity</b>		<u>77,968,049</u>	<u>75,015,402</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Land cost payable		88,921	91,043
Borrowings	12	71,611,003	50,700,558
Lease liabilities		615,949	676,246
Due to non-controlling interests		2,639,383	2,126,867
Deferred tax liabilities		9,733,642	9,957,093
		<u>84,688,898</u>	<u>63,551,807</u>
<b>Current liabilities</b>			
Accounts payable, accruals and other payables	13	29,467,450	22,970,848
Margin loans payable		7,098,129	—
Land cost payable		—	359,201
Borrowings	12	17,283,297	12,689,322
Contract liabilities		23,841,304	19,505,008
Dividends payable		667,668	—
Lease liabilities		57,864	8,419
Due to an associate		5,849	5,964
Due to related companies		374,576	366,248
Due to joint ventures		1,196,898	3,011,241
Current tax liabilities		5,319,924	6,620,183
		<u>85,312,959</u>	<u>65,536,434</u>
<b>Total liabilities</b>		<u>170,001,857</u>	<u>129,088,241</u>
<b>Total equity and liabilities</b>		<u>247,969,906</u>	<u>204,103,643</u>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 30th June 2020			
	Attributable to equity holders of the Company		Non- controlling interests	Total
	Share capital <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1st January 2020	222,556	72,358,121	2,434,725	75,015,402
Total comprehensive income/(loss) for the period	—	3,485,226	(35,316)	3,449,910
Transactions with owners:				
Dividends payable	—	(667,668)	—	(667,668)
Capital contribution by non-controlling interests of subsidiaries	—	—	176,872	176,872
Acquisition of additional interest in a subsidiary	—	—	(6,467)	(6,467)
	—	(667,668)	170,405	(497,263)
Balance at 30th June 2020	222,556	75,175,679	2,569,814	77,968,049

	Unaudited Six months ended 30th June 2019			
	Attributable to equity holders of the Company		Non- controlling interests	Total
	Share capital <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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

*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, infrastructure and equity investment businesses.

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 condensed consolidated interim 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 2020.

## **(2) BASIS OF PREPARATION**

This interim condensed consolidated financial information for the six months ended 30th June 2020 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 interim condensed consolidated financial information.

After the outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. It remains difficult to predict how the pandemic will evolve. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRS”), the interim condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2019, which have been prepared in accordance with HKFRS.

### (3) ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, 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 amendments to existing standards**

In 2020, the Group adopted the following amendments to existing standards, which are effective for accounting periods beginning on or after 1st January 2020.

HKFRS 3 (Amendment)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform

The adoption of these amendments to existing standards does not have significant effect on the results and financial position of the Company.

#### *New Standard and Amendments to Existing Standards That Are Not Yet Effective*

		<b>Effective for accounting periods beginning on or after</b>
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendment)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendment)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendment)	Reference to the Conceptual Framework	1 January 2022
HKFRS 16 (Amendment)	Covid-19 — Related Rent Concessions	1 June 2020
HKFRS 17	Insurance Contracts	1 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
Annual Improvements to HKFRSs 2018–2020 Cycle		1 January 2022

The Group has not early adopted the above new standard and amendments to existing standards in preparing this interim condensed consolidated financial information. None of these is expected to have a significant effect on the interim condensed consolidated financial information of the Group.

#### (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, commercial properties investment, property management, infrastructure and equity investment 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, Yangshuo and Hong Kong), Northern China (NC) (including Beijing, Tianjin, Dalian, Taiyuan, Langfang and Qinhuangdao) and Eastern China (EC) (including Shanghai, Hangzhou, Kunshan, Ningbo, Cixi and Taicang).

During the period, management reassessed and reported a new reportable operating segment, equity investment segment, in accordance with their economic characteristics. Equity investment business (including private equity investment in the primary market and listed equity investment in the secondary market, in particular equity investments in high-and-new technology and medical science and technology), represents an important component of the Group’s future strategy.

The corresponding segment results for the period ended 30th June 2019 and segment assets as at 31st December 2019 have been represented accordingly.

The Executive Directors assess the performance of the operating segments based on the segment results. Corporate income/expenses, finance income and costs are not included in the results for each operating segment that is reviewed by the Executive Directors.

Segment assets consist of all operating assets other than 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, infrastructure income and equity investment income.

The following tables present revenue and profit information regarding to the Group’s operating segments for the six months ended 30th June 2020 and 2019 respectively.

	Six months ended 30th June	
	2020	2019
	HK\$’000	HK\$’000
Revenue from property development	5,407,872	4,669,874
Revenue from commercial properties investment	1,458,508	1,497,843
Property management income	681,418	559,284
Infrastructure income	352,884	495,306
Equity investment income	2,835,999	—
	<u>10,736,681</u>	<u>7,222,307</u>

The segment results by business lines and by geographical areas for the six months ended 30th June 2020 are as follows:

	Property development			Commercial properties investment			Property management	Infrastructure	Equity investment	Group
	SC HK\$'000	EC HK\$'000	NC HK\$'000	SC HK\$'000	EC HK\$'000	NC HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30th June 2020										
Total revenues	2,572,766	2,561,096	438,377	312,947	503,514	751,653	897,553	2,775,139	2,835,999	13,649,044
Intra/inter-segment revenues	(163,976)	—	(391)	(16,337)	(7,951)	(85,318)	(216,135)	(2,422,255)	—	(2,912,363)
Revenues	<u>2,408,790</u>	<u>2,561,096</u>	<u>437,986</u>	<u>296,610</u>	<u>495,563</u>	<u>666,335</u>	<u>681,418</u>	<u>352,884</u>	<u>2,835,999</u>	<u>10,736,681</u>
Revenue from contracts with customers:										
Recognised at a point in time	2,408,790	2,561,096	437,986	—	—	—	—	—	2,835,999	8,243,871
Recognised over time	—	—	—	10,780	55,161	22,497	681,418	352,884	—	1,122,740
Revenue from other sources:										
Rental income	—	—	—	285,830	440,402	643,838	—	—	—	1,370,070
	<u>2,408,790</u>	<u>2,561,096</u>	<u>437,986</u>	<u>296,610</u>	<u>495,563</u>	<u>666,335</u>	<u>681,418</u>	<u>352,884</u>	<u>2,835,999</u>	<u>10,736,681</u>
Segment results	<u>1,451,962</u>	<u>1,309,960</u>	<u>(65,073)</u>	<u>133,869</u>	<u>323,257</u>	<u>829,736</u>	<u>61,631</u>	<u>281,974</u>	<u>2,837,128</u>	<u>7,164,444</u>
Depreciation of properties and equipment	(46,398)	(711)	(9,267)	(2,728)	(16,383)	(39,980)	(1,740)	(763)	—	(117,970)
Depreciation of right-of-use assets	(9,198)	(1,898)	(2,133)	(1,909)	(8,458)	(4,571)	(3,424)	(3,267)	—	(34,858)
Provision for impairment of accounts receivable	—	—	—	—	—	—	(7,608)	—	—	(7,608)
Fair value (loss)/gain on investment properties	—	—	—	(95,667)	55,063	518,981	—	—	—	478,377
Share of (loss)/profit of associates	(212)	—	192	—	—	—	—	—	—	(20)
Share of profit/(loss) of joint ventures	<u>13,085</u>	<u>(1)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,084</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	Equity investment	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	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>—</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>—</u>	<u>7,222,307</u>
Segment results	<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>230,736</u>	<u>4,396,517</u>
Depreciation of properties and equipment	(24,960)	(843)	(21,822)	(4,126)	(36,550)	(57,536)	(3,221)	(545)	—	(149,603)
Depreciation of right-of-use assets	(2,560)	(361)	—	(3,341)	(5,008)	(4,485)	—	—	—	(15,755)
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	19,181	(458)	14	—	—	36,016	—	—	—	54,753

The segment assets by business lines and by geographical areas as at 30th June 2020 are as follows:

	Property development			Commercial properties investment			Property management	Infrastructure	Equity investment	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	HK\$'000
As at and for the six months ended 30th June 2020	<u>50,545,926</u>	<u>31,837,887</u>	<u>76,859,922</u>	<u>8,741,308</u>	<u>20,445,337</u>	<u>32,513,600</u>	<u>1,308,048</u>	<u>2,974,608</u>	<u>21,396,787</u>	<u>246,623,423</u>
Segment assets include:										
Investments in associates	266,620	—	93,744	—	—	—	—	—	—	360,364
Investments in joint ventures	<u>4,863,569</u>	<u>2,767</u>	<u>—</u>	<u>111,835</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,978,171</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>27,243</u>	<u>10,991</u>	<u>444</u>	<u>79,293</u>	<u>8,661</u>	<u>102,399</u>	<u>27,062</u>	<u>1,156</u>	<u>—</u>	<u>257,249</u>

The segment assets by business lines and by geographical areas as at 31st December 2019 are as follows:

	Property development			Commercial properties investment			Property management	Infrastructure	Equity investment	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	HK\$'000
As at and for the year ended 31st December 2019	<u>54,725,866</u>	<u>25,600,368</u>	<u>53,805,369</u>	<u>9,455,010</u>	<u>20,303,646</u>	<u>32,038,354</u>	<u>892,061</u>	<u>1,133,397</u>	<u>4,840,313</u>	<u>202,794,384</u>
Segment assets include:										
Investments in associates	272,091	—	92,764	—	—	—	—	—	—	364,855
Investments in joint ventures	<u>4,942,038</u>	<u>2,823</u>	<u>—</u>	<u>114,706</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,059,567</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>575,735</u>	<u>45,946</u>	<u>4,662</u>	<u>528,602</u>	<u>186</u>	<u>2,637,850</u>	<u>3,567</u>	<u>3,336</u>	<u>—</u>	<u>3,799,884</u>

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

	Six months ended 30th June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Reportable segment profit from operations	<b>7,164,444</b>	4,396,517
Unallocated corporate expenses (including exchange (losses)/gains), net	<b>(104,068)</b>	(3,248)
Finance income	<b>153,433</b>	180,856
Finance costs	<b>(606,994)</b>	(454,581)
Profit before taxation	<u><b>6,606,815</b></u>	<u>4,119,544</u>

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

	As at	
	30th June	31st December
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Total segment assets	<b>246,623,423</b>	202,794,384
Deferred tax assets	<u><b>1,346,483</b></u>	<u>1,309,259</u>
Total assets	<u><b>247,969,906</b></u>	<u>204,103,643</u>

Except for the equity investment business, the Group primarily operates in Mainland China. All revenues for the six months ended 30th June 2020 and 2019 are mainly from Mainland China.

As at 30th June 2020 and 31st December 2019, non-current assets were mainly located in Mainland China.

**(5) OTHER GAINS, NET**

	<b>Six months ended 30th June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Dividend income from financial assets at fair value through other comprehensive income	—	157,421
Fair value loss on financial assets at fair value through profit or loss	—	(8,379)
Net foreign exchange (losses)/gains	<b>(79,996)</b>	8,456
Gain on disposal of financial assets at fair value through profit or loss	—	73,315
Gain on disposal of assets classified as held for sale	<b>628,149</b>	—
Others	<b>63,382</b>	37,678
	<u><b>611,535</b></u>	<u><b>268,491</b></u>

**(6) EXPENSES BY NATURE**

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

	<b>Six months ended 30th June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Advertising and promotion costs	<b>89,692</b>	93,781
Cost of completed properties sold	<b>2,535,738</b>	2,125,997
Depreciation of properties and equipment	<b>117,970</b>	149,603
Depreciation of right-of-use assets	<b>34,858</b>	15,755
Direct operating expenses arising from investment properties that		
— generated rental income	<b>106,633</b>	139,335
— did not generate rental income	<b>1,735</b>	2,982
Employees' benefits costs (including Directors' emoluments)	<b>685,189</b>	738,018
Loss on disposals of properties and equipment	<b>380</b>	226
Short-term and low-value assets lease expenses*	<b>4,059</b>	15,510
Provision for impairment of accounts receivable	<b>7,608</b>	10,498
	<u><b>7,608</b></u>	<u><b>10,498</b></u>

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



**(7) FINANCE INCOME AND COSTS**

	<b>Six months ended 30th June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Finance income</b>		
Interest income on bank deposits, advance to a joint venture and financial assets at amortised cost	<b>(153,433)</b>	(180,856)
<b>Finance costs</b>		
Interest expense and other borrowing costs:		
— loans from banks and financial institutions	<b>2,298,139</b>	1,767,125
— senior notes and commercial mortgage-backed securities	<b>517,107</b>	272,870
Total borrowing costs incurred	<b>2,815,246</b>	2,039,995
Less: Amount capitalised as part of the cost of properties under development, investment properties under development and properties and equipment	<b>(2,208,252)</b>	(1,585,414)
	<b>606,994</b>	454,581
Net finance costs	<b>453,561</b>	273,725

**(8) TAXATION**

	<b>Six months ended 30th June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Current tax</b>		
Hong Kong profits tax ( <i>Note (a)</i> )	<b>33,789</b>	—
Mainland China corporate income tax ( <i>Note (b)</i> )	<b>671,238</b>	411,356
Mainland China land appreciation tax ( <i>Note (c)</i> )	<b>751,190</b>	703,748
	<b>1,456,217</b>	1,115,104
<b>Deferred tax</b>		
Mainland China corporate income tax ( <i>Note (b)</i> )	<b>47,321</b>	309,304
Mainland China land appreciation tax ( <i>Note (c)</i> )	<b>(12,052)</b>	(9,785)
Mainland China withholding income tax ( <i>Note (d)</i> )	<b>—</b>	1,764
	<b>35,269</b>	301,283
	<b>1,491,486</b>	1,416,387

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) Hong Kong Profits Tax

Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30th June 2020 (2019:16.5%).

(b) 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 2020 (2019: 25%).

(c) 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.

(d) 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.

## (9) EARNINGS PER SHARE

### Basic

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

	Six months ended 30th June	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to equity holders of the Company ( <i>HK\$'000</i> )	<u>5,101,795</u>	<u>2,654,976</u>
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<u>2,225,560</u>	<u>2,225,560</u>
Basic earnings per share ( <i>HK\$ per share</i> )	<u>2.292</u>	<u>1.193</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 2020 and 30th June 2019, diluted earnings per share is equal to basic earnings per share.

## (10) DIVIDEND

	Six months ended 30th June	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Declared interim dividend of HK\$0.60 (2019: HK\$0.10) per ordinary share	<u>1,335,336</u>	<u>222,556</u>

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

## (11) ACCOUNTS RECEIVABLE

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

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

	<b>As at</b>	
	<b>30th June</b>	<b>31st December</b>
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
0 to 3 months	<b>954,328</b>	655,018
3 to 6 months	<b>92,594</b>	44,725
6 to 9 months	<b>84,057</b>	48,604
9 to 12 months	<b>62,523</b>	71,912
Over 12 months	<b>322,924</b>	237,822
	<b><u>1,516,426</u></b>	<b><u>1,058,081</u></b>

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

## (12) BORROWINGS

	As at	
	30th June 2020 HK\$'000 (Unaudited)	31st December 2019 HK\$'000 (Audited)
Non-current		
Bank and financial institution borrowings	59,956,231	38,873,684
Commercial mortgage-backed securities ( <i>Note (a)</i> )	7,822,433	7,986,349
Senior notes ( <i>Note (b)</i> )	3,832,339	3,840,525
	<u>71,611,003</u>	<u>50,700,558</u>
Current		
Bank and financial institution borrowings	13,391,312	12,661,692
Commercial mortgage-backed securities ( <i>Note (a)</i> )	33,500	27,630
Senior notes ( <i>Note (b)</i> )	3,858,485	—
	<u>17,283,297</u>	<u>12,689,322</u>
	<u>88,894,300</u>	<u>63,389,880</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\$6,130,671,000) (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 investors are also entitled to sell back the Redeemable Securities to the Group on the same date. As at 30th June 2020, the Securities are secured by an investment property of approximately HK\$11,181 million (31st December 2019: HK\$11,215 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\$2,189,525,000) (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 investors are also entitled to sell back the Redeemable Securities to the Group on the same date. As at 30th June 2020, the Securities are secured by an investment property of approximately HK\$2,918 million (31st December 2019: HK\$2,900 million) and rental receivables of the investment property.

(b) In June 2019, the Group issued 7.5% senior notes with an aggregate nominal value of US\$500,000,000 (equivalent to approximately HK\$3,875,185,000) (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.

In February 2020, the Group issued 6.0% senior notes with an aggregate nominal value of US\$500,000,000 (equivalent to approximately HK\$3,875,185,000) (the “Notes”). The Notes will mature in February 2021 and are repayable at their nominal value of US\$500,000,000.

### (13) ACCOUNTS PAYABLE, ACCRUALS AND OTHER PAYABLES

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

	<b>As at</b>	
	<b>30th June 2020 HK\$'000 (Unaudited)</b>	<b>31st December 2019 HK\$'000 (Audited)</b>
0 to 3 months	<b>2,200,256</b>	3,034,732
3 to 6 months	<b>1,055,082</b>	1,692,416
6 to 9 months	<b>1,879,135</b>	2,974,763
9 to 12 months	<b>2,065,243</b>	835,278
Over 12 months	<b>6,617,037</b>	5,482,251
	<b><u>13,816,753</u></b>	<b><u>14,019,440</u></b>

As at 30th June 2020, approximately HK\$861,116,000 (31st December 2019: HK\$829,032,000) 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.

**(14) RESERVES***For the six months ended 30th June 2020*

	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 2020	15,800,776	161,117	1,133,021	(779,750)	56,042,957	72,358,121
Profit for the period	—	—	—	—	5,101,795	5,101,795
Currency translation differences	—	—	—	(1,514,860)	—	(1,514,860)
Fair value loss on financial assets at fair value through other comprehensive income	—	—	(76,167)	—	—	(76,167)
Realised upon disposal of completed properties held for sale	—	—	(85,843)	—	—	(85,843)
Deferred tax	—	—	60,301	—	—	60,301
Dividends payable	—	—	—	—	(667,668)	(667,668)
Balance at 30th June 2020	<u>15,800,776</u>	<u>161,117</u>	<u>1,031,312</u>	<u>(2,294,610)</u>	<u>60,477,084</u>	<u>75,175,679</u>

*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)
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>

## **DIVIDEND**

The Board has declared an interim dividend of HK\$60 cents per share for the six months ended 30th June 2020 (30th June 2019: HK\$10 cents), payable on Friday, 27th November 2020 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 16th October 2020.

## **FINANCIAL REVIEW**

### **Turnover**

#### *(i) Recognised Sales*

For the first six months of 2020, the Group recorded a turnover of RMB9,713 million (HK\$10,737 million), up 53.2% (denominated in RMB) and up 48.7% (denominated in HK\$) comparing to RMB6,341 million (HK\$7,222 million) for the first six months of 2019. The increase was mainly due to increase in revenue from property development and equity investment income.

In respect of property development business, a total GFA of 291,089 square metres (2019: 241,974 square metres) was delivered for the first half of 2020. The major projects delivered include Hopson Belvedere Bay (合生君景灣) and Hopson Regal Riviera (合生珠江帝景) in Guangzhou, Hopson No. 8 Royal Park (合生霄雲路8號) in Beijing, The Town of Hangzhou Bay (合生杭州灣國際新城) in Shanghai and Hopson International Garden (合生國際花園) in Kunshan.

The overall average selling price in respect of delivered and completed properties was RMB16,418 per square metre (2019: RMB16,374 per square metre), basically flat as compared to the same period of last year.

In respect of equity investment business, the Group recorded total equity investment income of HK\$2,836 million for the six months of 2020 (2019: Nil). Equity investment consists of investments in listed equity securities in Hong Kong, Mainland China and the United States as well as unlisted equity and debt securities in Hong Kong and China.

#### *(ii) Contracted Sales*

The Group recorded total contracted sales of RMB13,014 million (2019: RMB11,353 million) for the first six months of 2020. Affected by the product structure of sales, the average contracted selling price increased by 14% to RMB16,469 per square metre (2019: RMB14,396 per square metre).



In the first half of 2020, Guangzhou and Huizhou had in total fifteen projects on sale and the contracted sales amounted to RMB4,900 million, representing 38% 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 Regal Riviera (合生珠江帝景) and Hopson International New City (合生國際新城).

There were eleven property projects on sale in Shanghai, mainly comprising The Town of Hangzhou Bay (合生杭州灣國際新城) and Hopson Guangfuhui (合生廣富匯). Contracted sales of Shanghai amounted to RMB4,309 million, representing 33% of the total contracted sales of the Group.

The combined contracted sales of Beijing and Tianjin were RMB3,805 million, representing 29% of the total contracted sales of the Group in the first half of 2020. Thirteen projects in total were on sale in Beijing and Tianjin, of which Jinmao Palace Phase II (金茂府(二期)) and Hopson No. 8 Royal Park (合生霄雲路8號) were the major sales contributors.

### **Gross Profit**

Gross profit for the first half of 2020 amounted to HK\$7,146 million (2019: HK\$3,772 million) with a gross profit margin percentage of 67% (2019: 52%). The increase in gross profit margin percentage was mainly attributable to the newly included equity investment business.

### **Fair Value Gain on Investment Properties**

Fair value gain on investment properties for the six months ended 30th June 2020 amounted to HK\$478.4 million (2019: HK\$1,385.2 million), down HK\$906.8 million or 65%. As at 30th June 2020, the Group owns 15 (2019: 14) investment properties.

### **Other Gains, Net**

Other gains for the six months ended 30th June 2020 amounted to HK\$611.5 million (2019: HK\$268.5 million), comprising (1) gain on disposal of assets classified as held for sale of HK\$628.1 million; (2) net exchange losses of HK\$80.0 million and (3) other net gains of HK\$63.4 million.

### **Operating Costs**

The operating costs relating to expenses for selling, marketing, general and administration increased by 9.6% to HK\$1,188 million in the first half of 2020 (2019: HK\$1,084 million). The increase was primarily attributable to the increase in costs of sales promotion and sales marketing of the Group during the first half of the year.

## **Finance Costs**

Gross interest expenses before capitalisation for the first half of 2020 increased to HK\$2,815 million (2019: HK\$2,040 million), up HK\$775 million or 38%. The increase was primarily attributable to the increase in borrowings from banks and financial institutions during the first half of 2020 as compared to the same period of last year.

## **Taxation**

The effective tax rate was 22.6% for the first half of 2020, decreased by 11.8% as compared with the same period of last year, mainly due to the equity investment business newly added by the Group in the first half of 2020, which has a lower tax rate than property development business.

## **Profit Attributable to Equity Holders of the Company**

Profit attributable to equity holders was HK\$5,101.8 million for the first half of 2020 (2019: HK\$2,655.0 million). Basic earnings per share was HK\$2.292. During the period under review, excluding the effect of the net of tax gain from investment property revaluation of HK\$358.8 million, the net of tax gain on the disposal of assets classified as held for sale, subsidiaries and an associate of HK\$435.0 million and the net of tax goodwill impairment of HK\$3.4 million, the underlying profit amounted to HK\$4,311.4 million, representing an increase of HK\$2,764.2 million, or 178.7%, 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 as compared to the same period of last year and the newly included equity investment business in the current period.

## **Segment Information**

Property development continued to be the Group's core business activity (50%). In 2020, the Group continued to develop its business in the three core economic regions, namely the Huanbohai Area, Pearl River Delta and Yangtze River Delta. Southern China (including Guangzhou, Huizhou, Zhongshan and Yangshuo) contributed 56% of the total revenues of the Group, followed by 29% from Eastern China (including Shanghai, Hangzhou, Kunshan, Ningbo, Cixi and Taicang) and 15% from Northern China (including Beijing, Tianjin, Langfang, Dalian, Taiyuan and Qinhuangdao).

## **Liquidity and Financial Position**

As at 30th June 2020, total assets of the Group amounted to HK\$247,970 million and total liabilities came to HK\$170,002 million, representing an increase of 21% and 32% respectively as compared to 31st December 2019. 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 2020 was 2.04 (31st December 2019: 1.98). Equity as at 30th June 2020 increased by 4% to HK\$77,968 million from 31st December 2019, 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 2020 was HK\$35.03.

As at 30th June 2020, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding non-controlling interests) was 69% (31st December 2019: 63%).

As at 30th June 2020, the Group had cash and bank deposits amounting to HK\$17,216 million (31st December 2019: HK\$14,102 million), of which approximately HK\$2 million (31st December 2019: 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. 90.40% of the cash and bank deposits were denominated in Renminbi, 8.52% in Hong Kong dollars, 1.07% in United States dollars and 0.01% in other currencies.

Total borrowings from banks and financial institutions amounted to HK\$73,348 million as at 30th June 2020, representing an increase of 42% or HK\$21,812 million as compared to those as at 31st December 2019. Gearing ratio, measured by net bank and financial institution borrowings, senior notes and commercial mortgage-backed securities (i.e. total bank and financial institution borrowings, senior notes and commercial mortgage-backed securities less cash and bank deposits) as a percentage of shareholders' equity, was 92% as at 30th June 2020 (increased by 26% as compared with 66% as at 31st December 2019).

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 2020 was as follows:

(HK\$ million)	As at 30th June 2020						As at 31st December 2019					
	Bank and financial institution borrowings	Commercial mortgage-backed securities	Senior notes	Other borrowings	Total	Percentage	Bank and financial institution borrowings	Commercial mortgage-backed securities	Senior notes	Other borrowings	Total	Percentage
1 year	13,391	34	3,858	1,577	18,860	(21%)	12,662	28	—	3,383	16,073	(24%)
1–2 years	26,917	82	3,832	—	30,831	(34%)	15,413	75	—	—	15,488	(23%)
2–5 years	26,064	7,740	—	—	33,804	(37%)	15,376	7,911	3,840	—	27,127	(41%)
After 5 years	6,976	—	—	—	6,976	(8%)	8,085	—	—	—	8,085	(12%)
Total	73,348	7,856	7,690	1,577	90,471		51,536	8,014	3,840	3,383	66,773	
Less: Cash and bank deposits					(17,216)						(14,102)	
Net borrowings					<u>73,255</u>						<u>52,671</u>	

As at 30th June 2020, the Group had banking facilities of approximately HK\$159,142 million (31st December 2019: HK\$88,053 million) for short-term and long-term bank loans, of which HK\$70,248 million (31st December 2019: HK\$24,663 million) were unutilised.

### Charge on Assets

As at 30th June 2020, certain assets of the Group with an aggregate carrying value of HK\$84,587 million (31st December 2019: HK\$78,951 million) and the Group's equity interests in subsidiaries of HK\$8,614 million (31st December 2019: HK\$1,267 million) were pledged with banks and financial institutions for loan facilities used by subsidiaries.

### Financial Guarantees

As at 30th June 2020, the Group provided guarantees to banks for mortgage facilities granted to buyers of the Group's properties which amounted to HK\$14,348 million (31st December 2019: HK\$11,846 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.

## **SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDER**

On 27th April 2020, the Company, as borrower, entered into a facility agreement (the “Facility Agreement”) with a group of financial institutions referred to as the original lenders in the Facility Agreement in relation to the secured dual-currency term loan facilities which comprise (i) the term loan facilities in the aggregate amounts of US\$230 million and HK\$156 million respectively (the “Original Facilities”) and (ii) the incremental term loan facilities comprising US dollar denominated term loan facilities and HK dollar denominated term loan facilities that may be established and made available to the Company under the Facility Agreement, the aggregate amount of which shall not exceed US\$250 million (the “Incremental Facilities”) (collectively called the “Facilities”).

The Facility Agreement imposed, among other things, specific performance obligations on Mr. Chu Mang Yee (“Mr. Chu”), a controlling shareholder of the Company who, through (i) Sounda Properties Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by him; and (ii) Hopson Education Charitable Funds Limited, an exempt charitable institution and a company incorporated in Hong Kong limited by guarantee, of which he is the sole member, is beneficially interested in approximately 55.22% of the entire issued share capital of the Company.

Pursuant to the Facility Agreement, a change of control event occurs if:

- (i) Mr. Chu, directly or indirectly, ceases to be the beneficial owner of not less than 51% of the entire issued share capital of the Company;
- (ii) Mr. Chu ceases to have the power to direct the affairs of the Company and/or control the composition of the Board of the Company or equivalent body; or
- (iii) Mr. Chu, Ms. Chu Kut Yung (the daughter of Mr. Chu, an executive Director and the Chairman of the Board) or one of their family members (which include the spouse, children, parents and siblings) ceases to be the Chairman of the Company.

If a change of control event abovementioned occurs which will constitute a breach of specific performance obligations:-

- (i) a lender under the Facility Agreement shall not be obliged to fund a utilization of the Facilities; and
- (ii) should the majority lenders (as defined in the Facility Agreement) so require and with prior written notice to the Company, (a) the total commitments under the Facility Agreement shall immediately be cancelled and (b) all outstanding loans made under the Facilities, together with accrued interest, and all other amounts accrued under the related finance documents shall become immediately due and payable.

## **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 2020.

## **EMPLOYEES**

As at 30th June 2020, the Group, excluding its associates and joint ventures, employed a total of 10,291 (as at 31st December 2019: 10,385) staff, the majority of which were employed in Mainland China. Employees' costs (including Directors' emoluments) amounted to HK\$685 million for the six months ended 30th June 2020 (for the six months ended 30th June 2019: HK\$738 million). The remuneration policies remained the same as disclosed in the Annual Report for the year ended 31st December 2019.

## **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 2020.

## **CORPORATE GOVERNANCE**

During the six months ended 30th June 2020, 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 did not attend the annual general meeting for the year 2020 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 2020.

## **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 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 13th October 2020 to Friday, 16th October 2020 (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, 12th October 2020.

## **INTERIM REPORT**

The 2020 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 eight Directors. The Executive Directors are Ms. Chu Kut Yung (Chairman), Mr. Xi Ronggui (Chief Executive Officer), Mr. Au Wai Kin, Mr. Xie Bao Xin and Mr. Bao Wenge; and the independent non-executive Directors are Mr. Lee Tsung Hei, David, Mr. Tan Leng Cheng, Aaron and Mr. Ching Yu Lung.

By order of the Board  
**Hopson Development Holdings Limited**  
**Chu Kut Yung**  
*Chairman*

Hong Kong, 21st August 2020