TOP SPRING INTERNATIONAL HOLDINGS LIMITED

萊蒙國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3688)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

HIGHLIGHTS

- Turnover for the year ended 31 December 2011 increased by approximately 1.1 times, to approximately HK$5,861.3 million from approximately HK$2,759.9 million for the year ended 31 December 2010.

- Gross profit margin rose from approximately 61.1% for the year ended 31 December 2010 to approximately 66.2% for the year ended 31 December 2011.

- For the year ended 31 December 2011, profit attributable to equity shareholders of the Company was approximately HK$1,021.9 million, representing an increase by approximately 1.1 times as compared with the corresponding period of 2010. The core net profit for the year ended 31 December 2011 (i.e. profit attributable to equity shareholders of the Company deducting valuation gains on investment properties net of deferred tax) increased by approximately 71.3% to approximately HK$751.7 million from approximately HK$438.8 million for the year ended 31 December 2010.

- Basic earnings per share for the year ended 31 December 2011 was approximately HK$1.08, representing an increase by approximately 63.6% as compared with the corresponding period of 2010.

- As at 31 December 2011, the return on average total equity was approximately 47.7% (as at 31 December 2010: approximately 44.8%). Net assets per share as at 31 December 2011 was approximately HK$3.5.

- For the year ended 31 December 2011, the Group achieved contracted sales of approximately HK$5,036.2 million with contracted saleable GFA of approximately 263,662 sq.m. and contracted average selling price of approximately HK$19,101.0 per sq.m., representing a decrease of approximately 16.2%, 15.8% and 0.4% respectively, as compared with the corresponding period of 2010.

- The Group has targeted its total contracted sales in 2012 ranging from approximately HK$5.0 billion to approximately HK$6.0 billion in which approximately HK$906.2 million with contracted saleable GFA of approximately 71,914 sq.m. were achieved during the period from 1 January 2012 to 25 March 2012.

- In 2011, the Group acquired additional lands with the total plot ratio GFA of approximately 1.1 million sq.m. at an average cost of approximately RMB849.6 per sq.m..

- As at 31 December 2011, the Group had 14 projects over 7 cities with a total net saleable and leaseable land bank of approximately 3.9 million sq.m. with an average cost of approximately HK$2,311.5 per sq.m..

- The Group has targeted to complete a total saleable GFA of approximately 412,115 sq.m. in 2012, in which approximately 227,141 sq.m. or 55.1% of the expected completion GFA has been locked-in as of 25 March 2012.

- As at 31 December 2011, the net gearing ratio of the Group was approximately 34.1% (as at 31 December 2010: approximately 151.0%).

- The Board of Directors has recommended a final dividend of HK15 cents per share for the year ended 31 December 2011 (for the year ended 31 December 2010: nil). Together with the interim dividend of HK15 cents per share, total dividends declared for the year were HK30 cents per share. The dividend payout ratio was approximately 29.4%.

ANNUAL RESULTS

The Board (the "Board") of directors (the "Directors") of Top Spring International Holdings Limited (the "Company") is pleased to announce the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	**2011**	2010
		HK$'000	*HK$'000*
Turnover	*3*	**5,861,312**	2,759,894
Direct costs		**(1,982,177)**	(1,074,302)
Gross profit		**3,879,135**	1,685,592
Valuation gains on investment properties		**360,295**	82,005
Other revenue	*4*	**81,998**	12,989
Other net income	*5*	**48,640**	60,153
Selling and marketing expenses		**(173,426)**	(123,371)
Administrative expenses		**(495,018)**	(316,138)
Profit from operations		**3,701,624**	1,401,230
Finance costs	*6(a)*	**(425,084)**	(59,680)
Share of profits less losses of associates		**(5,113)**	–
Profit before taxation	*6*	**3,271,427**	1,341,550
Income tax	*7*	**(2,249,825)**	(857,128)
Profit for the year		**1,021,602**	484,422
Attributable to:			
Equity shareholders of the Company		**1,021,900**	494,723
Non-controlling interests		**(298)**	(10,301)
Profit for the year		**1,021,602**	484,422
Basic and diluted earnings per share (HK$)	*8*	**1.08**	0.66

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	HK$'000	*HK$'000*
Profit for the year	**1,021,602**	484,422
Other comprehensive income for the year		
Surplus on revaluation of other land and buildings, net of tax	**49,843**	–
Exchange differences on translation of financial statements of PRC subsidiaries, net of nil tax	**160,245**	106,251
Share of other comprehensive income of associates, net of nil tax	**1,917**	–
	212,005	106,251
Total comprehensive income for the year	**1,233,607**	590,673
Attributable to:		
Equity shareholders of the Company	**1,231,394**	595,139
Non-controlling interests	**2,213**	(4,466)
Total comprehensive income for the year	**1,233,607**	590,673

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2011

	Note	**2011**		2010	
		HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Fixed assets					
– Investment properties			**2,942,217**		2,253,221
– Other property, plant and equipment			**479,542**		533,740
– Interests in leasehold land held for own use under operating leases			**29,117**		19,519
			3,450,876		2,806,480
Interests in associates			**81,977**		104,170
Other financial assets			**32,292**		30,981
Restricted and pledged deposits			**345,508**		177,563
Deferred tax assets			**719,150**		295,030
			4,629,803		3,414,224
Current assets					
Inventories		**9,166,826**		5,096,696	
Other financial assets		**169,052**		94,697	
Trade and other receivables	*10*	**526,822**		901,230	
Restricted and pledged deposits		**1,344,771**		1,744,788	
Cash and cash equivalents		**4,540,791**		3,291,157	
		15,748,262		11,128,568	
Current liabilities					
Trade and other payables	*11*	**5,188,466**		5,496,927	
Bank and other loans		**1,720,066**		2,882,969	
Tax payable		**3,879,498**		1,764,063	
		10,788,030		10,143,959	
Net current assets			**4,960,232**		984,609
Total assets less current liabilities			**9,590,035**		4,398,833

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2011 (CONTINUED)

	Note	**2011**		2010	
		HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Non-current liabilities					
Bank and other loans		**5,473,006**		3,482,822	
Loan from an associate		**238,738**		–	
Derivative financial instruments		**13,641**		–	
Deferred tax liabilities		**344,185**		153,144	
			6,069,570		3,635,966
NET ASSETS			**3,520,465**		762,867
CAPITAL AND RESERVES					
Share capital			**100,041**		24
Reserves			**3,319,885**		762,843
Total equity attributable to equity shareholders of the Company			**3,419,926**		762,867
Non-controlling interests			**100,539**		–
TOTAL EQUITY			**3,520,465**		762,867

NOTES:

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 August 2009 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a reorganisation (the "Reorganisation") of the Group which was completed on 3 December 2010 to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 11 March 2011 (the "Prospectus"). The Company's shares were listed on the Stock Exchange on 23 March 2011 ("the Listing Date").

The Group is regarded as a continuing entity resulting from the Reorganisation under common control and has been accounted for on the basis of merger accounting. The consolidated financial statements of the Group have been prepared as if the current group structure had been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation.

The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2011 but are extracted from those financial statements.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinances. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

The impacts of these developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.
- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in the consolidated financial statements have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the consolidated financial statements of the Group in the current and previous years.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines (product and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Property development: this segment develops and sells residential properties and shops within the shopping arcades.

– Property investment: this segment leases shopping arcades and club houses to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the Group's investment property portfolio is located entirely in the People's Republic of China ("PRC").

– Hotel operations: this segment operates hotels to provide hotel services to general public.

– Property management and related services: this segment mainly provides property management and related services to purchasers and tenants of the Group's self-developed residential properties and shopping arcades.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segments assets include all tangible, non-current and current assets with the exception of interests in associates, investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade and other payables attributable to the operating activities of the individual segments and bank and other borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interests, taxes, depreciation and amortisation". To arrive at "adjusted EBITDA" the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation and amortisation, valuation changes on investment properties and additions to non-current segment assets used by the segments in their operations.

2 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year is set out below.

2010

	Property development *HK$'000*	**Property investment** *HK$'000*	**Hotel operations** *HK$'000*	**Property management and related services** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	2,560,273	92,326	66,002	41,293	2,759,894
Inter-segment revenue	–	17,985	–	53,119	71,104
Reportable segment revenue	2,560,273	110,311	66,002	94,412	2,830,998
Reportable segment profit/ (loss) (adjusted EBITDA)	1,353,030	32,084	17,254	(25,718)	1,376,650
Interest income from bank deposits	5,897	892	–	3,169	9,958
Interest expense	(18,292)	(13,047)	–	–	(31,339)
Depreciation and amortisation for the year	(8,201)	(811)	(26,808)	(3,145)	(38,965)
Valuation gains on investment properties	–	82,005	–	–	82,005
Reportable segment assets	9,108,612	3,780,224	460,964	522,935	13,872,735
Additions to non-current segment assets during the year	29,086	28,832	–	500	58,418
Reportable segment liabilities	(11,494,396)	(61,329)	–	(9,355)	(11,565,080)

2 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (continued)

2011

	Property development *HK$'000*	Property investment *HK$'000*	Hotel operations *HK$'000*	Property management and related services *HK$'000*	Total *HK$'000*
Revenue from external customers	5,617,559	104,682	93,696	45,375	5,861,312
Inter-segment revenue	–	19,235	–	133,482	152,717
Reportable segment revenue	5,617,559	123,917	93,696	178,857	6,014,029
Reportable segment profit/ (loss) (adjusted EBITDA)	3,335,109	86,302	36,783	(46,782)	3,411,412
Interest income from bank deposits	48,282	504	–	345	49,131
Interest expense	(416,233)	(8,851)	–	–	(425,084)
Depreciation and amortisation for the year	(11,580)	(60)	(28,757)	(1,751)	(42,148)
Valuation gains on investment properties	–	360,295	–	–	360,295
Reportable segment assets	15,539,281	3,287,583	374,807	27,667	19,229,338
Additions to non-current segment assets during the year	55,228	93,935	1,062	5,632	155,857
Reportable segment liabilities	(12,106,840)	(441,563)	–	(22,097)	(12,570,500)

2 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2011	2010
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**6,014,029**	2,830,998
Elimination of inter-segment revenue	**(152,717)**	(71,104)
Consolidated turnover	**5,861,312**	2,759,894
Profit		
Reportable segment profit derived from Group's external customers	**3,411,412**	1,376,650
Share of profits less losses of associates	**(5,113)**	–
Other revenue and net income	**130,638**	73,142
Depreciation and amortisation	**(50,059)**	(38,965)
Finance costs	**(425,084)**	(31,339)
Valuation gains on investment properties	**360,295**	82,005
Unallocated head office and corporate expenses	**(150,662)**	(119,943)
Consolidated profit before taxation	**3,271,427**	1,341,550
Assets		
Reportable segment assets	**19,229,338**	13,872,735
Interests in associates	**81,977**	104,170
Other financial assets	**201,344**	125,678
Deferred tax assets	**719,150**	295,030
Unallocated head office and corporate assets	**146,256**	145,179
Consolidated total assets	**20,378,065**	14,542,792
Liabilities		
Reportable segment liabilities	**(12,570,500)**	(11,565,080)
Tax payable	**(3,879,498)**	(1,764,063)
Deferred tax liabilities	**(344,185)**	(153,144)
Derivative financial instruments	**(13,641)**	–
Unallocated head office and corporate liabilities	**(49,776)**	(297,638)
Consolidated total liabilities	**(16,857,600)**	(13,779,925)

(c) Geographic information

No geographic information has been presented as the Group's operating activities are largely carried out in the PRC.

3 TURNOVER

The principal activities of the Group are property development, property investment, hotel operations and provision of property management and related services.

Turnover represents income from sale of properties, rental income, income from hotel operations and income from provision of property management and related services earned during the year, net of business tax and other sales related taxes and discounts allowed, and is analysed as follows:

	2011	2010
	HK$'000	*HK$'000*
Sale of properties	**5,617,559**	2,560,273
Rental income	**104,682**	92,326
Hotel operations	**93,696**	66,002
Property management and related services income	**45,375**	41,293
	5,861,312	2,759,894

4 OTHER REVENUE

	2011	2010
	HK$'000	*HK$'000*
Bank interest income	**55,857**	9,958
Other interest income	**185**	263
Rental income from operating leases, other than those relating to investment properties	**4,807**	1,226
Government grant	**19,368**	–
Others	**1,781**	1,542
	81,998	12,989

5 OTHER NET INCOME

	2011	2010
	HK$'000	*HK$'000*
Net gain on disposal of a subsidiary	**–**	64,457
Net gain on disposal of associates	**5,685**	1,722
Net gain/(loss) on disposal of fixed assets	**116**	(26)
Net exchange loss	**(14,192)**	(6,395)
Fair value change on derivative financial instruments	**56,711**	–
Others	**320**	395
	48,640	60,153

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2011 *HK$'000*	2010 *HK$'000*
(a) Finance costs		
Interest on bank loans and other borrowings wholly repayable		
– within five years	**560,193**	288,983
– after five years	**77,502**	–
	637,695	288,983
Interest on loan from an associate wholly repayable within five years	**577**	–
Other borrowing costs	**57,487**	18,049
	695,759	307,032
Less: Amount capitalised *(note)*	**(270,675)**	(247,352)
	425,084	59,680

Note: The borrowing costs have been capitalised at rates ranging from 4.86% to 11.15% (2010: 4.86% to 9.95%) per annum for the year ended 31 December 2011.

	2011 *HK$'000*	2010 *HK$'000*
(b) Staff costs		
Salaries, wages and other benefits	**195,967**	194,058
Contributions to defined contribution retirement plans	**10,964**	6,395
Equity settled share-based payment expenses	**81,508**	6,160
	288,439	206,613
(c) Other items		
Depreciation and amortisation	**50,145**	41,128
Less: Amount capitalised	**(86)**	(155)
	50,059	40,973
Cost of properties sold	**1,813,511**	957,281
Rental income from investment properties	**(104,682)**	(92,326)
Less: Direct outgoings	**11,927**	9,417
	(92,755)	(82,909)
Impairment loss for trade receivables	**16,024**	182
Auditors' remuneration		
– audit services	**4,512**	3,478
– other services	**1,851**	10,671
Other rental income less direct outgoings	**(4,807)**	(1,226)
Operating lease charges:		
– minimum lease payments for land and buildings	**12,389**	14,714

7 INCOME TAX

Income tax in the consolidated income statement represents:

	2011	2010
	HK$'000	*HK$'000*
Current tax		
Provision for PRC Corporate Income Tax ("CIT")	**941,789**	371,098
Provision for Land Appreciation Tax ("LAT")	**1,511,068**	627,430
Withholding tax	**38,098**	–
	2,490,955	998,528
Deferred tax		
Origination and reversal of temporary differences	**(241,130)**	(141,400)
	2,249,825	857,128

Pursuant to the rules and regulations of the British Virgin Islands ("BVI") and the Cayman Islands, the Group is not subject to any income tax in the BVI and the Cayman Islands.

No provision was made for Hong Kong Profits Tax as the Group's Hong Kong subsidiaries sustained losses for taxation purposes for the years ended 31 December 2010 and 2011.

The provision for CIT is based on the respective applicable CIT rates on the estimated assessable profits of the PRC subsidiaries within the Group as determined in accordance with the relevant income tax rules and regulations of the PRC. The applicable CIT rates were 24% to 25% for the year ended 31 December 2011 (2010: 22% to 25%).

LAT is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sale of properties less deductible expenditures including lease charges of land use right, borrowing costs and all qualified property development expenditures.

Withholding taxes are levied on the Group's Hong Kong subsidiaries in respect of dividend distributions arising from profit of the PRC subsidiaries within the Group earned after 1 January 2008 at 5%.

8 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$1,021,900,000 (2010: HK$494,723,000) and the weighted average number of 944,816,000 shares (2010: 750,000,000 shares) in issue during the year.

The weighted average number of shares in issue for the year ended 31 December 2011 is based on the assumption that 750,000,000 shares of the Company are in issue and issuable, comprising 235,294 shares in issue and 749,764,706 shares to be issued pursuant to the capitalisation issue, as if the shares were outstanding throughout the period from 1 January 2011 to the Listing Date, 250,000,000 shares issued under the initial public offering ("IPO") and 413,500 shares issued upon the exercise of the over-allotment option in connection with the IPO.

8 BASIC AND DILUTED EARNINGS PER SHARE (CONTINUED)

The weighted average number of shares in issue for the year ended 31 December 2010 is based on the assumption that 750,000,000 shares of the Company are in issue and issuable, comprising 235,294 shares in issue and 749,764,706 shares to be issued pursuant to the capitalisation issue, as if the shares were outstanding throughout that year.

	2011	2010
	'000	*'000*
Weighted average number of shares		
Issued ordinary shares	**235**	235
Capitalisation issue	**749,765**	749,765
Effect of issuance of new shares under IPO	**194,816**	–
Weighted average number of shares	**944,816**	750,000

The pre-IPO share options outstanding have no dilutive effects on earnings per share for the year ended 31 December 2011. In last year, the share options granted under the pre-IPO share option scheme were subject to the successful listing of the Company's shares on the Stock Exchange and employment conditions of the grantees after listing. Prior to the listing of the Company's shares, such share options would not be considered for computation of diluted earnings per share.

There were no other potential dilutive ordinary shares in existence for the years ended 31 December 2010 and 2011.

9 DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to profit for the year

	2011	2010
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK15 cents (2010: Nil) per ordinary share	**150,062**	–
Final dividend proposed after the balance sheet date of HK15 cents (2010: Nil) per ordinary share	**150,062**	–
	300,124	–

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

10 TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Debtors, prepayments and deposits	**526,822**	901,230

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

	2011	2010
	HK$'000	*HK$'000*
Current or under 1 month overdue	**23,956**	56,664
More than 1 month overdue and up to 3 months overdue	**15,343**	15,104
More than 3 months overdue and up to 6 months overdue	**1,051**	7,826
More than 6 months overdue and up to 1 year overdue	**1,445**	5,578
More than 1 year overdue	**2,201**	8,589
	43,996	93,761

11 TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Creditors and accrued charges	**1,847,526**	1,320,389
Rental and other deposits	**74,125**	56,669
Receipts in advance	**3,099,396**	4,074,316
Amounts due to non-controlling shareholders	**167,419**	–
Amounts due to related companies	**–**	45,553
	5,188,466	5,496,927

Included in trade and other payables are trade creditors with the following ageing analysis at the balance sheet date:

	2011	2010
	HK$'000	*HK$'000*
Due within 1 month or on demand	**875,490**	719,530
Due after 1 month but within 3 months	**1,548**	2,008
Due after 3 months but within 6 months	**132,161**	15,195
Due after 6 months but within 1 year	**330,118**	17,094
Due after 1 year	**50,475**	196,607
	1,389,792	950,434

12 CAPITAL COMMITMENTS

	2011	2010
	HK$'000	*HK$'000*
Contracted for	**1,419,165**	3,265,516
Authorised but not contracted for	**3,481,418**	8,303
	4,900,583	3,273,819

Capital commitments mainly related to development expenditure for the Group's properties under development.

In addition, the Group was committed at 31 December 2011 to make donations of HK$6,170,000 (2010: HK$7,102,000) to a charitable institution of RMB1,000,000 per annum until 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Business in 2011

(1) Contracted Sales

In 2011, the Group recorded contracted sales of approximately HK$5,036.2 million, representing a decrease of approximately 16.2% over 2010. The contracted saleable gross floor area ("GFA") was approximately 263,662 sq.m., representing a decrease of approximately 15.8% over 2010. The decrease in both contracted sales and contracted saleable GFA were driven by the significant slowdown in the PRC property market as a result of the PRC government's policy measures aimed to sustain the long-term development of the property industry. The average selling price of our contracted sales, however, was not materially affected (2011: approximately HK$19,101.0 per sq.m. and 2010: approximately HK$19,184.4 per sq.m.). For the period from 1 January 2012 to 25 March 2012, the Group has achieved contracted sales of approximately HK$906.2 million with contracted saleable GFA of approximately 71,914 sq.m..

The breakdown of the total contracted saleable GFA and the total contracted sales of the Group during the year ended 31 December 2011 is set out as follows:

City	**Project/Phase of Project**	**Contracted Saleable GFA**		**Contracted Sales**		
					Equivalent to approximately	
		sq.m.	*%*	*RMB million*	*HK$ million*	*%*
Shenzhen	Shenzhen Hidden Valley Phase 1	991	0.4	60.6	73.0	1.4
	Shenzhen Hidden Valley Phase 3	1,325	0.5	100.7	121.4	2.4
	Shenzhen Hidden Valley Phase 4	1,714	0.7	115.0	138.6	2.8
	The Spring Land Phase 1	613	0.2	13.2	15.9	0.3
	The Spring Land Phase 2	5,146	2.0	113.1	136.3	2.7
	The Spring Land Phase 3	111,684	42.4	2,319.1	2,794.8	55.4
Changzhou	Changzhou Landmark Phase 3	218	0.1	2.1	2.5	0.1
	Changzhou Landmark Phase 4	13,284	5.0	183.4	221.0	4.4
	Changzhou Le Leman City Phase 1	1,436	0.5	7.2	8.7	0.2
	Changzhou Le Leman City Phase 3	10,270	3.9	125.4	151.1	3.0
	Changzhou Le Leman City Phase 4	16,818	6.4	171.6	206.8	4.1
	Changzhou Le Leman City Phase 5	15,857	6.0	131.7	158.7	3.2
	Changzhou Le Leman City Phase 6	5,315	2.0	88.5	106.7	2.1
	Changzhou Le Leman City Phase 7	11,635	4.4	94.5	113.9	2.3
	Changzhou Le Leman City Phase 9	20,914	7.9	147.1	177.3	3.5
Chengdu	Chengdu Landmark					
	Tower 1	14,029	5.3	158.4	190.9	3.8
	Tower 2	20,627	7.8	228.3	275.1	5.5
	Tower 3	11,786	4.5	119.1	143.5	2.8
Total		263,662	100.0	4,179.0	5,036.2	100.0

(2) Projects Completed, Delivered and Booked in 2011

For the year ended 31 December 2011, the Group completed construction of The Spring Land (Phases 2 and 3), Shenzhen Hidden Valley (Phase 4) and Changzhou Le Leman City (Phase 6) with total saleable GFA of approximately 261,795 sq.m..

For the year ended 31 December 2011, the Group's property development business achieved a turnover, net of sales return, of approximately HK$5,617.6 million with saleable GFA of approximately 222,095 sq.m. being recognised, representing approximately 1.2 times and 1.1 times, respectively, over the year ended 31 December 2010. The average selling price for the sale of properties was approximately HK$25,293.7 per sq.m. for the year ended 31 December 2011 (for the year ended 31 December 2010: approximately HK$23,733.7 per sq.m.). In addition, the Group's gross profit margin and gross profit rose substantially by approximately 5.1 percentage points and HK$2,193.5 million, respectively, mainly due to the rise in the sale of high margin properties, in particular our Shenzhen Hidden Valley and The Spring Land, being recognised in 2011.

Details of the projects completion and sale of properties of the Group recognised in 2011 are listed below:

Project/Phase of Project	**Saleable GFA of Properties Completed**	**Saleable GFA Booked**	**Sale of Properties Recognised**
	sq.m.	*sq.m.*	*HK$ million*
Sales			
Shenzhen Hidden Valley			
– Phase 1	–	992	69.1
– Phase 3	–	931	86.3
– Phase 4	14,965	9,811	700.5
The Spring Land			
– Phase 1	–	1,473	34.6
– Phase 2	99,052	95,116	2,210.6
– Phase 3	116,202	92,957	2,225.5
Changzhou Landmark	–	218	2.0
Changzhou Le Leman City			
– Phase 1 (1-A)	–	210	1.4
– Phase 2 (2-A)	–	659	3.9
– Phase 3 (1-C)	–	6,292	89.1
– Phase 6 (3-A)	31,576	14,380	257.8
Sub-total	261,795	223,039	5,680.8
Less: Sales return			
Shenzhen Hidden Valley			
– Phase 3	–	(944)	(62.7)
Shenzhen Water Flower Garden *(Note)*	–	–	(0.5)
Sub-total	–	(944)	(63.2)
Total	261,795	222,095	5,617.6

Note: The amount represents a sale return of a unit of car park.

(3) Investment Properties

In addition to the sale of properties developed by us, we also lease out or expect to lease out the retail units in The Spring Land, Changzhou Landmark, Changzhou Le Leman City, Dongguan Landmark, Hangzhou Landmark, Shenzhen Water Flower Garden and Chengdu Landmark in the PRC. As at 31 December 2011, the total carrying value of the investment properties of the Group was approximately HK$2,942.2 million. The retail units which we held for the purpose of leasing to third parties had a leasable GFA of approximately 208,950 sq.m. of which investment properties under operation with a leasable GFA of approximately 147,625 sq.m. had a fair value of approximately HK$2,625.9 million. A shopping mall of Chengdu Landmark, which was under development as at 31 December 2011, has a leaseable GFA and fair value of approximately 38,525 sq.m. and HK$287.5 million respectively. A retail asset of Changzhou Le Leman City (Phase 9), with a cost of approximately HK$28.8 million and a leasable GFA of approximately 22,800 sq.m. as at 31 December 2011, did not record its fair value in the consolidated financial statements because this project was still at an initial stage of development and its fair value could not be reliably determined. The Group recorded approximately HK$270.2 million (net of deferred tax) as gain in fair value of its investment properties for the year ended 31 December 2011.

We carefully plan and select tenants based on factors such as the project's overall positioning, market demand in surrounding areas, market levels of rent and development needs of tenants. We attract large-scale anchor tenants which assist us in enhancing the value of our projects. We enter into longer and more favourable lease contracts with well-known brands, chain cinema operators, major game centers and top operators of catering businesses. As at 31 December 2011, the GFA taken up by our anchor tenants, whose leased GFA was over 10% of the total leasable GFA of a single investment property, made up approximately 33% of our total leasable area in our investment properties.

For the year ended 31 December 2011, we generated steady recurring rental income of approximately HK$104.7 million, representing an increase of approximately 13.4%, from approximately HK$92.3 million for the year ended 31 December 2010. Excluding the shopping mall of Chengdu Landmark and the retail asset of Changzhou Le Leman City (Phase 9) which are under construction, the occupancy rate of all our investment properties under operation achieved approximately 92.9% as at 31 December 2011.

Details of the Group's investment properties as at 31 December 2011 and the Group's rental income for the year ended 31 December 2011 are set out as follows:

Investment Properties	Leasable GFA as at 31 December 2011	Fair Value or Cost as at 31 December 2011	Rental Income for the year ended 31 December 2011	Occupancy Rate as at 31 December 2011
	sq.m.	*HK$ million*	*HK$ million*	*%*
Investment Properties under operation				
Changzhou Landmark (Phases 1 and 2)	77,581	1,389.5	53.9	100
Dongguan Landmark	20,172	451.6	16.7	100
Hangzhou Landmark	24,667	320.8	20.5	100
Shenzhen Water Flower Garden (Retail assets)	4,992	162.9	12.8	100
The Spring Land (Phase 1) (Retail assets) *(Note 1)*	3,355	172.8	0.8	66
Changzhou Le Leman City (Phase 11) (Retail asset) *(Note 2)*	16,858	128.3	–	45
Sub-total	147,625	2,625.9	104.7	92.9
Investment Properties under development				
Chengdu Landmark (Shopping mall) *(Note 3)*	38,525	287.5	–	–
Changzhou Le Leman City (Phase 9) (2-B) (Retail asset) *(Note 4)*	22,800	28.8	–	–
Sub-total	61,325	316.3	–	
Total	208,950	2,942.2	104.7	

Note 1: The business of the retail assets in The Spring Land (Phase 1) was commenced starting from the third quarter of 2011.

Note 2: The retail asset represents a Habilitation and Recreation Centre of our Changzhou Le Leman City (Phase 11) for leasing purpose. There was no rental income recognised for this retail asset because the tenants enjoyed the rent-free period and the effective rental income was insignificant to recognise during the year ended 31 December 2011.

Note 3: The construction of Chengdu Landmark is scheduled to be completed in 2012.

Note 4: The construction of a retail asset in our Changzhou Le Leman City (Phase 9) (2-B), in which the Group entered into an operating lease for the purpose of operating a supermarket business with an independent third party, is scheduled to be completed in 2014.

(4) Land Bank

As at 31 December 2011, the Group had a total of 14 projects over 7 cities in various stages of development, including a net saleable/leasable GFA of approximately 273,135 sq.m. of completed property developments, a net saleable/leasable GFA of approximately 739,624 sq.m. under development, a net saleable/leasable GFA of approximately 2,088,092 sq.m. held for future development and a net saleable/leasable GFA of approximately 865,391 sq.m. contracted to be acquired, totalling a net saleable/leasable GFA of approximately 3,966,242 sq.m..

In 2011, the Group acquired additional commercial and residential lands in Tianjin, Huizhou and Changzhou. The total plot ratio GFA of new land bank was approximately 1,120,105 sq.m. and the average cost was approximately RMB849.6 per sq.m.. As at 31 December 2011, the Group had a total net saleable/leaseable land bank of approximately 3,966,242 sq.m., with an average cost of approximately HK$2,311.5 per sq.m..

Project no.	City	Project	Type of Property	Net Saleable/ Leasable GFA	Interest Attributable to the Group
				sq.m.	*%*
Completed Projects					
1	Shenzhen	Shenzhen Hidden Valley Phase 1	Residential	996	100
1	Shenzhen	Shenzhen Hidden Valley Phase 2	Residential	770	100
1	Shenzhen	Shenzhen Hidden Valley Phase 3	Residential	5,266	100
1	Shenzhen	Shenzhen Hidden Valley Phase 4	Residential	5,154	100
2	Shenzhen	The Spring Land Phase 1	Residential/ Commercial	4,176	100
2	Shenzhen	The Spring Land Phase 2	Residential	3,936	100
2	Shenzhen	The Spring Land Phase 3	Residential/ Commercial	45,955	100
3	Shenzhen	Shenzhen Water Flower Garden (Rental assets)	Residential/ Commercial	4,992	100
4	Changzhou	Changzhou Landmark Phase 1	Commercial	46,627	100
4	Changzhou	Changzhou Landmark Phase 2	Residential/ Commercial	32,201	100
4	Changzhou	Changzhou Landmark Phase 3	Residential/ Commercial	1,860	100
5	Changzhou	Changzhou Le Leman City Phase 1 (1-A)	Residential/ Commercial	456	100
5	Changzhou	Changzhou Le Leman City Phase 2 (2-A)	Residential/ Commercial	154	100
5	Changzhou	Changzhou Le Leman City Phase 3 (1-C)	Residential	6,281	100
5	Changzhou	Changzhou Le Leman City Phase 6 (3-A)	Residential	17,196	100
5	Changzhou	Changzhou Le Leman City Phase 11 (Holiday-Inn Hotel)	Commercial/ Hotel	50,716	100
6	Dongguan	Dongguan Landmark	Residential/ Commercial	20,217	100
7	Hangzhou	Hangzhou Landmark	Commercial	26,182	100
Subtotal				**273,135**	

Project no.	City	Project	Type of Property	Net Saleable/ Leasable GFA *sq.m.*	Interest Attributable to the Group *%*
Projects Under Development					
2	Shenzhen	The Spring Land Phase 4	Residential/ Commercial	143,574	100
4	Changzhou	Changzhou Landmark Phase 4	Residential/ Commercial	92,748	100
5	Changzhou	Changzhou Le Leman City Phase 4 (3-B)	Residential/ Commercial	100,353	100
5	Changzhou	Changzhou Le Leman City Phase 5 (1-B)	Residential/ Commercial	61,268	100
5	Changzhou	Changzhou Le Leman City Phase 7 (4-B)	Residential/ Commercial	106,243	100
5	Changzhou	Changzhou Le Leman City Phase 9 (2-B)	Residential/ Commercial	83,057	100
8	Chengdu	Chengdu Landmark	Commercial	110,764	100
11	Hangzhou	Hangzhou Hidden Valley Phase 1	Residential	41,617	100
Subtotal				**739,624**	
Held For Future Development					
2	Shenzhen	The Spring Land Phase 5	Residential/ Commercial	70,009	100
2	Shenzhen	The Spring Land Phase 6	Residential/ Commercial	56,900	100
9	Shenzhen	Shenzhen Blue Bay	Residential	15,000	92
11	Hangzhou	Hangzhou Hidden Valley Residential Phases 2-7	Residential	259,793	100
5	Changzhou	Changzhou Le Leman City Phase 7 (4-A)	Residential/ Commercial	93,139	100
5	Changzhou	Changzhou Le Leman City Phase 8 (5-B)	Residential/ Commercial	117,544	100
5	Changzhou	Changzhou Le Leman City Phase 10 (5-A)	Residential/ Commercial	115,600	100
10	Changzhou	Taihu Hidden Valley	Residential	320,001	100
12	Tianjin	Tianjin Le Leman City	Residential/ Commercial	530,796	58
13	Huizhou	Huizhou Waterfront Project	Residential	509,310	100
Subtotal				**2,088,092**	

Project no.	City	Project	Type of Property	Net Saleable/ Leasable GFA	Interest Attributable to the Group
				sq.m.	*%*
Contracted To Be Acquired					
14	Shenzhen	Shenzhen Landmark	Residential/ Commercial	865,391	100
Subtotal				**865,391**	
TOTAL				**3,966,242**	

Details of the projects acquired from 1 January 2011 to the date of this announcement are set out below:

Land reserves acquired from 1 January 2011 to the date of this announcement

City	Project	Total Consideration	Site Area	Plot Ratio GFA	Average Cost	Interest Attributable to the Group
		RMB'000	*sq.m.*	*sq.m.*	*RMB per sq.m.*	*%*
Changzhou	Taihu Hidden Valley[1]	97,628	66,666	79,999	1,220.4	100
Tianjin	Tianjin Le Leman City[2] – held by 天津海吉星投資發展有限公司 (Tianjin Hyperion Investment Development Co., Ltd.*) and 天津海吉星建設有限公司 (Tianjin Hyperion Construction Co., Ltd.*)	400,600	333,666	530,796	754.7	58
Huizhou	Huizhou Waterfront Project[3]	453,379	254,655	509,310	890.2	100
Total		951,607	654,987	1,120,105	849.6	

Notes:

(1) In February 2011, the Group entered into a land grant contract for one of the parcels of land for Taihu Hidden Valley with a site area of approximately 44,877 sq.m. at a consideration of approximately RMB68.2 million. We have obtained the land use rights certificate for that parcel of land in March 2011.

In July 2011, the Group entered into a land grant contract for one of the parcels of land for Taihu Hidden Valley with a site area of approximately 21,789 sq.m. at a consideration of approximately RMB29.4 million. We have obtained the land use rights certificate for that parcel of land in August 2011.

(2) 天津海吉星投資發展有限公司 (Tianjin Hyperion Investment Development Co., Ltd.*) and 天津海吉星建設有限公司 (Tianjin Hyperion Construction Co., Ltd.*) (the "two Tianjin Companies"), in each of which the Group had a 58% equity interest, entered into land grant contracts for three parcels of land in Tianjin with a total site area of approximately 333,666 sq.m. during the year ended 31 December 2011. We have obtained the land use rights certificates for such parcels of land in September 2011.

(3) In August 2011, the Group entered into an agreement to acquire the entire interest of two investment holding companies which together owned a total of four parcels of land in Huizhou at a consideration of approximately RMB453.4 million (equivalent to approximately HK$553.1 million).

We intend to continue to leverage our past experience in identifying land with investment potential at advantageous times and acquiring land reserves at relatively low cost. Moreover, we intend to continue to acquire low-cost land in locations with vibrant economies and strong growth potential.

(5) Expected Project Commencement and Completion in 2012

During 2012, the Group intends to commence construction on six phases among four projects with a total net saleable/leasable GFA of approximately 425,383 sq.m..

Details of the projects with expected commencement of construction in 2012 are set out below:

City	**Project**	**Total Saleable/ Leasable GFA** *sq.m.*
Shenzhen	The Spring Land Phases 5 and 6	126,909
Changzhou	Changzhou Le Leman City Phase 7 (4-A)	93,139
Tianjin	Tianjin Le Leman City Phases 1 and 2	55,335
Huizhou	Huizhou Waterfront Project Phase 1	150,000
Total		425,383

The Group also intends to complete the construction on five phases among three projects with a total net saleable/leasable GFA of approximately 499,016 sq.m. in 2012.

Details of the projects with expected completion in 2012 are set out below:

City	**Project**	**Total Saleable/ Leasable GFA** *sq.m.*
Shenzhen	The Spring Land Phase 4	143,574
Changzhou	Changzhou Le Leman City Phase 4 (3-B)	100,353
Changzhou	Changzhou Le Leman City Phase 5 (1-B)	61,268
Changzhou	Changzhou Le Leman City Phase 9 (2-B)	83,057
Chengdu	Chengdu Landmark	110,764
Total		499,016

Business Review

In 2011, the Group was able to achieve outstanding results even in a tough market environment in respect of satisfactory growth in turnover, gross margin, recognised profit and the improvement of financial structure. This proves the success of our strategies of "quality property is a gateway to quality living", "dual lines of medium & high-end residential and urban mixed use communities" and "land acquisition policy focusing on low land cost and high appreciation potential".

In particular, with the outstanding product quality, design innovation and brand reputation, the Group launched The Spring Land Phase 3 located in Shenzhen on 11 June 2011. 923 units, equaling approximately 86% of the total units of the project, were subscribed by the customers on the first day of launch and the subscription amount was almost RMB2 billion, which was extremely outstanding given that the "price restriction" and the "purchase restriction" policies were strictly implemented in Shenzhen. In addition, the Group was ranked the second and fifth among the property developers in 2011 in terms of total contracted sales amount in Shenzhen and Changzhou respectively.

During the year under review, shares of the Company have been successfully listed on the Stock Exchange in March 2011 and the net proceeds of the IPO was approximately HK$1,419.4 million, net of underwriting fees and the expenses for the Company's IPO. We believe the successful listing of the Company's shares has set a new milestone for the Company. The listing has not only strengthened the Company's financial position, but will also allow the Company to further improve its corporate governance standards, to recruit and retain competent employees in the PRC property industry as well as to improve the Company's brand equity and raise its profile among its customers.

Future Outlook

Looking ahead, as a result of the ongoing sovereign debt crisis in Europe, we expect that the outlook of the global economy will remain uncertain. We expect the Chinese Government will continue to implement a proactive fiscal policy and a prudent monetary policy which could be gradually eased over the course of 2012.

We are of the view that a series of industry control measures including "price restriction", "purchase restriction" and "credit limit" policies to curb the excessive growth of housing prices issued by the Chinese Government before will continue to be in force. Nonetheless, in view of the recent policy support towards the first-time homebuyers including discounted mortgage interest rates and increased credit quotas being assigned by the banks to mortgage lending, we expect to see a moderate increase in the transaction volume of residential properties in 2012 as compared with the second-half of 2011. On the other hand, due to the increased inventory level as well as PRC property developers' overall strong desire to improve liquidity position, we expect to see a further downward pressure in the average selling price of residential properties in 2012 as compared with 2011. Finally, notwithstanding the current challenging market condition, we remain confident of the medium – to long-term development of the Chinese property market, as we believe residential and commercial property markets should benefit from the combined effect of the consistent growth in household incomes and urban population in China.

In 2012, the Group will launch new projects mainly including The Spring Land (Phase 4), Hangzhou Hidden Valley (Phase 1), Tianjin Le Leman City (Phase 1), Changzhou Le Leman City (Phase 7 (4-A)), and residual residential, office and retail units from The Spring Land (Phases 1–3), Shenzhen Hidden Valley (Phases 1–4), Chengdu Landmark, Changzhou Le Leman City (Phases 1, 2, 3, 6 and 7 (4-B)) and Changzhou Landmark (Phase 4), with a total market value estimated at approximately HK$9.0 billion. Barring an unforeseen significant correction of the PRC market, we expect our contracted sales to reach between approximately HK$5.0 billion and HK$6.0 billion in 2012. Up to 25 March 2012, the Group has achieved contracted sales of approximately HK$906.2 million with contracted saleable GFA of approximately 71,914 sq.m. year-to-date.

For the land bank replenishment, we are of the view that quality investment opportunities will likely arise in the second half of 2012. Under the guiding principle of sound financial condition, the Group will continue to exercise strict discipline to acquire quality, cost effective land bank with strong appreciation potential in the Group's focused regions of Pearl River Delta, Yangtze River Delta, Beijing-Tianjin and Chengdu-Chongqing. We will continue to focus on the development and sale of medium and high-end residential development and operation of urban mixed-use communities and will continue to broaden our product range.

Going forward, the Group will adhere to its mission "quality property is a gateway to quality living", and continue to enhance its product quality and brand awareness. For operation and management, the Group will seek to arouse the staff's enthusiasm, improve operational efficiency, enhance corporate governance and broaden financing channels at home and abroad to further consolidate its financial strength, in order to improve the Group's self-advantages and competitiveness in the challenging market and achieve a multi-win-win situation among the Group, customers, shareholders, partners and employees.

During 2011, in order to further improve the management capability, the Group has appointed a new Chief Operating Officer from the senior management team who possesses comprehensive professional knowledge and good execution capability. Meanwhile, the Company has also internally appointed a new executive Director and recruited an additional non-executive Director from outside to enhance the Group's sense of forward-looking when it formulates its business strategies. The Company now has a total of ten Directors on its Board.

FINANCIAL REVIEW

In 2011, the Group's consolidated turnover and profit attributable to equity shareholders of the Company reached approximately HK$5,861.3 million and HK$1,021.9 million respectively, increased by approximately 1.1 times and 1.1 times respectively over the corresponding period of 2010. For the year ended 31 December 2011, the Group's earnings per share increased by approximately 63.6% as compared with the corresponding period of 2010 to approximately HK$1.08, and net assets per share as at 31 December 2011 was approximately HK$3.5.

The Group has recognised property sales of approximately HK$5,617.6 million, accounting for approximately 95.8% of the total turnover of approximately HK$5,861.3 million. The remaining approximately 4.2% represented rental income, income from hotel operations and property management and related services income. Our gross profit margin for the year ended 31 December 2011 was approximately 66.2% (for the year ended 31 December 2010: approximately 61.1%).

The Board of Directors has proposed a final dividend of HK15 cents per share for the year ended 31 December 2011 subject to the approval by shareholders of the Company at the forthcoming annual general meeting of the Company, together with the 2011 interim dividend of HK15 cents per share, the annual dividend in 2011 amounted to HK30 cents per share, and the payout ratio in 2011 was approximately 29.4% (for the year ended 31 December 2010: nil).

Turnover

Turnover represents income from sale of properties, rental income, income from hotel operations and income from provision of property management and related services earned during the period, net of business tax and other sales related taxes and discounts allowed.

Our turnover increased by more than 1.1 times, to approximately HK$5,861.3 million for the year ended 31 December 2011 from approximately HK$2,759.9 million for the year ended 31 December 2010. This increase was primarily attributable to an increase in our sale of properties, rental income, income from hotel operations and property management and related services income.

Turnover from sale of properties increased primarily due to an increase in total saleable GFA sold and delivered, from approximately 107,876 sq.m. (excluding car parks and net of sales return) in the year ended 31 December 2010 to approximately 222,095 sq.m. (excluding car parks and net of sales return) for the year ended 31 December 2011. The increase in total saleable GFA sold and delivered was in turn primarily driven by the higher scheduled deliveries of pre-sold properties of The Spring Land project (2011: 189,546 sq.m. in total and 2010: 44,673 sq.m. in total) for the year ended 31 December 2011. Rental income increased primarily due to an increase in the rental rates for the year ended 31 December 2011. Income from hotel operations increased mainly due to an increase in both the average room rate and the income from the food and beverage sector of our hotel property. As a result of an increase in the leased GFA of our investment properties and sold and delivered GFA of our residential properties, the property management and related services income also increased.

Direct costs

The principal component of direct costs is the cost of completed properties sold, which consists of land premium, construction and other development costs, capitalised borrowing costs during the construction period, the cost of rental income, the cost of hotel operations and the cost of property management and related services. We recognise the cost of completed properties sold for a given period to the extent that revenue from such properties has been recognised in such period.

Our direct costs increased to approximately HK$1,982.2 million for the year ended 31 December 2011 from approximately HK$1,074.3 million for the year ended 31 December 2010. This increase was primarily attributable to the increase in the recognised sales of our properties for the year ended 31 December 2011.

Gross profit

Our gross profit increased by approximately 1.3 times, to approximately HK$3,879.1 million for the year ended 31 December 2011 from approximately HK$1,685.6 million for the year ended 31 December 2010. The Group reported a gross profit margin of approximately 66.2% for the year ended 31 December 2011 as compared to approximately 61.1% for the year ended 31 December 2010. The increase in gross profit was primarily attributable to the increase in recognised sales in our Shenzhen projects with higher gross margin, in particular Shenzhen Hidden Valley Phase 4 and The Spring Land Phases 2 and 3.

Other revenue

Other revenue increased by approximately HK$69.0 million, or approximately 5.3 times, to approximately HK$82.0 million in 2011 from approximately HK$13.0 million in 2010. The increase was primarily attributable to an increase in bank interest income by approximately HK$45.9 million and the Group recognised a government grant of approximately HK$19.4 million in 2011.

Other net income

Other net income decreased by approximately HK$11.6 million from a net income of HK$60.2 million in 2010 to HK$48.6 million in 2011. The decrease was primarily attributable to the net gain on disposal of a subsidiary in the amount of approximately HK$64.5 million recorded in 2010 in excess of a gain from change in fair value of the derivative financial instruments of approximately HK$56.7 million arising from an other loan with face value of HK$400 million, recorded during the year ended 31 December 2011.

Selling and marketing expenses

Selling and marketing expenses increased by approximately 40.5%, to approximately HK$173.4 million for the year ended 31 December 2011 from approximately HK$123.4 million for the year ended 31 December 2010. The increase was primarily attributable to higher sales commission fees and more expenses incurred for the launch of our new projects in 2011 as compared with 2010.

Administrative expenses

Administrative expenses increased by approximately 56.6%, to approximately HK$495.0 million for the year ended 31 December 2011 from approximately HK$316.1 million for the year ended 31 December 2010. The increase was mainly due to the increase in share-based payment expenses and legal and professional fees incurred in 2011 as compared with 2010.

Valuation gains on investment properties

Valuation gains on investment properties increased by approximately 3.4 times, to approximately HK$360.3 million for the year ended 31 December 2011 from approximately HK$82.0 million for the year ended 31 December 2010. The increase was on one hand attributable to an addition to our investment properties portfolio, i.e. our Chengdu Landmark, in which its fair value was recorded in excess of its costs (i.e. approximately HK$137.5 million) during the year ended 31 December 2011. On the other hand, the intended use of certain areas in The Spring Land (Phase 1) has been changed to leasing purpose during the year ended 31 December 2011. The fair value of this retail asset was approximately HK$172.8 million as at 31 December 2011 and the revaluation gain of approximately HK$142.5 million was recognised in 2011 accordingly.

Finance costs

Finance costs increased by approximately 6.1 times, to approximately HK$425.1 million for the year ended 31 December 2011 from approximately HK$59.7 million for the year ended 31 December 2010. The increase was primarily attributable to our increased borrowings by our offshore entities with interest expenses unqualified for capitalisation for the year ended 31 December 2011 as compared to 2010.

Income tax

Income tax expenses increased by approximately 1.6 times, to approximately HK$2,249.8 million for the year ended 31 December 2011 from approximately HK$857.1 million for the year ended 31 December 2010. The increase was mainly attributable to an increase in the profit arising from properties sold which carried a higher gross profit margin for the year ended 31 December 2011 resulting in an increase in the provision for CIT and LAT by approximately HK$570.7 million and HK$883.6 million respectively.

Profitability

The net profit margin of the Group (profit attributable to equity shareholders of the Company to turnover) was 17.9% in 2010 and was 17.4% in 2011.

Non-controlling interests

The loss attributable to non-controlling interests for the year ended 31 December 2011 decreased by approximately HK$10.0 million to approximately HK$0.3 million for the year ended 31 December 2011 from approximately HK$10.3 million for the year ended 31 December 2010. The decrease was primarily due to a larger loss incurred in 2010 by a sizable non-wholly owned subsidiary in which the non-controlling interests were wholly acquired by the Group in August 2010. As at 31 December 2011, the non-controlling interests mainly represented the 25% equity interest held by an independent third party in our Guangzhou Top Spring Water Flower Agriculture Ecological Park Co., Ltd. (廣州市萊蒙水榭農業生態園有限公司) and the 42% equity interests held by an independent third party in the two Tianjin Companies.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 31 December 2011, the carrying amount of the Group's cash and bank deposits was approximately HK$6,231.1 million (as at 31 December 2010: approximately HK$5,213.5 million), representing an increase of approximately 19.5% as compared to that as at 31 December 2010.

For the year ended 31 December 2011, the Group had net cash used in operating activities of approximately HK$413.6 million, net cash used in investing activities of approximately HK$277.7 million and net cash generated from financing activities of approximately HK$1,772.5 million.

Borrowings and charges on the Group's assets

The Group had an aggregate borrowings (including bank and other loans and a loan from an associate) as at 31 December 2011 of approximately HK$7,431.8 million, of which approximately HK$1,720.1 million is repayable within 1 year, approximately HK$4,261.8 million is repayable after 1 year but within 5 years and approximately HK$1,449.9 million is repayable after 5 years. As at 31 December 2011, the Group's bank loans of approximately HK$5,001.6 million were secured by investment properties, properties under development for sale and pledged deposits of the Group with total carrying values of approximately HK$5,537.2 million and by equity interests in certain subsidiaries within the Group. As at 31 December 2011, the Group's other loans of approximately HK$1,249.8 million were secured by equity interests in certain subsidiaries within the Group. The carrying amounts of all the Group's bank and other loans were denominated in Renminbi ("RMB") except for certain loan balances with an aggregate amount of approximately HK$545.9 million and HK$848.9 million as at 31 December 2011 which were denominated in Hong Kong dollars and US dollars respectively.

Net gearing ratio

The net gearing ratio is calculated by dividing our net borrowings (total borrowings net of cash and cash equivalents and restricted and pledged deposits) by the total equity. Our net gearing ratio as at 31 December 2011 and 31 December 2010 were approximately 34.1% and 151.0% respectively. The net gearing ratio was significantly reduced after the listing of the Company's shares on the Stock Exchange on 23 March 2011 and the increase in the Group's retained earnings as at 31 December 2011.

Foreign exchange risk

As at 31 December 2011, the Group had cash balances denominated in RMB of approximately RMB4,640.5 million (equivalent to approximately HK$5,726.2 million), and in US dollars of approximately US$51.5 million (equivalent to approximately HK$399.6 million).

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. The Group is exposed to foreign currency risk arising from the exposure of RMB against Hong Kong dollars as a result of its investment in the PRC and the settlement of certain of the general and administrative expenses and other loans in Hong Kong dollars or US dollars. In addition, RMB is not freely convertible into foreign currencies and the conversion of RMB into foreign currencies is subject to rules and regulations of the foreign exchange control promulgated by the PRC government. We do not have a foreign currency hedging policy. However, the Directors monitor our foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currency, consider adopting significant foreign currency hedging policy in the future.

CONTINGENT LIABILITIES

As at 31 December 2011, save for the guarantees of approximately HK$4,441.9 million given to financial institutions for mortgage loan facilities granted to purchasers of the Group's properties, the Group had no other material contingent liabilities as at 31 December 2011 (as at 31 December 2010: approximately HK$3,229.4 million).

Pursuant to the mortgage contracts, banks require us to guarantee our purchasers' mortgage loans until we complete the relevant properties and the property ownership certificates and certificates of other interests with respect to the relevant properties are delivered to our purchasers. If a purchaser defaults on a mortgage loan, we may have to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may auction the underlying property and recover any shortfall from us as the guarantor of the mortgage loan.

MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS

During the year ended 31 December 2011, the Group did not have any material acquisitions or disposals of assets save as disclosed in this results announcement.

USE OF PROCEEDS FROM IPO

Trading of shares in the Company on the Stock Exchange commenced on 23 March 2011, and the Group raised net proceeds of approximately HK$1,419.4 million from the IPO. As at 31 December 2011, the Group had applied approximately HK$878.9 million of the net proceeds for acquisition of new projects for development in the PRC and approximately HK$71.3 million for general corporate and working capital purposes, which is in compliance with the intended use of proceeds as disclosed in the Prospectus.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, the Group employed a total of 1,119 employees (as at 31 December 2010: 939 employees) in the PRC and Hong Kong. Of them, 115 were under the headquarter team, 352 were under the property development division and 652 were under the retail operation and property management division. For the year ended 31 December 2011, the total staff costs incurred was approximately HK$288.4 million (for the year ended 31 December 2010: approximately HK$206.6 million). The remuneration of the employees was based on their performance, work experience, skills, knowledge and the prevailing market wage level. The Group remunerated the employees by means of basic salaries, cash bonus and equity settled share-based payment.

The Company adopted a pre-IPO share option scheme and a share award scheme on 2 December 2010 under which the Company granted share options and awarded shares to certain eligible employees, respectively. As at 31 December 2011, 460,000 awarded shares had been cancelled upon the resignation of certain awardees under the share award scheme. As at 31 December 2011, no share options had been exercised by the grantees and 2,508,332 share options had been cancelled upon the resignation of certain grantees under the pre-IPO share option scheme. The Company has also adopted a post-IPO share option scheme on 28 February 2011 for the purpose of recognising and acknowledging the contribution that eligible employees have made or may make to the Group. As at the date of this announcement, no share option has been granted by the Company under the post-IPO share option scheme.

ANNUAL GENERAL MEETING

An annual general meeting (the "AGM") of the Company will be held on Wednesday, 23 May 2012, notice of which will be published and despatched to the shareholders as soon as practicable in accordance with the Company's articles of association and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

FINAL DIVIDEND

The Board has proposed the payment of final dividend of HK15 cents per share for the year ended 31 December 2011 (for the year ended 31 December 2010: nil) to shareholders whose names appear on the register of members of the Company on Thursday, 31 May 2012. Upon approval by the shareholders at the 2012 AGM, the final dividend will be payable on or around Thursday, 14 June 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed during the following periods:

(i) From Monday, 21 May 2012 to Wednesday, 23 May 2012, both days inclusive, during which period no transfer of share will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2012 AGM. In order to be eligible to attend and vote at the 2012 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share register and transfer office of the Company, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 18 May 2012; and

(ii) From Tuesday, 29 May 2012 to Thursday, 31 May 2012, both days inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share register and transfer office of the Company, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 28 May 2012.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date up to and including 31 December 2011.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Code") during the period from the Listing Date up to and including 31 December 2011 except for the following deviation:

Under Rule A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the period under from the Listing Date up to and including 31 December 2011, Mr. Wong Chun Hong performed his duties as the chairman and the chief executive officer of the Company. The Board believes that the serving by the same individual as chairman and chief executive officer during the rapid development of the business is beneficial to the consistency of business plans and decision-making of the Company. The Board will continue to review the current management structure from time to time and shall make changes where appropriate and inform the investors of the Company accordingly.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct for securities transactions by the Directors. After having made specific enquiries with all Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code and its code of conduct from the Listing Date up to and including 31 December 2011.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The audit committee of the Board has reviewed the accounting principles and practice adopted by the Group and has reviewed the annual results of the Group for the year ended 31 December 2011. The audit committee of the Board comprises two of the independent non-executive Directors, namely Mr. Cheng Yuk Wo (Chairman) and Mr. Brooke Charles Nicholas, and a non-executive Director, Dr. McCabe Kevin Charles.

SCOPE OF REVIEW

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkex.com.hk and at the website of the Company at www.topspring.com. The annual report will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
TOP SPRING INTERNATIONAL HOLDINGS LIMITED
Wong Chun Hong
Chairman

Hong Kong, 29 March 2012

As at the date of this announcement, the executive directors of the Company are Mr. WONG Chun Hong, Ms. LI Yan Jie, Mr. LEE Sai Kai David and Mr. LAM Jim; the non-executive directors of the Company are Dr. McCABE Kevin Charles (the alternate director to Dr. McCABE Kevin Charles is Ms. THAM Qian), Mr. LI Zhi Zheng and Mr. ZHANG Yi Jun; and the independent non-executive directors of the Company are Mr. BROOKE Charles Nicholas, Mr. CHENG Yuk Wo and Professor WU Si Zong.