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 2018

FINANCIAL HIGHLIGHTS

(for the six months ended 30th June 2018)

— Turnover was HK$4,965 million.
— Profit attributable to equity holders was HK$2,473 million.
— Basic earnings per share was HK$1.111 per share.
— Interim dividends were HK$20 cents per share.

BUSINESS REVIEW

Industry overview

- The gross domestic product of China amounted to RMB41,896.1 billion in the first half of 2018, representing an increase of 6.8% comparing with the same period last year. The national Bureau of Statistics stated that, China's economy continued to gain positive momentum amidst general stability in 2018. The economy was steadily marching toward high-quality development.

- In the first half of 2018, according to the housing price movements of 70 large and medium-sized cities, the housing price was generally stable. However, structural imbalances in the real estate industry persisted. Therefore, China's housing strategies should be subject to delicate adjustment based on local circumstances of each city. With regard to the next stage of development, macro-economic regulation and control will be enhanced and perfected while relevant policies and measures targeting the supply side including housing property tax will be expedited in order to provide housing supplies through multiple sources and housing support through multiple channels. Ancillary policies such as granting equal rights to owners and tenants will be promoted and the building of long-effect mechanism will be accelerated to better facilitate a smooth and healthy development in the real estate industry.

- In response to the regulatory policies of the central government on the real estate market, the Group focused on rationalising its business in view of the government policies so as to strive to achieve the sales targets while meeting the requirements under the regulatory policies of various local governments. Besides, the Group further enhanced its overall product quality and services on the basis of cost control in order to expand the brand influence of Hopson Development.

* *For identification purposes only*

Contracted sales performance

Details of properties sold under sale and pre-sale contracts in the first half of 2018 totalling RMB6,235 million (2017: RMB4,452 million) are as follows:

- In Guangzhou, a total GFA of 100,318 square metres (2017: 41,631 square metres) with a carrying value of RMB1,497 million (2017: RMB852 million) was sold. The increase in sales was mainly attributable to the newly launched units of Hopson Xijing Garden, whose high-rise units continuously enjoyed good sales, during the period, and the ample supply of units of Hopson Hushan Guoji Villa enjoying substantial sales growth driven by policies.

- In Shanghai, a total GFA of 231,041 square metres (2017: 124,859 square metres) with a carrying value of RMB2,713 million (2017: RMB1,278 million) was sold. The increase in sales was mainly attributable to the increase in the area sold and selling prices as The Town of Hangzhou Bay as a new hot spot in the region was popular among the customers in Shanghai and Wenzhou with ample supply.

- In Beijing and Tianjin, a total GFA of 58,884 square metres (2017: 66,440 square metres) with a carrying value of RMB1,104 million (2017: RMB1,439 million) was sold. The decrease in sales was mainly attributable to the decrease in the area sold and unit price as its featured product during the period was apartments and its featured product during the same period of last year was house products, of Jingjin New Town.

- In Huizhou, a total GFA of 96,189 square metres (2017: 99,455 square metres) with a carrying value of RMB921 million (2017: RMB883 million) was sold. The increase in sales was mainly attributable to the combined effect of the units of Hopson Seaside Garden newly launched during the second half of 2017 continuously enjoying good sales with an ample supply, and the decrease in transaction volume as a result of the selection of car parking spaces and houses at a relatively high unit price as the featured products of Hopson International New City and Hopson Xiaogui Bay during the period.

Properties sold but yet to be delivered

As at 30th June 2018, the GFA in respect of which the Group had entered into sale and pre-sale contracts and yet to be delivered to buyers was 949,652 square metres (31st December 2017: 618,641 square metres). Following the delivery of these properties, the proceeds received therefrom totalling HK$8,076 million will be recognised as revenue in the Group's financial statements in the second half of 2018 and thereafter.

Delivery of properties

A total GFA of 155,421 square metres (2017: 217,062 square metres) was delivered in the first half of 2018.

Project development progress

- A total GFA of approximately 621,568 square metres was completed in the first half of 2018.

- A total GFA of approximately 684,663 square metres is expected to be completed in the second half of 2018.

Landbank

As of 30th June 2018, the Group had a landbank of 29.36 million square metres (31st December 2017: 29.33 million square metres).

Prospects

In the second half of 2018, China's macro-economic regulation and control will be further enhanced and perfected. Meanwhile, through implementing the supply-side reform, the building of long-effect mechanism will be accelerated to better facilitate a smooth and healthy development of the economy.

Along with the clear positioning of "housing is for living in, not for speculation", the differentiated management and control, and long-term mechanism establishment in the real estate industry will continue to be implemented. The stable and healthy development of the industry and the market will be the main trend for the future. The Group will continue to leverage its competitive edges as usual. Through its diversified portfolio comprising residential properties, commercial properties, industrial real estate, etc., the Group will focus on its core assets, make innovations in business development and enhance its brand value.

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 2018 together with the comparative figures for the previous period.

The interim financial information of the Company for the six months ended 30th June 2018 has been reviewed by the Company's audit committee and the Board.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	**Six months ended 30th June** **2018** ***HK$'000*** **(Unaudited)**	2017 *HK$'000* (Unaudited)
Revenues	*5*	**4,965,091**	3,909,196
Cost of sales	*7*	**(2,588,732)**	(2,579,488)
Gross profit		**2,376,359**	1,329,708
Fair value gain on investment properties		**2,076,730**	1,129,030
Other gains, net	*6*	**141,307**	134,716
Selling and marketing expenses	*7*	**(102,303)**	(161,204)
General and administrative expenses	*7*	**(752,637)**	(553,294)
Finance income	*8*	**133,228**	15,674
Finance costs	*8*	**(293,823)**	(3,606)
Share of (loss)/profit of associates		**(65)**	480
Share of profit of joint ventures	*9*	**43,533**	58,136
Profit before taxation		**3,622,329**	1,949,640
Taxation	*10*	**(1,154,819)**	(686,620)
Profit for the period		**2,467,510**	1,263,020
Attributable to:			
Equity holders of the Company		**2,473,415**	1,261,661
Non-controlling interests		**(5,905)**	1,359
		2,467,510	1,263,020
Earnings per share for profit attributable to equity holders of the Company during the period (in HK$ per share)			
— basic and diluted	*11*	**1.111**	0.567
Dividends	*12*	**445,112**	—

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**2,467,510**	1,263,020
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on available-for-sale financial assets	**—**	114,614
Assets revaluation reserve realised upon disposal of properties held for sale	**(17,023)**	(41,368)
Deferred tax	**85,563**	(9,287)
Currency translation differences	**(611,013)**	1,748,911
Item that will not be reclassified subsequently to profit or loss:		
Fair value loss on financial assets at fair value through other comprehensive income	**(316,579)**	—
Other comprehensive (loss)/income for the period, net of tax	**(859,052)**	1,812,870
Total comprehensive income for the period	**1,608,458**	3,075,890
Attributable to:		
Equity holders of the Company	**1,632,479**	3,013,598
Non-controlling interests	**(24,021)**	62,292
	1,608,458	3,075,890

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30th June 2018 HK$'000 (Unaudited)	As at 31st December 2017 HK$'000 (Audited)
ASSETS			
Non-current assets			
Land costs		**1,801,972**	1,846,674
Prepayments for acquisition of land		**126,178**	127,264
Loan receivables		**1,700,866**	1,536,051
Properties and equipment		**3,534,755**	3,724,771
Investment properties		**45,049,104**	42,971,253
Goodwill		**33,238**	33,552
Investments in associates		**151,739**	153,106
Investments in joint ventures		**7,828,235**	8,035,057
Available-for-sale financial assets		**—**	4,039,343
Financial assets at fair value through other comprehensive income		**3,230,020**	—
Financial assets at fair value through profit or loss		**456,681**	—
Deferred tax assets		**677,436**	740,160
		64,590,224	63,207,231
Current assets			
Prepayments for acquisition of land		**9,744,936**	10,079,270
Properties under development for sale		**39,371,978**	42,112,261
Completed properties for sale		**32,297,410**	27,358,063
Financial assets at fair value through profit or loss		**280,713**	174,852
Accounts receivable	13	**752,443**	630,653
Loan receivables		**694,440**	299,075
Available-for-sale financial assets		**—**	220,000
Prepayments, deposits and other current assets		**3,991,145**	3,879,004
Due from a joint venture		**44,369**	42,230
Due from associates		**209**	211
Due from related companies		**8,636**	7,713
Contract assets		**262,679**	—
Pledged/charged bank deposits		**372,613**	405,842
Cash and cash equivalents		**4,158,219**	5,396,990
		91,979,790	90,606,164
Total assets		**156,570,014**	153,813,395

	Note	As at 30th June 2018 HK$'000 (Unaudited)	31st December 2017 HK$'000 (Audited)
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**222,556**	222,556
Reserves	*16*	**65,139,843**	63,871,569
		65,362,399	64,094,125
Non-controlling interests		**2,085,631**	2,143,533
Total equity		**67,448,030**	66,237,658
LIABILITIES			
Non-current liabilities			
Land cost payable		**91,914**	92,830
Borrowings	*14*	**37,142,117**	37,626,814
Due to non-controlling interests		**534,809**	539,409
Deferred tax liabilities		**8,003,166**	7,646,741
		45,772,006	45,905,794
Current liabilities			
Accounts payable	*15*	**7,161,227**	7,881,015
Land cost payable		**5,282**	5,327
Borrowings	*14*	**15,783,396**	15,562,973
Contract liabilities		**8,075,500**	—
Deferred revenue		**—**	5,766,727
Dividends payable		**445,110**	—
Accruals and other payables		**4,221,659**	3,979,917
Due to an associate		**6,546**	6,603
Due to related companies		**259,035**	223,907
Due to joint ventures		**3,096,032**	3,208,176
Current tax liabilities		**4,296,191**	5,035,298
		43,349,978	41,669,943
Total liabilities		**89,121,984**	87,575,737
Total equity and liabilities		**156,570,014**	153,813,395

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 30th June 2018			
	Attributable to equity holders of the Company			
	Share capital	**Reserves**	**Non-controlling interests**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Balance at 31st December 2017, as previously stated	**222,556**	**63,871,569**	**2,143,533**	**66,237,658**
Change in accounting policy *(note 4)*	**—**	**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**

	Unaudited six months ended 30th June 2017			
	Attributable to equity holders of the Company			
	Share capital	Reserves	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st January 2017	222,556	54,194,334	1,988,176	56,405,066
Total comprehensive income for the period	—	3,013,598	62,292	3,075,890
Transactions with owners:				
Dividends payable	—	(222,556)	—	(222,556)
	—	(222,556)	—	(222,556)
Balance at 30th June 2017	222,556	56,985,376	2,050,468	59,258,400

Notes:

(1) GENERAL INFORMATION

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

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

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

This 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 31st August 2018.

(2) BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30th June 2018 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRS”), the condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2017, 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 31st December 2017, 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 2018, the Group adopted the following new and amendments to existing standards, which are effective for accounting periods beginning on or after 1st January 2018.

HKAS 40 (Amendment)	Transfers of Investment Property
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of these standards and the new accounting policies are disclosed in note 4 below. The other standards did not have any 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
HKAS 28 (Amendments)	Investment in Associates and Joint Ventures	1st January 2019
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1st January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1st January 2019
HKFRS 16	Leases	1st January 2019
HKFRS 17	Insurance Contracts	1st January 2021
Annual Improvements to 2015–2017 Cycle	Improvement to HKFRSs	1st January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1st January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined

The Group is currently assessing the potential impact of these standards and amendments but expects their adoption will not have a significant effect on the Group's consolidated financial statements.

(4) EFFECT ON ADOPTION OF HKFRS 9 AND HKFRS 15

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

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

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

(i) HKFRS 9 Financial Instruments

Nature of change

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach.

Impact

Classification and measurement of financial instruments

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

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

Derivatives and hedging activities

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

Expected credit loss model

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, contract assets under HKFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. At 1st January 2018 and 30th June 2018, the Group assessed that the impact of loss allowance under the application of HKFRS 9 was immaterial.

(ii) HKFRS 15 Revenue from Contracts with Customers

Nature of change

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

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

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

Impact

Accounting for property development activities

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

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

- For properties which have no alternative use to the Group and the Group has no enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied at a point in time when the customer obtains control of the property and the Group satisfies the performance obligations.

- The timing of revenue recognition for sale of certain stock of properties, which was based on whether significant risks and rewards of ownership of properties have been transferred in the past, is now recognised at a point in time when the underlying property is legally or physically transferred to the customer.

- For properties which have no alternative use to the Group and the Group has enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied over time in accordance with the input method for measuring progress.

- The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

Accounting for costs incurred for obtaining a contract

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

Accounting for significant financing component

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

Presentation of contract assets and contract liabilities

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

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

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

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

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

The Executive Directors assess the performance of the operating segments based on the segment results. Corporate income/expenses, finance income and costs, dividend income and gain on disposal of financial assets at fair value through profit or loss are not included in the results for each operating segment that is reviewed by the Executive Directors.

Segment assets consist of all operating assets and exclude certain available-for sale financial assets, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are managed on a central basis, and deferred tax assets.

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

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

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Sales of properties	**3,246,826**	2,676,418
Property management income	**504,039**	422,477
Income from hotel operations	**161,497**	187,233
Rental income		
— Investment properties	**930,787**	533,089
— Others	**121,942**	89,979
	4,965,091	3,909,196

The segment results by business lines and by geographical areas for the six months ended 30th June 2018 are as follows:

	Property development			Property investment			Hotel operations			Property management	Group
	SC	EC	NC	SC	EC	NC	SC	EC	NC		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30th June 2018											
Total revenues	**1,361,532**	**1,453,074**	**1,262,310**	**156,517**	**365,179**	**457,568**	**23,765**	**129,343**	**20,481**	**576,090**	**5,805,859**
Intra/inter-segment revenues	**(552,865)**	**(97,993)**	**(57,290)**	**(7,547)**	**(2,572)**	**(38,358)**	**—**	**(2,966)**	**(9,126)**	**(72,051)**	**(840,768)**
Revenues	**808,667**	**1,355,081**	**1,205,020**	**148,970**	**362,607**	**419,210**	**23,765**	**126,377**	**11,355**	**504,039**	**4,965,091**
Revenue from contracts with customers:											
Recognised at a point in time	**808,667**	**1,355,081**	**1,205,020**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,368,768**
Recognised over time	**—**	**—**	**—**	**—**	**—**	**—**	**23,765**	**126,377**	**11,355**	**504,039**	**665,536**
Revenue from other sources:											
Rental income	**—**	**—**	**—**	**148,970**	**362,607**	**419,210**	**—**	**—**	**—**	**—**	**930,787**
	808,667	**1,355,081**	**1,205,020**	**148,970**	**362,607**	**419,210**	**23,765**	**126,377**	**11,355**	**504,039**	**4,965,091**
Segment results	**105,471**	**1,229,266**	**219,190**	**154,440**	**458,875**	**1,731,763**	**5,019**	**(42,460)**	**(123,013)**	**49,000**	**3,787,551**
Depreciation	**(6,909)**	**(1,457)**	**(10,243)**	**—**	**(346)**	**(350)**	**(2,344)**	**(12,072)**	**(51,782)**	**(1,664)**	**(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	**20,939**	**—**	**(434)**	**—**	**—**	**23,028**	**—**	**—**	**—**	**—**	**43,533**

The segment results by business lines and by geographical areas for the six months ended 30th June 2017 are as follows:

	Property development			Property investment			Hotel operations			Property management	Group
	SC	EC	NC	SC	EC	NC	SC	EC	NC		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30th June 2017											
Total revenues	1,626,524	461,130	862,115	122,087	270,614	151,615	24,618	100,037	67,400	425,954	4,112,094
Intra/inter-segment revenues	(97,097)	—	(86,275)	(6,366)	—	(4,861)	(140)	—	(4,682)	(3,477)	(202,898)
Revenues	1,529,427	461,130	775,840	115,721	270,614	146,754	24,478	100,037	62,718	422,477	3,909,196
Segment results	412,045	(76,172)	21,353	177,876	768,181	550,649	3,142	15,933	(67,684)	28,704	1,834,027
Depreciation	(4,848)	(804)	(8,891)	(469)	1,233	(201)	(3,642)	(10,563)	(47,694)	(2,300)	(78,179)
Amortisation	—	—	—	—	—	—	(8,600)	(11,982)	(5,085)	—	(25,667)
Provision for impairment of accounts receivable	—	—	—	—	—	—	—	—	—	(9,882)	(9,882)
Fair value gain on investment properties	—	—	—	108,404	586,951	433,675	—	—	—	—	1,129,030
Share of profit of associates	76	—	404	—	—	—	—	—	—	—	480
Share of profit of joint ventures	24,377	—	—	—	—	33,759	—	—	—	—	58,136

The segment assets by business lines and by geographical areas as at 30th June 2018 are as follows:

	Property development			Property investment			Hotel operations			Property management	Group
	SC	EC	NC	SC	EC	NC	SC	EC	NC		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at and for the six months ended 30th June 2018	38,134,811	15,809,274	45,220,011	8,304,530	16,775,109	22,746,210	635,063	1,437,595	2,322,534	820,740	152,205,877
Segment assets include:											
Investments in associates	3,634	—	148,105	—	—	—	—	—	—	—	151,739
Investments in joint ventures	4,687,324	—	1,086,337	78,069	—	1,976,505	—	—	—	—	7,828,235
Additions to non-current assets (other than financial instruments and deferred tax assets)	1,538	322	11,993	3,262	21,385	355,169	37	53,268	5,971	1,785	454,730

The segment assets by business lines and by geographical areas as at 31st December 2017 are as follows:

	Property development			Property investment			Hotel operations			Property management	Group
	SC	EC	NC	SC	EC	NC	SC	EC	NC		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at and for the year ended 31st December 2017	35,753,844	16,090,939	45,230,696	8,193,164	16,298,681	21,156,817	963,704	1,493,637	2,552,612	1,079,798	148,813,892
Segment assets include:											
Investments in associates	4,008	—	149,098	—	—	—	—	—	—	—	153,106
Investments in joint ventures	4,894,529	—	1,093,126	77,024	—	1,970,378	—	—	—	—	8,035,057
Additions to non-current assets (other than financial instruments and deferred tax assets)	85,158	53,075	11,397	580,449	106,591	3,437,481	678	20,983	25,350	7,948	4,329,110

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

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reportable segment profit from operations	**3,787,551**	1,834,027
Unallocated corporate expenses (including exchange loss), net	**(158,646)**	(42,480)
Gain on disposal of financial assets at fair value through profit or loss	**8,175**	6,925
Dividend income	**145,844**	139,100
Finance income	**133,228**	15,674
Finance costs	**(293,823)**	(3,606)
Profit before taxation	**3,622,329**	1,949,640

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

	As at	
	30th June	31st December
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Total segment assets	**152,205,877**	148,813,892
Available-for-sale financial assets	**—**	4,259,343
Financial assets at fair value through other comprehensive income	**3,230,020**	—
Financial assets at fair value through profit or loss	**456,681**	—
Deferred tax assets	**677,436**	740,160
Total assets	**156,570,014**	153,813,395

The Group primarily operates in Mainland China. All revenues for the six months ended 30th June 2018 and 2017 are from Mainland China.

As at 30th June 2018 and 31st December 2017, all non-current assets are located in Mainland China.

(6) OTHER GAINS, NET

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend income from		
— financial assets at fair value through other comprehensive income	**145,844**	—
— available-for-sale financial assets	**—**	138,941
— financial assets at fair value through profit or loss	**—**	159
Government grants	**4,433**	2,525
Fair value (loss)/gain on financial assets at fair value through profit or loss	**(46,437)**	254
Net foreign exchange gains/(losses)	**10,099**	(32,037)
Interest income from loan receivables	**19,219**	—
Provision for impairment of goodwill	**(26)**	(450)
Gain on disposal of land	**—**	18,399
Gain on disposal of financial assets at fair value through profit or loss	**8,175**	6,925
	141,307	134,716

(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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Advertising and promotion costs	**31,899**	46,237
Amortisation of land costs	**29,776**	25,667
Cost of completed properties sold	**1,613,919**	1,861,369
Depreciation of properties and equipment	**87,167**	78,179
Direct operating expenses arising from investment properties that		
— generated rental income	**179,456**	171,488
— did not generate rental income	**4,167**	2,343
Employees' benefits costs (including Directors' emoluments)	**589,275**	447,922
Loss on disposals of properties and equipment	**16,624**	2,707
Operating lease rental in respect of premises	**5,837**	5,755
Provision for impairment of accounts receivable	**8,154**	9,882

(8) FINANCE INCOME AND COSTS

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
Interest income on bank deposits, advance to a joint venture and loan receivables	**(133,228)**	(15,674)
Finance costs		
Interest expense and other borrowing costs:		
— loans from banks and financial institutions	**1,588,432**	1,171,654
— corporate bonds and asset-backed securities	**155,109**	178,794
Total borrowing costs incurred	**1,743,541**	1,350,448
Less: Amount capitalised as part of the cost of properties under development, investment properties under development and properties and equipment	**(1,449,718)**	(1,350,448)
	293,823	—
Costs on early redemption of asset-backed securities *(Note 14)*	**—**	3,606
	293,823	3,606
Net finance costs/(income)	**160,595**	(12,068)

The weighted average interest rate of borrowing costs capitalised for the six months ended 30th June 2018 was approximately 5.9% (2017: 5.8%) per annum.

(9) SHARE OF PROFIT OF JOINT VENTURES

For the six months ended 30th June 2018, 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$22,768,000 (2017: HK$26,656,000).

(10) TAXATION

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
Mainland China corporate income tax *(Note (a))*	**310,760**	164,969
Mainland China land appreciation tax *(Note (b))*	**280,852**	304,742
Mainland China withholding income tax *(Note (c))*	**—**	143
Under-provision in prior years	**—**	18,296
	591,612	488,150
Deferred tax		
Mainland China corporate income tax *(Note (a))*	**564,609**	203,268
Mainland China land appreciation tax *(Note (b))*	**(3,396)**	(6,486)
Mainland China withholding income tax *(Note (c))*	**1,994**	1,688
	563,207	198,470
	1,154,819	686,620

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 2018 (2017: 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	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**2,473,415**	1,261,661
Weighted average number of ordinary shares in issue *('000)*	**2,225,560**	2,225,560
Basic earnings per share *(HK$ per share)*	**1.111**	0.567

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 2018 and 30th June 2017, diluted earnings per share is equal to basic earnings per share.

(12) DIVIDEND

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Declared interim dividend of HK$0.20 (2017: nil) per ordinary share	**445,112**	—

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 2018 HK$'000 (Unaudited)	As at 31st December 2017 HK$'000 (Audited)
0 to 3 months	**401,105**	374,540
3 to 6 months	**76,004**	38,552
6 to 9 months	**48,937**	26,467
9 to 12 months	**28,673**	23,705
Over 12 months	**197,724**	167,389
	752,443	630,653

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

(14) BORROWINGS

	As at 30th June 2018 HK$'000 (Unaudited)	As at 31st December 2017 HK$'000 (Audited)
Non-current		
Bank and financial institution borrowings	**31,249,340**	35,810,619
Asset-backed securities *(Note (b))*	**—**	1,816,195
Commercial mortgage-backed securities *(Note (c))*	**5,892,777**	—
	37,142,117	37,626,814
Current		
Bank and financial institution borrowings	**11,669,508**	11,537,211
Corporate bonds *(Note (a))*	**2,365,211**	3,698,135
Asset-backed securities *(Note (b))*	**1,748,677**	327,627
	15,783,396	15,562,973
	52,925,513	53,189,787

Notes:

(a) In June 2016, the Group issued 4.95% corporate bonds with an aggregate nominal value of RMB3,100,000,000 (equivalent to approximately HK$3,676,907,000) (the "Bonds"). In June 2018, the Group redeemed bonds with aggregate nominal value of RMB1,100,000,000 (equivalent to approximately HK$1,310,296,000). The Bonds will mature in June 2019 and are repayable at their nominal value of RMB2,000,000,000. The Group has the right to adjust the coupon rate and the investors are entitled at its option to sell back the Bonds to the Group at the end of the second year from the date of issue, subject to the terms and conditions specified in the offering circular.

(b) In March 2016, the Group issued asset-backed securities with an aggregate nominal value of RMB2,107,000,000 (equivalent to approximately HK$2,499,110,000) (the "Securities"). The Securities were partially repaid and the carrying amount of the remaining Securities as at 30th June 2018 amounted to HK$1,748,677,000. The remaining Securities will mature in 2019, 2020, 2021 and 2022. Subject to the terms and conditions specified in the offering circular, the Group has the right to redeem all of the Securities which mature in 2020, 2021 and 2022 ("the Redeemable Securities") at the end of the third year from the date of issue, the investors are also entitled to sell back the Redeemable Securities to the Group on the same date.

    In October 2016, the Group issued asset-backed securities with an aggregate nominal value of RMB880,000,000 (equivalent to approximately HK$1,013,918,000) (the "Securities"). In May 2017, the Group redeemed all the Securities at the principal amount of RMB880,000,000 (equivalent to approximately HK$1,013,918,000) according to the mechanism specified in the offering circular, plus accrued and unpaid interest to the redemption date. The redemption amount was equal to its nominal value. The unamortised borrowing costs totaling HK$3,606,000 were charged to the condensed consolidated income statement during the six months ended 30th June 2017.

(c) In June 2018, the Group issued commercial mortgage-backed securities with an aggregate nominal value of RMB5,000,000,000 (equivalent to approximately HK$5,930,495,000) (the "Securities"). The Securities will mature in 2039 and are repayable at their nominal value of RMB5,000,000,000. Subject to the terms and conditions specified in the offering circular, the Group has the right to redeem all of the Securities every three years (the "Redeemable Securities") from the date of issue, the investor are also entitled to sell back the Redeemable Securities to the Group on the same date.

(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 2018	As at 31st December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 3 months	**529,944**	3,084,449
3 to 6 months	**414,184**	38,683
6 to 9 months	**1,676,149**	403
9 to 12 months	**30,306**	10,705
Over 12 months	**4,510,644**	4,746,775
	7,161,227	7,881,015

As at 30th June 2018, approximately HK$611,438,000 (31st December 2017: HK$603,393,000) 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 2018

	Share premium *HK$'000*	**Statutory reserve** *HK$'000*	**Assets revaluation reserve** *HK$'000*	**Currency translation differences** *HK$'000*	**Retained earnings** *HK$'000*	**Total** *HK$'000*
Balance at 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 *(note 4)*	**—**	**—**	**(1,064)**	**2,740**	**79,229**	**80,905**
Balance at 1st January 2018, as restated	**15,800,776**	**161,117**	**1,839,582**	**3,811,617**	**42,339,382**	**63,952,474**
Profit for the 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)**
Balance at 30th June 2018	**15,800,776**	**161,117**	**1,591,543**	**3,218,720**	**44,367,687**	**65,139,843**

For the six months ended 30th June 2017

	Share premium *HK$'000*	Statutory reserve *HK$'000*	Assets revaluation reserve *HK$'000*	Currency translation differences *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
Balance at 1st January 2017	15,800,776	161,117	1,735,612	(189,495)	36,686,324	54,194,334
Profit for the period	—	—	—	—	1,261,661	1,261,661
Currency translation differences	—	—	—	1,687,978	—	1,687,978
Fair value gain on available-for-sale financial assets	—	—	114,614	—	—	114,614
Realised upon disposal of completed properties held for sale	—	—	(41,368)	—	—	(41,368)
Deferred tax	—	—	(9,287)	—	—	(9,287)
Dividends payable	—	—	—	—	(222,556)	(222,556)
Balance at 30th June 2017	15,800,776	161,117	1,799,571	1,498,483	37,725,429	56,985,376

DIVIDEND

The Board of Directors has declared an interim dividend of HK$20 cents per share for the six months ended 30th June 2018 (30th June 2017: nil), payable on Friday, 30th November 2018 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 19th October 2018.

FINANCIAL REVIEW

Turnover

(i) Recognised Sales

For the first six months of 2018, the Group recorded a turnover of RMB4,168 million (HK$4,965 million), up 21.0% (denominated in RMB) and up 27.0% (denominated in HK$) comparing to RMB3,445 million (HK$3,909 million) of 2017, with a total GFA of 155,421 square metres (2017: 217,062 square metres). The major projects delivered include 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, Hopson Asset Seascape Residence (合生財富海景公館) and Hopson Dongjiao Villa (合生東郊別墅) in Shanghai, Hopson International City (合生國際城) in Taiyuan 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 51% to RMB15,808 per square metre (2017: RMB10,458 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 2018 decreased to RMB19,155 per square metre (2017: RMB45,882 per square metre). The decrease in average selling price was mainly due to the decreased 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 2018 increased to RMB22,282 per square metre (2017: RMB6,084 per square metre). The increase was due to the increased proportion of units delivered under Hopson Dongjiao Villa (合生東郊別墅) and Hopson Asset Seascape Residence (合生財富海景公館), which have relatively higher selling prices, as well as the decreased proportion of units delivered under Hopson International Garden (合生國際花園) (Kunshan), which have relatively lower selling prices, in the first half of 2018 as compared to the same period of last year.

In Guangzhou, the overall average selling price for the first half of 2018 increased to RMB14,366 per square metre (2017: RMB12,721 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 2018 as compared to the same period of last year.

In Huizhou, the overall average selling price for the first half of 2018 increased to RMB8,148 per square metre (2017: RMB6,706 per square metre). The increase was due to residential units with higher selling prices as the featured 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 RMB6,235 million (2017: RMB4,452 million) for the first six months of 2018. Affected by the product structure of sales, the average contracted selling price decreased by 4% to RMB12,818 per square metre (2017: RMB13,395 per square metre).

In the first half of 2018, Guangzhou and Huizhou had in total eighteen projects on sale and the contracted sales amounted to RMB2,418 million, representing 39% of the total contracted sales of the Group. The major projects were Hopson Seaside Garden (合生海岸花園), Hopson Xijing Garden (合生熹景花園), Hopson Hushan Guoji Villa (合生湖山國際), Hopson Belvedere Bay (合生君景灣), Hopson Regal Riviera (合生珠江帝景) and Hopson Xiaogui Bay (合生小桂灣).

There were nine property projects on sale in Shanghai, mainly comprising Hopson Dongjiao Villa (合生東郊別墅) and The Town of Hangzhou Bay (合生杭州灣國際新城). Contracted sales of Shanghai amounted to RMB2,713 million, representing 44% of the total contracted sales of the Group.

The combined contracted sales of Beijing and Tianjin were RMB1,104 million, representing 17% of the total contracted sales of the Group in the first half of 2018. Nine 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 Jingjin New Town (京津新城) were the major sales contributors.

Gross Profit

Gross profit for the first half of 2018 amounted to HK$2,376 million (2017: HK$1,330 million) with a gross profit margin percentage of 48% (2017: 34%). 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 2018 amounted to HK$2,076.7 million (2017: HK$1,129.0 million), up HK$947.7 million or 84%. As at 30th June 2018, the Group owns 13 (2017: 11) investment properties.

Other Gains, Net

Other gains for the six months ended 30th June 2018 amounted to HK$141.3 million (2017: HK$134.7 million), comprising (1) dividend income of HK$145.8 million from investment in listed and unlisted securities; (2) grants totalling HK$4.4 million from government authorities in Mainland China; (3) fair value loss of HK$46.4 million from listed and unlisted securities; (4) gain on disposal of financial assets at fair value through profit or loss of HK$8.2 million; (5) net exchange gains of HK$10.1 million; and (6) interest income from loan receivables of HK$19.2 million.

Operating Costs

The operating costs relating to expenses for selling, marketing, general and administration increased by 20% to HK$855 million in the first half of 2018 (2017: HK$714 million). The increase was primarily attributable to the increase of contracted sales.

Finance Costs

Gross interest expenses before capitalisation for the first half of 2018 increased to HK$1,744 million (2017: HK$1,350 million), up HK$394 million or 29%. The increase was primarily attributable to the increase in bank and financial institution borrowings during the first half of 2018 as compared to the same period of last year. The effective interest rate in respect of the Group's borrowings was approximately 5.9% per annum (2017: 5.9%).

Share of Profit of Joint Ventures

Share of profit of joint ventures represented the Group's share of profit of HK$44 million from three joint ventures located in Beijing and Guangzhou.

Taxation

The effective tax rate was 32% for the first half of 2018, decreased 3% as compared with the same period of last year, as a result of higher proportion of income from commercial properties recognised in the first half of the year.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders was HK$2,473.4 million for the first half of 2018 (2017: HK$1,261.7 million). Basic earnings per share was HK$1.111. During the period, excluding the effect of the net of tax gain from investment property revaluation of HK$1,557.6 million, the net of tax gain from the investment property revaluation of two joint ventures of HK$22.7 million and the net of tax gain on disposal of financial assets at fair value through profit or loss of HK$6.1 million, the underlying profit amounted to HK$887.0 million, representing an increase of HK$514.0 million, or 138%, 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 the area of the properties delivered during the period.

Segment Information

Property development continued to be the Group's core business activity (68%). In 2018, the Group continued to develop its business in the three core economic regions, namely the Huanbohai Area, Pearl River Delta and Yangtze River Delta. Eastern China (including Shanghai, Hangzhou, Kunshan, Ningbo, Cixi and Taicang) contributed 38% of the total revenues of the Group, followed by 36% from Northern China (including Beijing, Tianjin, Dalian, Taiyuan and Qinhuangdao) and 26% from Southern China (including Guangzhou, Huizhou and Zhongshan).

Financial Position

As at 30th June 2018, total assets of the Group amounted to HK$156,570 million and total liabilities came to HK$89,122 million, representing an increase of 2% and 2% respectively as compared to 31st December 2017. 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 2018 was 2.12 (31st December 2017: 2.17). Equity as at 30th June 2018 increased by 2% to HK$67,448 million from 31st December 2017, 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 2018 was HK$30.31.

Liquidity and Financial Position

As at 30th June 2018, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding non-controlling interests) was 57% (31st December 2017: 57%). The net-debt-to-equity ratio (i.e. total debt less cash and bank deposits over shareholders' equity) was 72% (31st December 2017: 72%).

As at 30th June 2018, the Group had cash and short-term bank deposits amounting to HK$4,531 million (31st December 2017: HK$5,803 million), of which approximately HK$3 million (31st December 2017: HK$3 million) was charged by certain banks in respect of the processing of mortgage facilities granted by the banks to the buyers of the Group's properties. 86.49% of the cash and bank deposits were denominated in Renminbi, 12.49% in Hong Kong dollars, 1.01% in United States dollars and 0.01% in other currencies.

Total borrowings from banks and financial institutions amounted to HK$42,919 million as at 30th June 2018, representing a decrease of 9% or HK$4,429 million as compared to those as at 31st December 2017. Gearing ratio, measured by net bank and financial institution borrowings, corporate bonds and asset-backed securities and commercial mortgage-backed securities (i.e. total bank and financial institution borrowings, corporate bonds and asset-backed securities and commercial mortgage-backed securities less cash and bank deposits) as a percentage of shareholders' equity, was 72% as at 30th June 2018 (31st December 2017: 72%).

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 other borrowings were unsecured, interest-free and substantially denominated in Renminbi.

The Group's borrowings repayment profile as at 30th June 2018 was as follows:

	As at 30th June 2018					As at 31st December 2017				
(HK$ million)	**Bank and financial institution borrowings**	**Corporate bonds, asset-backed securities and commercial mortgage-backed securities**	**Other borrowings**	**Total**		Bank and financial institution borrowings	Corporate bonds and asset-backed securities	Other borrowings	Total	
1 year	**11,670**	**4,114**	**3,362**	**19,146**	**(34%)**	11,537	4,026	3,439	19,002	(33%)
1–2 years	**13,698**	**43**	**—**	**13,741**	**(25%)**	8,793	1,816	—	10,609	(19%)
2–5 years	**14,112**	**153**	**—**	**14,265**	**(25%)**	21,573	—	—	21,573	(38%)
After 5 years	**3,439**	**5,697**	**—**	**9,136**	**(16%)**	5,445	—	—	5,445	(10%)
Total	**42,919**	**10,007**	**3,362**	**56,288**		47,348	5,842	3,439	56,629	
Less: Cash and bank deposits				**(4,531)**					(5,803)	
Net borrowings				**51,757**					50,826	

As at 30th June 2018, the Group had banking facilities of approximately HK$98,573 million (31st December 2017: HK$91,369 million) for short-term and long-term bank loans, of which HK$45,647 million (31st December 2017: HK$38,179 million) were unutilised.

Charge on Assets

As at 30th June 2018, certain assets of the Group with an aggregate carrying value of HK$42,058 million (31st December 2017: HK$43,377 million) and the Group's equity interests in subsidiaries of HK$1,329 million (31st December 2017: HK$1,792 million) were pledged with banks and financial institutions for loan facilities used by subsidiaries.

Financial Guarantees

As at 30th June 2018, the Group provided guarantees to banks for mortgage facilities granted to buyers of the Group's properties which amounted to HK$9,273 million (31st December 2017: HK$10,040 million) and provided guarantees to a bank for bank borrowings of a joint venture which amounted to HK$1,664 million (31st December 2017: HK$1,790 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, Euro and US dollar. However, the Directors do not anticipate any significant foreign exchange loss as a result of changes in exchange rate between Hong Kong dollar, US dollar, Euro and Renminbi in the foreseeable future.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the six months ended 30th June 2018.

EMPLOYEES

As at 30th June 2018, the Group, excluding its associates and joint ventures, employed a total of 8,481 (as at 31st December 2017: 8,110) staff, the majority of which were employed in Mainland China. Employees' costs (including Directors' emoluments) amounted to HK$589 million for the six months ended 30th June 2018 (for the six months ended 30th June 2017: HK$448 million). The remuneration policies remained the same as disclosed in the Annual Report for the year ended 31st December 2017.

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 2018.

CORPORATE GOVERNANCE

During the six months ended 30th June 2018, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") contained in Appendix 14 of the Listing Rules except for the code provisions A.4.1 and E.1.2 as described below.

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election, none of the independent non-executive Directors is appointed for specific term. This constitutes a deviation from code provision A.4.1. However, as all the independent non-executive Directors are subject to retirement by rotation and re-election by shareholders at the annual general meetings of the Company in accordance with the Company's Bye-laws, in the opinion of the Directors, this meets the objective of the CG Code.

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board of Directors did not attend the annual general meeting for the year 2018 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 2018.

AUDIT COMMITTEE AND REVIEW OF RESULTS

The Company's audit committee comprises all the three independent non-executive Directors. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the risk management and internal controls and financial reporting matters including a review of the unaudited interim financial information for the six months ended 30th June 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 16th October 2018 to Friday, 19th October 2018 (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, 15th October 2018.

INTERIM REPORT

The 2018 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 Mr. Chu Mang Yee (Chairman), Ms. Chu Kut Yung (Deputy Chairman), 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, 31st August 2018