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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 30 JUNE 2022**

### **FINANCIAL HIGHLIGHTS**

*(for the six months ended 30 June 2022)*

- Turnover was HK\$13,170 million.
- Profit attributable to equity holders was HK\$6,390 million.
- Basic and diluted earnings per share was HK\$2.446 per share.
- Bonus issue of one new share for every ten existing shares.

### **BUSINESS REVIEW**

#### **Industry overview**

In the first half of 2022, the international circumstances became more complicated due to factors such as the Russian-Ukrainian geopolitical conflict, the rate hike cycle by central banks globally and the inflation ramp-up. At the same time, as a result of the sporadic domestic resurgences of COVID-19 cases, the epidemic containment situation remained tough and the economy faced significantly intensified downward pressure. In the face of an extremely complicated situation, the government ramped up macroeconomic control efforts and implemented a basket of measures in time to stabilise economic growth. As a result, the national economy overcame various forms of pressure and showed a trend of recovery amid stabilisation.

\* For identification purposes only

Since the second half of 2021, the real estate industry in China has entered an adjustment period. The industry experienced profound changes amid shocks. To prevent and mitigate risks, the government adopted additional measures in the first half of 2022 to support reasonable housing demands and facilitate the industry in returning to a virtuous cycle.

2022 is the Group's 30th anniversary. From a flagship real estate company to a high-quality lifestyle operator covering the entire industry chain, the Group has never stopped improving and has been adhering to its "medium-to-high-end boutique strategy", while striving to produce high-quality and outstanding products for better living quality. In the face of an ever-changing external environment, the Group always goes at its own pace, actively responds to changes in the industry, empowers its development with technology, and passes through different cycles with a steady pace and innovative spirit. In addition, the Group makes steady progress, and paves its way towards a comprehensive development covering five major sectors, including real estate, commerce, hooplife, infrastructure and investments, which has successfully transformed itself from a real estate company to a technology-empowered and industry-driven comprehensive investment holding platform. Not only has such platform made a "soft landing" against the decline of the overall industry, but also creates a scope for diverse and balanced sustainable development. In addition, its diverse strategy is well positioned to reap the benefits.

### **Contracted sales performance**

Details of properties sold under sale and pre-sale contracts in the first half of 2022 totalling RMB16,860 million (2021: RMB21,227 million), of which contracted sales of properties of RMB15,462 million (2021: RMB20,145 million) and contracted sales of decoration of RMB1,398 million (2021: RMB1,082 million) are as follows:

- In Guangzhou, a total gross floor area ("GFA") of 214,385 square metres (2021: 253,687 square metres) with a carrying value of RMB3,685 million (2021: RMB7,365 million) were sold. The decrease in sales was mainly attributable to the period-on-period decrease of transactions as Hopson Hushan Guoji Villa (合生湖山國際) and Hopson Joy Mansion (合生悅公館) did not launch any new products.
- In Shanghai, a total GFA of 116,777 square metres (2021: 132,481 square metres) with a carrying value of RMB1,628 million (2021: RMB3,116 million) were sold. The decrease in sales was mainly attributable to the period-on-period decrease in the area sold as Kunshan Metropolis Light (昆山合樾蘭亭) focused on selling the remaining units.

- In Beijing and Tianjin, a total GFA of 314,651 square metres (2021: 147,383 square metres) with a carrying value of RMB11,124 million (2021: RMB10,296 million) were sold. The increase in sales was mainly attributable to the good sales of Jinmao Palace Phase II (金茂府二期), Hopson MIYĀ (合生me悦), Hopson YUNĒ (合生縵雲) and MAHÁ Beijing (縵合北京).
- In Huizhou, a total GFA of 49,483 square metres (2021: 40,827 square metres) with a carrying value of RMB423 million (2021: RMB450 million) were sold. The sales were flat compared to the same period of last year. The Peak Mansion (合生紫悦府), the new pre-sale project during the period, achieved sales of new products of more than RMB134 million.

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

As at 30 June 2022, the GFA in respect of which the Group had entered into sale and pre-sale contracts and yet to be delivered to buyers were 2,270,684 square metres (31 December 2021: 2,171,235 square metres). Following the delivery of these properties, the proceeds received therefrom totalling HK\$45,715 million will be recognised as revenue in the Group's financial statements in the second half of 2022 and thereafter.

### **Delivery of properties**

A total GFA of 473,022 square metres (2021: 298,992 square metres) were delivered in the first half of 2022.

### **Project development progress**

- A total GFA of approximately 331,725 square metres were completed in the first half of 2022.
- A total GFA of approximately 1,796,634 square metres are expected to be completed in the second half of 2022.

### **Landbank**

As of 30 June 2022, the Group had a landbank of 29.23 million square metres (31 December 2021: 29.44 million square metres).

## Outlook

China's economic output, market size and resilience are large enough to provide sufficient buffer against internal and external uncertainties. Looking forward to the second half of 2022, economic activities will gradually be back on track when the epidemic across China is effectively contained and various stabilising measures for economic growth implemented by the government gradually take effect. The national economy is expected to recover more quickly.

Real estate not only forms an integral part of the real economy, but also has a close connection to the well-being of the people, which will undoubtedly be the key to the economic recovery in the second half of the year. According to the statistics of the National Bureau of Statistics of China, during the period from January to June of the year, commercial housing sales area and sales decreased year on year by 1.4 percentage points and 2.6 percentage points, respectively. In June, commercial housing sales area and sales increased month on month by 65.8% and 68.1%, respectively. The real estate market saw positive signs with an overall recovery trend.

With overall robust strength and a solid financial structure, the Group is confident in taking a leading position and seizing market opportunities during the recovery of the industry. Entering its third decade, the Group is still thriving to improve. While continuing to upgrade its products and services, the Group also proactively upgrades its marketing model. In the future, the Group will proactively promote sales with a higher recovery of sales proceeds, and increase overall operation and management efficiency with intelligent means such as artificial intelligence and big data, which will boost the Group's profitability. In the long term, the Group will adhere to the development combining heavy and light assets. Based on its well-established segments, including real estate, commerce, hooplife, infrastructure and investments, the Group aims to build a richly diversified ecosystem covering the entire industry chain to adapt to the industry trend of entering a high-quality development phase, and achieve high-quality and sustainable corporate development, thus bringing fruitful returns for its shareholders.

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 30 June 2022 together with the comparative figures for the previous period.

The interim financial information of the Company for the six months ended 30 June 2022 has been reviewed by the Company's audit committee and the Board.

## CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2022</b>	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenues	4	<b>13,170,426</b>	16,074,329
Cost of sales	6	<b>(10,105,998)</b>	(5,949,442)
<b>Gross profit</b>		<b>3,064,428</b>	10,124,887
Fair value gain on investment properties		<b>7,757,329</b>	24,691
Other gains, net	5	<b>245,041</b>	83,278
Selling and marketing expenses	6	<b>(438,158)</b>	(421,555)
General and administrative expenses	6	<b>(1,328,838)</b>	(1,932,397)
Finance income	7	<b>311,068</b>	204,956
Finance costs	7	<b>(855,531)</b>	(1,302,207)
Share of (loss)/profit of associates		<b>(70,390)</b>	81,231
Share of (loss)/profit of joint ventures		<b>(1,864)</b>	44,240
Profit before taxation		<b>8,683,085</b>	6,907,124
Taxation	8	<b>(2,381,645)</b>	(1,231,870)
<b>Profit for the period</b>		<b><u>6,301,440</u></b>	<b><u>5,675,254</u></b>
Attributable to:			
Equity holders of the Company		<b>6,389,859</b>	5,631,617
Non-controlling interests		<b>(88,419)</b>	43,637
		<b><u>6,301,440</u></b>	<b><u>5,675,254</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	<b><u>2.446</u></b>	<u>2.128*</u>
Dividends	10	<b><u>—</u></b>	<u>1,089,348</u>

\* Adjusted for the bonus shares issued on 29 July 2022.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>6,301,440</b>	5,675,254
<b>Other comprehensive (loss)/income:</b>		
Items that may be reclassified subsequently to profit or loss:		
Assets revaluation reserve realised upon disposal of completed properties held for sale	(22,669)	(30,047)
Deferred tax	11,022	14,609
Currency translation differences	(4,930,196)	770,668
Item that will not be reclassified subsequently to profit or loss:		
Fair value gain on financial assets at fair value through other comprehensive income	2,426	506,843
Deferred tax	40,651	(129,678)
Currency translation differences	(732,344)	273,649
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>(5,631,110)</b>	1,406,044
<b>Total comprehensive income for the period</b>	<b>670,330</b>	7,081,298
Attributable to:		
Equity holders of the Company	1,491,093	6,879,735
Non-controlling interests	(820,763)	201,563
	<b>670,330</b>	7,081,298

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at	
	30 June 2022	31 December 2021
<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Prepayments for acquisition of land	124,394	130,113
Loan receivables	1,430,249	1,258,694
Properties and equipment	4,125,561	4,437,221
Investment properties	84,932,121	80,609,222
Intangible assets	385,909	437,455
Investments in associates	9,023,704	9,966,131
Investments in joint ventures	8,776,338	8,874,910
Financial assets at fair value through other comprehensive income	4,146,553	4,206,381
Financial assets at fair value through profit or loss	1,172,710	2,183,192
Finance lease receivables	113,018	151,033
Right-of-use assets	1,540,481	1,660,053
Prepayments, deposits and other non-current assets	470,871	467,884
Deferred tax assets	1,698,051	1,354,394
	<u>117,939,960</u>	<u>115,736,683</u>
<b>Current assets</b>		
Prepayments for acquisition of land	30,757,485	31,887,962
Properties under development for sale	82,389,301	82,391,685
Completed properties for sale	36,142,164	42,684,188
Financial assets at fair value through profit or loss	2,634,022	6,133,808
Accounts receivable	5,073,432	4,882,649
Loan receivables	2,573,648	4,350,954
Prepayments, deposits and other current assets	20,812,047	19,299,440
Due from joint ventures	244,660	224,342
Due from associates	368,545	384,055
Due from related companies	22,599	26,621
Contract acquisition costs	1,678,750	1,919,188
Pledged/charged bank deposits	4,343,053	6,267,556
Cash and cash equivalents	23,918,934	30,044,725
	<u>210,958,640</u>	<u>230,497,173</u>
<b>Total assets</b>	<u><u>328,898,600</u></u>	<u><u>346,233,856</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

		As at	
		30 June 2022	31 December 2021
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		237,449	237,449
Reserves		97,244,330	96,094,698
		<u>97,481,779</u>	<u>96,332,147</u>
Non-controlling interests		15,892,947	16,697,022
<b>Total equity</b>		<u><b>113,374,726</b></u>	<u><b>113,029,169</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Land cost payable		555,404	581,084
Borrowings	12	73,224,383	86,686,648
Lease liabilities		631,663	688,740
Due to non-controlling interests		2,097,060	3,314,358
Deferred tax liabilities		14,119,407	12,908,996
		<u>90,627,917</u>	<u>104,179,826</u>
<b>Current liabilities</b>			
Accounts payable, accruals and other payables	13	38,024,071	47,269,314
Borrowings	12	30,291,587	28,523,749
Margin loans		1,454,140	3,391,653
Contract liabilities		45,715,301	39,488,948
Lease liabilities		57,755	64,012
Due to associates		450,621	598,475
Due to related companies		244,274	263,810
Due to joint ventures		1,453,825	1,520,666
Current tax liabilities		6,816,006	7,904,234
Dividend payable		356,174	—
Derivative financial instruments		32,203	—
		<u>124,895,957</u>	<u>129,024,861</u>
<b>Total liabilities</b>		<u><b>215,523,874</b></u>	<u><b>233,204,687</b></u>
<b>Total equity and liabilities</b>		<u><b>328,898,600</b></u>	<u><b>346,233,856</b></u>
<b>Net assets</b>		<u><b>113,374,726</b></u>	<u><b>113,029,169</b></u>

*Notes:*

**(1) GENERAL INFORMATION**

Hopson Development Holdings Limited (the “Company”) and its subsidiaries (together “the Group”) are mainly engaged in the development of residential properties, commercial properties investment, property management and infrastructure business in Mainland China, and investments business.

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

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

This 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 30 August 2022.

**(2) BASIS OF PREPARATION**

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

### (3) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018–2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labor and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

#### (4) SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- (a) the property development segment engages in the development and sale of properties;
- (b) the commercial properties investment segment engages in the investments in properties for their rental income potential and/or for capital appreciation;
- (c) the property management segment engages in the provision of property management services;
- (d) the infrastructure segment engages in construction, design and renovation services in Mainland China; and
- (e) the investments segment engages in the investments in private equity investments and listed equity investments.

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).

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that finance income and costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets as these assets are managed on a group basis.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The segment results by business lines and, where applicable, by geographical areas for the six months ended 30 June 2022 (unaudited) are as follows:

	Property development			Commercial properties investment			Property management			Infrastructure	Investments	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	HK\$'000	
For the six months ended 30 June 2022												
Total revenues	1,532,796	2,166,313	6,003,916	507,414	696,290	994,303	1,727,618	5,473,931	(1,817,341)	17,285,240		
Intra/inter-segment revenues	(274,575)	(7,912)	(138,271)	(94,926)	(41,111)	(96,466)	(240,234)	(3,219,087)	(2,232)	(4,114,814)		
Revenues	<u>1,258,221</u>	<u>2,158,401</u>	<u>5,865,645</u>	<u>412,488</u>	<u>655,179</u>	<u>897,837</u>	<u>1,487,384</u>	<u>2,254,844</u>	<u>(1,819,573)</u>	<u>13,170,426</u>		
Segment results	100,462	476,409	783,198	146,959	8,360,092	374,934	(34,306)	791,505	(1,845,992)	9,153,261		
Unallocated corporate expenses (including exchange gain), net										74,287		
Finance income										311,068		
Finance costs										(855,531)		
Profit before taxation										8,683,085		
Taxation										(2,381,645)		
Profit for the period										<u>6,301,440</u>		
Depreciation of properties and equipment	(41,875)	(802)	(15,420)	(2,752)	(17,548)	(37,289)	(2,176)	(896)	(8)	(118,766)		
Depreciation of right-of-use assets	(18,806)	(2,796)	(2,307)	(2,064)	(9,148)	(4,994)	(1,908)	(4,822)	—	(46,845)		
Provision for impairment of assets	—	—	—	—	—	—	(12,580)	—	—	(12,580)		
Fair value (loss)/gain on investment properties	—	—	—	(118,755)	7,969,854	(93,770)	—	—	—	7,757,329		
Share of profit/(loss) of associates	1,185	—	(18,678)	—	—	—	(6,774)	—	(46,123)	(70,390)		
Share of (loss)/profit of joint ventures	(24,793)	(70)	—	22,999	—	—	—	—	—	(1,864)		

The segment results by business lines and, where applicable, by geographical areas for the six months ended 30 June 2021 (unaudited) are as follows:

	Property development			Commercial properties investment			Property management	Infrastructure	Investments	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
For the six months ended 30 June 2021										
Total revenues	2,212,795	2,478,933	2,292,865	461,657	906,597	1,025,717	1,593,923	4,537,927	5,029,440	20,539,854
Intra/inter-segment revenues	(477,901)	(9,402)	(14,203)	(21,236)	(217,795)	(128,800)	(437,841)	(3,136,001)	(22,346)	(4,465,525)
Revenues	<u>1,734,894</u>	<u>2,469,531</u>	<u>2,278,662</u>	<u>440,421</u>	<u>688,802</u>	<u>896,917</u>	<u>1,156,082</u>	<u>1,401,926</u>	<u>5,007,094</u>	<u>16,074,329</u>
Segment results	569,237	642,635	264,043	337,245	400,606	433,214	342,670	721,967	4,296,222	8,007,839
Unallocated corporate expenses (including exchange gain), net										(3,464)
Finance income										204,956
Finance costs										(1,302,207)
Profit before taxation										6,907,124
Taxation										(1,231,870)
Profit for the period										<u>5,675,254</u>
Depreciation of properties and equipment	(41,638)	(782)	(8,207)	(2,453)	(17,343)	(36,772)	(2,230)	(427)	—	(109,852)
Depreciation of right-of-use assets	(18,428)	(3,166)	(2,306)	(2,063)	(9,143)	(4,938)	(2,931)	(3,532)	—	(46,507)
Provision for impairment of assets	—	—	—	—	—	—	(15,565)	—	(529,805)	(545,370)
Fair value gain/(loss) on investment properties	—	—	—	2,413	25,973	(3,695)	—	—	—	24,691
Share of (loss)/profit of associates	(1,244)	—	(345)	—	—	—	82,820	—	—	81,231
Share of profit/(loss) of joint ventures	<u>53,198</u>	<u>(5,218)</u>	<u>(10,054)</u>	<u>6,195</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>119</u>	<u>—</u>	<u>44,240</u>

The segment assets by business lines and, where applicable, by geographical areas as at 30 June 2022 (unaudited) are as follows:

	Property development			Commercial properties investment			Property management	Infrastructure	Investments	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 30 June 2022	51,296,281	54,103,838	88,096,282	23,662,277	30,039,756	42,407,688	4,580,151	5,189,668	27,824,608	327,200,549
Deferred tax assets										<u>1,698,051</u>
Total assets										<u><u>328,898,600</u></u>
Segment assets include:										
Investments in associates	27,739	—	2,304,093	—	—	—	1,309,343	—	5,382,529	9,023,704
Investments in joint ventures	<u>2,693,420</u>	<u>—</u>	<u>—</u>	<u>6,082,918</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,776,338</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>303,256</u>	<u>103</u>	<u>4,844</u>	<u>26,018</u>	<u>259,299</u>	<u>14,306</u>	<u>2,974</u>	<u>237</u>	<u>—</u>	<u>611,037</u>

The segment assets by business lines and, where applicable, by geographical areas as at 31 December 2021 (audited) are as follows:

	Property development			Commercial properties investment			Property management	Infrastructure	Investments	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 31 December 2021	53,383,249	56,672,825	97,222,207	24,756,766	23,048,695	40,929,265	9,153,655	9,759,143	29,953,657	344,879,462
Deferred tax assets										<u>1,354,394</u>
Total assets										<u><u>346,233,856</u></u>
Segment assets include:										
Investments in associates	27,804	—	2,932,558	—	—	—	1,376,470	—	5,629,299	9,966,131
Investments in joint ventures	<u>2,550,161</u>	<u>3,293</u>	<u>—</u>	<u>6,321,456</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,874,910</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>3,128,613</u>	<u>67,332</u>	<u>3,550</u>	<u>2,587,952</u>	<u>301,295</u>	<u>3,874,446</u>	<u>7,805</u>	<u>1,164</u>	<u>881</u>	<u>9,973,038</u>

(a) Revenue from external customers

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from property development	9,282,267	6,483,087
Revenue from commercial properties investment	1,965,504	2,026,140
Property management income	1,487,384	1,156,082
Infrastructure income	2,254,844	1,401,926
Investments (losses)/income	(1,819,573)	5,007,094
	<u>13,170,426</u>	<u>16,074,329</u>

(b) Non-current assets

As at 30 June 2022 and 31 December 2021, non-current assets were mainly located in Mainland China.

(5) OTHER GAINS, NET

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net foreign exchange gains	82,104	17,376
Changes in fair value of derivative financial instruments	117,990	—
Others	44,947	65,902
	<u>245,041</u>	<u>83,278</u>

## (6) EXPENSES BY NATURE

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Advertising and promotion costs	161,349	166,334
Cost of completed properties sold	6,782,523	3,947,714
Cost of property management business	1,396,013	751,670
Cost of commercial properties business	484,552	556,483
Cost of infrastructure business	1,417,877	631,068
Depreciation of properties and equipment	118,766	109,852
Amortisation of intangible assets	30,762	28,623
Depreciation of right-of-use assets	46,845	46,507
Direct operating expenses arising from investment properties	146,087	198,061
Employees' benefits costs (including directors' emoluments)	1,021,366	847,654
— Wages and salaries	852,567	717,116
— Pension scheme contributions	168,799	130,538
Loss on disposals of properties and equipment	14,056	540
Short-term and low-value assets lease expenses*	1,327	4,388
Provision for impairment of assets	12,580	545,370
Donation	14,587	152,433

\* These lease expenses 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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Finance income</b>		
Interest income on bank deposits, advance to a joint venture and loan receivables	311,068	204,956
<b>Finance costs</b>		
Interest expense and other borrowing costs:		
— loans from banks and financial institutions	(3,355,068)	(3,543,008)
— senior notes, convertible bonds, asset-backed securities and commercial mortgage-backed securities	(743,056)	(605,639)
Total borrowing costs incurred	(4,098,124)	(4,148,647)
Less: Amount capitalised as part of the cost of properties under development, investment properties under development and construction-in-progress	3,242,593	2,846,440
	(855,531)	(1,302,207)
Net finance costs	(544,463)	(1,097,251)

(8) TAXATION

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong profits tax	59,699	67,235
Mainland China corporate income tax	1,117,657	656,085
Mainland China land appreciation tax	(252,912)	624,742
	<u>924,444</u>	<u>1,348,062</u>
Deferred tax	<u>1,457,201</u>	<u>(116,192)</u>
	<u>2,381,645</u>	<u>1,231,870</u>

Hong Kong profits tax has been provided at 16.5% on the estimated assessable profit for the six months ended 30 June 2022 (2021: 16.5%).

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 30 June 2022 (2021: 25%). Dividend distribution made by Mainland China subsidiaries and joint ventures to shareholders outside of Mainland China in respect of their profits earned after 1 January 2008 is subject to withholding income tax at tax rate of 5% or 10%, where applicable.

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 and construction expenditure.

## (9) EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to equity holders of the Company, and the weighted average number of ordinary shares of 2,611,943,000 (2021: 2,645,939,000, as restated) in issue during the period, as adjusted to reflect the bonus issue on 29 July 2022.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2021.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	6,389,859	5,631,617
Weighted average number of ordinary shares in issue ('000)	2,611,943	2,645,939*
Basic and diluted earnings per share (HK\$ per share)	<u>2.446**</u>	<u>2.128</u>

\* The weighted average number of ordinary shares has been retrospectively adjusted for the effect of the bonus shares issued on 29 July 2022.

\*\* The calculation of basic and diluted earnings per share does not include contingently issuable ordinary shares from convertible bonds until the end of the contingency period because not all necessary conditions have been satisfied. Therefore, the diluted earnings per share amounts are based on the profit attributable to equity holders of the Company for the period of HK\$6,389,859,000 and the weighted average number of ordinary shares of 2,611,943,000 in issue during the period, as adjusted to reflect the bonus issue on 29 July 2022.

## (10) DIVIDEND

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Declared interim dividend of HK\$Nil (2021: HK\$0.50) per ordinary share	<u>—</u>	<u>1,089,348</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 (including amounts due from related companies of trading in nature) is as follows:

	As at	
	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
0 to 3 months	3,052,306	2,961,534
3 to 6 months	373,714	400,582
6 to 9 months	322,899	273,525
9 to 12 months	271,051	220,038
Over 12 months	<u>1,053,462</u>	<u>1,026,970</u>
	<u>5,073,432</u>	<u>4,882,649</u>

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

## (12) BORROWINGS

	As at	
	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Non-current		
Bank and financial institution borrowings	55,841,693	70,983,272
Commercial mortgage-backed securities (note (a))	13,196,486	11,557,128
Senior notes (note (b))	4,186,204	4,146,248
	<u>73,224,383</u>	<u>86,686,648</u>
Current		
Bank and financial institution borrowings	27,631,072	20,782,138
Commercial mortgage-backed securities (note (a))	82,678	2,362,845
Senior notes (note (b))	717,495	4,608,218
Asset-backed securities (note (c))	—	770,548
Convertible bonds (note (d))	1,860,342	—
	<u>30,291,587</u>	<u>28,523,749</u>
	<u>103,515,970</u>	<u>115,210,397</u>

### Notes:

- (a) In June 2019, the Group issued 5.70% commercial mortgage-backed securities. The securities will mature in 2037 and are repayable at their nominal value of RMB2,000,000,000 according to pre-determined schedule from 2019 to 2037. The Group has the right to redeem all the securities at pre-determined points in time; the investors are also entitled to sell back the securities to the Group on the same dates. As at 30 June 2022, the carrying value of the securities (including arrangement fees) amounted to HK\$2,217,028,000 (31 December 2021: HK\$2,339,300,000), and the securities are secured by an investment property of approximately HK\$3,286,990,000 (31 December 2021: HK\$3,438,112,000) and the rental income/receivables deriving from the investment property.

In September 2020, the Group issued 3.85% commercial mortgage-backed securities. The securities will mature in 2041 and are repayable at their nominal value of RMB700,000,000 according to pre-determined schedule from 2020 to 2041. The Group has the right to redeem all the securities at pre-determined points in time; the investors are also entitled to sell back the securities to the Group on the same dates. As at 30 June 2022, the carrying value of the securities (including arrangement fees) amounted to HK\$780,528,000 (31 December 2021: HK\$817,637,000), and the securities are secured by an investment property of approximately HK\$1,073,446,000 (31 December 2021: HK\$1,103,229,000) and the rental income/receivables deriving from the investment property.

In March 2021, the Group issued 4.80% and 5.30% commercial mortgage-backed securities. The securities will mature in 2039 and are repayable at their nominal value of RMB1,410,000,000 according to pre-determined schedule from 2021 to 2039. The Group has the right to redeem all of the securities at pre-determined points in time; the investors are also entitled to sell back the securities to the Group on the same dates. As at 30 June 2022, the carrying value of the securities (including arrangement fees) amounted to HK\$1,552,287,000 (31 December 2021: HK\$1,624,878,000), and the securities are secured by an investment property of approximately HK\$1,999,529,000 (31 December 2021: HK\$2,091,459,000) and the rental income/receivables deriving from the investment property.

In July 2021, the Group issued 4.35% commercial mortgage-backed securities. The securities will mature in 2039 and are repayable at their nominal value of RMB8,000,000,000 according to pre-determined schedule from 2021 to 2039. The Group has the right to redeem all of the securities at pre-determined points in time; the investors are also entitled to sell back the securities to the Group on the same dates. As at 30 June 2022, the carrying value of the securities (including arrangement fees) amounted to HK\$8,729,321,000 (31 December 2021: HK\$9,138,158,000), and the securities are secured by an investment property of approximately HK\$12,787,802,000 (31 December 2021: HK\$13,389,188,000) and the rental income and receivables deriving from the investment property.

- (b) In January 2021, the Group issued 5.80% senior notes. The notes were unsecured, matured in January 2022 and were 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 after the drawdown date, plus accrued and unpaid interests to the redemption date, subject to the terms and conditions specified in the offering circular. As at 31 December 2021, the carrying value of the securities (including arrangement fees) amounted to HK\$3,894,198,000. The notes were redeemed by the Group upon maturity in January 2022 in full amount.

In May 2021, the Group issued 7.00% senior notes. The notes are unsecured, will mature in May 2024 and are repayable at their nominal value of US\$300,000,000. The Group may redeem all or a portion of the notes at the redemption prices specified in the offering circular after the drawdown date, plus accrued and unpaid interests to the redemption date, subject to the terms and conditions specified in the offering circular. As at 30 June 2022, the carrying value of the securities (including arrangement fees) amounted to HK\$2,335,022,000 (31 December 2021: HK\$2,314,092,000).

In June 2021, the Group issued 6.80% senior notes. The notes are unsecured, will mature in December 2023 and are repayable at their nominal value of US\$200,000,000. In July 2021, the Group entered into a purchase agreement in connection with the additional issue of nominal value of US\$37,500,000 of the 6.80% senior notes due 2023. Upon the completion of the additional issue, the Group has an aggregate outstanding nominal value of US\$237,500,000 of the 6.80% senior note due 2023. The Group may redeem all or a portion of the notes at the redemption prices specified in the offering circular after the drawdown date, plus accrued and unpaid interests to the redemption date, subject to the terms and conditions specified in the offering circular. As at 30 June 2022, the carrying value of the securities (including arrangement fees) amounted to HK\$1,851,182,000 (31 December 2021: HK\$1,832,156,000).

In July 2021, the Group issued 5.25% senior notes. The notes were unsecured, matured in July 2022 and were repayable at their nominal value of HK\$720,000,000. The Group may redeem all or a portion of the notes at the redemption prices specified in the offering circular after the drawdown date, plus accrued and unpaid interests to the redemption date, subject to the terms and conditions specified in the offering circular. As at 30 June 2022, the carrying value of the securities (including arrangement fees) amounted to HK\$717,495,000 (31 December 2021: HK\$714,020,000). The notes were redeemed by the Group upon maturity in July 2022 in full amount.

- (c) In June 2021, the Group issued 7.50% asset-backed securities. The securities will mature in June 2023 and are repayable at their nominal value of RMB664,000,000. The Group has the right to redeem all of the securities at pre-determined points in time; the investors are also entitled to sell back the securities to the Group on the same dates. As at 31 December 2021, the carrying value of the securities (including arrangement fees) amounted to HK\$770,548,000, and the securities are secured by the final payments to be received from buyers of a property project. The securities were early redeemed by the Group in June 2022 in full amount.
- (d) In January 2022, the Group issued US\$250,000,000 in aggregate principal amount of 8.00% guaranteed convertible bonds due in January 2023. The bond holder has an option to convert the bonds into the shares of the Company with the issue price being 100% of the principal amount between 20 December 2022 to 21 December 2022 (both dates inclusive) and up to the close of business of 21 December 2022. Interest on the bonds is paid quarterly at the rate of 8.00% per annum payable in arrear on 6 April 2022, 6 July 2022, 6 October 2022 and 6 January 2023. As at 30 June 2022, the carrying value of the bonds amounted to HK\$1,860,342,000 (31 December 2021: Nil).

### (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:

	As at	
	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
0 to 3 months	2,133,519	7,774,277
3 to 6 months	1,632,931	3,240,074
6 to 9 months	3,670,483	5,048,400
9 to 12 months	2,336,198	3,255,661
Over 12 months	7,676,341	4,682,146
	<u>17,449,472</u>	<u>24,000,558</u>

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

#### (14) EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed elsewhere in this announcement, the events occurring after the reporting period are as follows:

- (a) Maturity and Repayment of HK\$720 Million 5.25% Guaranteed Senior Notes Due 2022 by Hopson Capital International Group Co Ltd

Hopson Capital International Group Co Ltd (the “Issuer”), an indirect wholly-owned subsidiary of the Company, issued HK\$720 million 5.25% guaranteed senior notes due 2022 on 21 July 2021 (the “Notes”). The Issuer has repaid the Notes in full in aggregate principal amount with accrued interest on 20 July 2022, being the maturity date of the Notes.

- (b) Acquisition of 100% of the Equity Interest in Shanghai Bozheng Properties Company Limited (上海博禎置業有限公司) which owns a piece of land in Huangpu District of Shanghai, PRC

On 3 August 2022, (i) Shanghai Hebo Properties Consultancy Company Limited (上海合博房地產諮詢有限公司) (the “Purchaser”), a company established in PRC and a wholly-owned subsidiary of the Company; (ii) Shanghai Zhujiang Investment Group Company Limited (上海珠江投資集團有限公司) (the “Vendor”), a company established in PRC and a connected person (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)) of the Company; and (iii) Shanghai Bozheng Properties Company Limited (上海博禎置業有限公司) (the “Target Company”), a company established in PRC, a wholly-owned subsidiary of the Vendor and a connected person (as defined under the Listing Rules) of the Company, which owns a piece of land in Huangpu District of Shanghai, PRC (the “Target Land”), entered into the sale and purchase agreement (the “SPA”) whereby the Vendor agreed to sell, and the Purchaser agreed to purchase, 100% of the equity interest in the Target Company (the “Target Equity”) at the cash consideration of RMB790,000,000.

The change of the registration of the ownership of the Target Equity from the Vendor to the Purchaser at the relevant PRC governmental department is subject to the fulfilment (or waiver, if applicable) of the conditions precedent provided under the SPA, including but not limited to the release of the Target Equity from an existing mortgage having been obtained and the Purchaser being satisfied with the results of the due diligence in respect of the Target Company. If the Target Company has not obtained the Certificate of Ownership of Real Property in respect of the Target Land within one year after completion of the change of the ownership registration in respect of the Target Equity in accordance with the SPA, the Purchaser has the option (but not the obligation) to sell back the Target Equity to the Vendor in accordance with the SPA.

## **DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (30 June 2021: HK50 cents).

## **BONUS ISSUE OF SHARES**

The Board has proposed to, subject to shareholders' approval, make a bonus issue of one new share for every ten existing shares held by shareholders whose names are on the register of members of the Company at the close of business on Friday, 11 November 2022 ("Bonus Issue"). Further details of the Bonus Issue, including the relevant details of the special general meeting to be convened and held to consider, and if thought fit, approve the Bonus Issue, will be announced by the Company in due course.

## **FINANCIAL REVIEW**

### **Turnover**

#### *(i) Recognised Sales*

For the first six months of 2022, the Group recorded a turnover of RMB11,016 million (HK\$13,170 million), which decreased by 18.1% (denominated in RMB and HK\$) as compared to RMB13,452 million (HK\$16,074 million) for the first six months of 2021.

In respect of property development business, a total GFA of 473,022 square metres (2021: 298,992 square metres) were delivered in the first half of 2022. The major projects delivered include MAHÁ Beijing (縵合北京), Hopson Dreams World (合生世界村), Hopson International Garden (合生國際花園) and Hopson Regal Park (合生觀唐帝景).

The overall average selling price in respect of delivered and completed properties was RMB14,551 per square metre (2021: RMB17,776 per square metre), which decreased by 18.1% as compared to the same period of last year.

## *(ii) Contracted Sales*

The Group recorded total contracted sales of RMB16,860 million (2021: RMB21,227 million) for the first six months of 2022. In particular, contracted sales of properties amounted to approximately RMB15,462 million, representing a period-on-period decrease of approximately 23.3% as compared with approximately RMB20,145 million for the same period of 2021; contracted sales of decoration amounted to approximately RMB1,398 million, representing a period-on-period increase of approximately 29.2% as compared with approximately RMB1,082 million for the same period of 2021. Affected by the product structure of sales, the average selling price of contracted sales of properties was RMB22,238 per square metre, representing a period-on-period decrease of approximately 36.6% as compared with RMB35,072 per square metre for the same period of 2021.

In the first half of 2022, Guangzhou and Huizhou had in total twenty-six projects on sale and the contracted sales amounted to RMB4,108 million, representing 24% of the total contracted sales of the Group. The major projects were Hopson Hushan Guoji Villa (合生湖山國際), Hopson Joy Mansion (合生悦公館) and The Peak Mansion (合生紫悦府).

There were fifteen property projects on sale in Shanghai, mainly comprising Kunshan Hesong Lanting (昆山合頌蘭亭) and Kunshan Metropolis Light (昆山合樾蘭亭). Contracted sales of Shanghai amounted to RMB1,628 million, representing 10% of the total contracted sales of the Group.

The combined contracted sales of Beijing and Tianjin were RMB11,124 million, representing 66% of the total contracted sales of the Group. Nineteen projects in total were on sale in Beijing and Tianjin, of which Hopson Dreams World (合生世界村), MAHÁ Beijing (縵合北京), Jinmao Palace Phase II (金茂府二期) and Hopson MIYĀ (合生me悦) were the major sales contributors.

## **Gross Profit**

Gross profit for the first half of 2022 amounted to HK\$3,064 million (2021: HK\$10,125 million) with a gross profit margin percentage of 23% (2021: 63%). The decrease in gross profit margin percentage was mainly attributable to the performance of the investment business of the Group.

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

Fair value gain on investment properties for the six months ended 30 June 2022 amounted to HK\$7,757 million (2021: HK\$25 million). As at 30 June 2022, the Group owns 19 (31 December 2021: 18) investment properties.

## **Other Gains, Net**

Other gains for the six months ended 30 June 2022 amounted to HK\$245 million (2021: HK\$83 million), comprising (1) net exchange gains of HK\$82 million; (2) changes in fair value of derivative financial instruments of HK\$118 million and (3) other net gain of HK\$45 million.

## **Operating Costs**

The operating costs relating to expenses for selling, marketing, general and administration decreased by 25% to HK\$1,767 million in the first half of 2022 (2021: HK\$2,354 million). The decrease was primarily attributable to the decrease in sales of the Group during the first half of the year, which led to the corresponding decrease in related expenses.

## **Finance Costs**

Gross interest expenses before capitalisation for the first half of 2022 decreased to HK\$4,098 million (2021: HK\$4,149 million), down HK\$51 million or 1%. The decrease was primarily attributable to the decrease in borrowings during the first half of 2022 as compared to the same period of last year.

## **Taxation**

The effective tax rate was 27.4% for the first half of 2022, increased by 9.6 percentage points as compared with the same period of last year, mainly because the investments business, which has a lower tax rate than property development business, accounted for a smaller proportion as compared with the same period last year.

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

Profit attributable to equity holders was HK\$6,390 million for the first half of 2022 (2021: HK\$5,632 million). Basic earnings per share was HK\$2.446. During the period under review, excluding the effect of the net of tax gain from investment property revaluation of HK\$5,843 million, plus the net amount for net of tax donation of HK\$11 million and other net loss of HK\$1 million, the underlying profit amounted to HK\$559 million, representing a decrease of HK\$5,165 million, or 90%, as compared to the same period of last year. The overall decrease of the underlying profit for the period was mainly attributable to the performance of the investments business of the Group in the current period.

## Segment Information

Property development is an important business of the Group, contributing HK\$9,282 million to the Group's revenue, accounting for 70% of the Group's sales. Commercial property investment recorded revenue of HK\$1,966 million for the first half of the year, accounting for 15% of the Group's sales. The total revenue from infrastructure business, property management and investments business amounted to HK\$1,922 million, accounting for 15% of the Group's sales.

## Liquidity and Financial Position

As at 30 June 2022, total assets of the Group amounted to HK\$328,899 million and total liabilities came to HK\$215,524 million, representing a decrease of 5% and 8% respectively as compared to 31 December 2021. The decrease in total assets was mainly attributable to the decrease in completed properties for sale. The decrease in total liabilities was mainly attributable to the decrease in borrowings.

The Group's current ratio as at 30 June 2022 was 1.69 (31 December 2021: 1.79). Equity as at 30 June 2022 increase by 1% to HK\$113,375 million from 31 December 2021, mainly due to the increase in profit attributable to equity holders during the period. The net asset value ("NAV") per share as at 30 June 2022 was HK\$47.75.

As at 30 June 2022, the Group's liability-to-asset ratio (i.e. the ratio between total liabilities and total assets, excluding non-controlling interests) was 66% (31 December 2021: 67%).

As at 30 June 2022, the Group had cash and bank deposits amounting to HK\$28,262 million (31 December 2021: HK\$36,312 million), of which approximately HK\$2 million (31 December 2021: 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. 95.32% of the cash and bank deposits were denominated in Renminbi, 3.33% in Hong Kong dollars, 1.34% in United States dollars and 0.01% in other currencies.

Total borrowings from banks and financial institutions amounted to HK\$83,473 million as at 30 June 2022, representing a decrease of 9% or HK\$8,292 million as compared to those as at 31 December 2021. Gearing ratio, measured by net bank and financial institution borrowings, senior notes, commercial mortgage-backed securities and convertible bonds (i.e. total bank and financial institution borrowings, senior notes, assets-backed securities, commercial mortgage-backed securities and convertible bonds less cash and bank deposits) as a percentage of shareholders' equity, was 66% as at 30 June 2022 (decreased by 4 percentage points as compared with 70% as at 31 December 2021).

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

All of the senior notes were unsecured and denominated in United States dollars or Hong Kong dollars.

All of the convertible bonds were unsecured 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 30 June 2022 was as follows:

(HK\$ million)	As at 30 June 2022							As at 31 December 2021						
	Bank and financial institution borrowings	Commercial mortgage-backed securities	Senior notes	Convertible bonds	Other borrowings	Total	Percentage	Bank and financial institution borrowings	Asset-backed securities and commercial mortgage-backed securities	Senior notes	Other borrowings	Total	Percentage	
Within one year	27,631	83	718	1,860	2,149	32,441	(31%)	20,782	3,134	4,608	2,383	30,907	(26%)	
One to two years	20,195	893	4,186	—	—	25,274	(24%)	31,224	857	1,832	—	33,913	(29%)	
Two to five years	18,734	12,303	—	—	—	31,037	(29%)	22,318	10,700	2,314	—	35,332	(30%)	
After 5 years	16,913	—	—	—	—	16,913	(16%)	17,441	—	—	—	17,441	(15%)	
Total	83,473	13,279	4,904	1,860	2,149	105,665		91,765	14,691	8,754	2,383	117,593		
Less: Total bank deposits and cash						(28,262)						(36,312)		
Net borrowings						<u>77,403</u>						<u>81,281</u>		

As at 30 June 2022, the Group had banking facilities of approximately HK\$199,649 million (31 December 2021: HK\$203,902 million) for short-term and long-term bank loans, of which HK\$96,133 million (31 December 2021: HK\$88,692 million) were unutilised.

### Charge on Assets

As at 30 June 2022, certain assets of the Group with an aggregate carrying value of HK\$84,491 million (31 December 2021: HK\$95,980 million) and the Group's equity interests in subsidiaries of HK\$8,644 million (31 December 2021: HK\$9,411 million) were pledged with banks and financial institutions for loan facilities used by subsidiaries.

## **Financial Guarantees**

As at 30 June 2022, the Group provided guarantees to banks for mortgage facilities granted to buyers of the Group's properties which amounted to HK\$19,656 million (31 December 2021: HK\$17,502 million).

## **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 30 June 2022.

## **EMPLOYEES**

As at 30 June 2022, the Group, excluding its associates and joint ventures, employed a total of 10,734 (as at 31 December 2021: 11,775) staff members, the majority of which were employed in Mainland China. Employees' costs (including Directors' emoluments) amounted to HK\$1,021 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: HK\$848 million). The remuneration policies remained the same as disclosed in the Annual Report for the year ended 31 December 2021.

## **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 of Hong Kong Limited (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 30 June 2022.

## **CORPORATE GOVERNANCE**

During the six months ended 30 June 2022, the Company has complied with the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Listing Rules except for the code provision F.2.2 as described below.

Code provision F.2.2 of the CG Code 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 2022 due to her other business commitment.

## ISSUE OF CONVERTIBLE BONDS

On 10 January 2022, the Company issued US\$250 million in aggregate principal amount of 8.00% guaranteed convertible bonds due 2023 (the “Bonds”) under specific mandate (the “Bond Issue”). The Convertible Bonds were guaranteed by certain wholly-owned subsidiaries of the Company. The Bonds are convertible into ordinary shares of the Company upon conversion, have been listed on the Stock Exchange since 11 January 2022 (stock code of the Bonds: 04312), and will mature on 6 January 2023.

The conversion price of the Bonds (the “Conversion Price”) is initially at HK\$20.16 per share. Pursuant to the terms and conditions of the Bonds, the Conversion Price is subject to the price reset mechanism and adjustment for any adjustment event. On 20 June 2022 (which is a price reset date), the Conversion Price has been adjusted to HK\$15.42. As a result of the distributions made by the Company by way of final dividend and bonus issue for the year ended 31 December 2021, the Conversion Price has been adjusted to HK\$13.85 with effect from 9 July 2022. As the number of shares issuable upon conversion of the Bonds will be determined by the net share settlement mechanism, the number of shares issuable upon full conversion of the Bonds will not exceed 126,425,097 shares with an aggregate nominal value of HK\$12,642,509.70.

The Board is of the view that the Bond Issue is an appropriate means of raising additional capital since it would provide the Company with additional funds for refinancing its existing indebtedness, as well as supplementing the Group’s working capital for general corporate purposes.

The net proceeds from the Bond Issue were approximately US\$247,500,000. As previously disclosed in the circular of the Company dated 17 December 2021 in relation to the Bond Issue, the Company intended to utilise the net proceeds from the Bond Issue for the following purposes: (i) approximately 95% for refinancing (a) the US\$400 million 5.80% guaranteed senior notes due 2022 issued by Hopson Capital International Group Co Ltd (an indirect wholly-owned subsidiary of the Company) on 13 January 2021 (the “January 2021 Notes”) and (b) the US\$100 million 5.80% guaranteed senior notes due 2022 issued by Hopson Capital International Group Co Ltd on 4 February 2021 which were consolidated to form a single series with the January 2021 Notes (collectively, the “2021 Notes”); and (ii) approximately 5% for general working capital purposes. Based on the net proceeds of the Bond Issue (i.e. US\$247,500,000) and the maximum number of shares issuable upon full conversion of the Bonds (i.e. 126,425,097 shares), the net price per share is HK\$15.27.

As of 30 June 2022, the Company has fully utilised the net proceeds from the Bond Issue for the intended purposes as disclosed.

For further details about the Convertible Bonds, please refer to the announcement dated 9 December 2021, the supplemental announcements dated 16 December 2021 and 6 January 2022, respectively, the circular dated 17 December 2021, the poll results announcement dated 6 January 2022, the completion announcement dated 10 January 2022, the Conversion Price reset announcement dated 22 June 2022 and the Conversion Price adjustment announcement dated 8 July 2022.

## **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 30 June 2022.

## **OTHER SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

### **(A) Change of Company Secretary of the Company**

Ms. Mok Wai Kun, Barbara has resigned as the company secretary of the Company with effect from 4 July 2022 due to her retirement and Mr. Cheung Man Hoi has been appointed as the company secretary of the Company with effect from 4 July 2022.

For further details, please refer to the Company's announcement dated 4 July 2022.

### **(B) Maturity and Repayment of HK\$720 Million 5.25% Guaranteed Senior Notes Due 2022 by Hopson Capital International Group Co Ltd**

Hopson Capital International Group Co Ltd (the "Issuer"), an indirect wholly-owned subsidiary of the Company issued HK\$720 million 5.25% guaranteed senior notes due 2022 on 21 July 2021 (the "Notes"). The Issuer has repaid the Notes in full in aggregate principal amount with accrued interest on 20 July 2022, being the maturity date of the Notes.

For further details, please refer to the Company's announcement dated 19 July 2022.

### **(C) Acquisition of 100% of the Equity Interest in Shanghai Bozheng Properties Company Limited\* (上海博禎置業有限公司) which owns a piece of land in Huangpu District of Shanghai, PRC**

On 3 August 2022, (i) Shanghai Hebo Properties Consultancy Company Limited\* (上海合博房地產諮詢有限公司) (the "Purchaser"), a company established in PRC and a wholly-owned subsidiary of the Company; (ii) Shanghai Zhujiang Investment Group Company Limited\* (上海珠江投資集團有限公司) (the "Vendor"), a company established in PRC and a connected person (as defined under the Listing Rules) of the Company; and (iii) Shanghai Bozheng Properties Company Limited\* (上海博禎置業有限公司) (the "Target Company"), a company established in PRC, a wholly-owned subsidiary of the Vendor and a connected person (as defined under the Listing Rules) of the Company, which owns a piece of land in Huangpu District of Shanghai, PRC (the "Target Land"), entered into the sale and purchase agreement (the "SPA") whereby the Vendor agreed to sell, and the Purchaser agreed to purchase, 100% of the equity interest in the Target Company (the "Target Equity") at the cash consideration of RMB790,000,000 (the "Acquisition"). The Acquisition did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules, however it constituted a non-exempt connected transaction of the Company which was subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but was exempt from the circular (including independent financial advice and shareholders' approval) requirement pursuant to Rule 14A.76(2)(a) of the Listing Rules.

The change of the registration of the ownership of the Target Equity from the Vendor to the Purchaser at the relevant PRC governmental department is subject to the fulfilment (or waiver, if applicable) of the conditions precedent provided under the SPA, including but not limited to the release of the Target Equity from an existing mortgage having been obtained and the Purchaser being satisfied with the results of the due diligence in respect of the Target Company. If the Target Company has not obtained the Certificate of Ownership of Real Property\* (不動產權證) in respect of the Target Land within one year after completion of the change of the ownership registration in respect of the Target Equity in accordance with the SPA, the Purchaser has the option (but not the obligation) to sell back the Target Equity to the Vendor in accordance with the SPA.

The Group proposes to build Chinese-style villas over the Target Land.

For further details, please refer to the Company's announcement dated 3 August 2022.

## **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.

The Group's interim results for the six months ended 30 June 2022 have been reviewed by the Company's audit committee and by the Company's auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information by the auditor will be included in the 2022 interim report to shareholders.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 24 October 2022 to Thursday, 27 October 2022 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the special general meeting to be convened and held on Thursday, 27 October 2022 to consider, and if thought fit, approve the Bonus Issue. In order to attend and vote at the special general meeting, 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 Friday, 21 October 2022.

The register of members of the Company will be closed from Tuesday, 8 November 2022 to Friday, 11 November 2022 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the Bonus Issue. In order to qualify for the Bonus Issue, 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, 7 November 2022.

## **INTERIM REPORT**

The 2022 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 at <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. Zhang Fan (Co-president), Mr. Au Wai Kin, Mr. Xie Bao Xin and Mr. Bao Wenge; and the independent non-executive Directors are Mr. Tan Leng Cheng, Aaron, Mr. Ching Yu Lung and Mr. Ip Wai Lun, William.

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

Hong Kong, 30 August 2022