TOP SPRING INTERNATIONAL HOLDINGS LIMITED
莱蒙國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3688)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

HIGHLIGHTS

- For the six months ended 30 June 2012, the Group achieved contracted sales of approximately HK$3,590.7 million with contracted saleable GFA of approximately 219,053 sq.m. and contracted average selling price of approximately HK$16,391.9 per sq.m., representing an increase of approximately 38.1%, 72.9% and a decrease of approximately 20.1% respectively, as compared with the corresponding period of 2011. For the period from 1 January 2012 to 19 August 2012, the Group has achieved contracted sales of approximately HK$4,670.2 million (for the period from 1 January 2011 to 19 August 2011: approximately HK$3,927.9 million) with contracted saleable GFA of approximately 267,317 sq.m. (for the period from 1 January 2011 to 19 August 2011: approximately 198,799 sq.m.) and contracted average selling price of approximately HK$17,470.6 per sq.m. (for the period from 1 January 2011 to 19 August 2011: approximately HK$19,758.1 per sq.m.), representing an increase of approximately 18.9%, 34.5% and a decrease of approximately 11.6% respectively over the corresponding period of 2011 and achieving approximately 77.8% to 93.4% respectively of its 2012 contracted sales target range of HK$5.0–6.0 billion.

- In the first half of 2012, the Group acquired additional lands in Changzhou, Tianjin and Nanjing with the total plot ratio GFA of approximately 375,462 sq.m. at an average cost of approximately RMB4,686.2 per sq.m. (equivalent to approximately HK$5,754.2 per sq.m.).

- As at 30 June 2012, the Group had 15 projects over 8 cities with a total net saleable/leaseable land bank of approximately 4,142,082 sq.m. with an average land cost of approximately RMB2,077.0 per sq.m. (equivalent to approximately HK$2,536.6 per sq.m.).

- The Group has targeted to complete a total saleable GFA of approximately 439,041 sq.m. in 2012, in which approximately 359,910 sq.m. or 82.0% of the expected completion saleable GFA has been locked-in through pre-sales as of 19 August 2012. The Group has targeted to complete stores with a total leaseable GFA of approximately 59,975 sq.m. in the second half of 2012, in which approximately 57,331 sq.m. or 95.6% of the leaseable GFA has been pre-committed to date.

- Turnover for the six months ended 30 June 2012 decreased by approximately 29.3%, to approximately HK$2,195.1 million from approximately HK$3,103.1 million for the six months ended 30 June 2011.

- Gross profit margin for the six months ended 30 June 2012 was approximately 39.2%, as compared with approximately 66.0% for the corresponding period of 2011.

- For the six months ended 30 June 2012, profit attributable to equity shareholders of the Company was approximately HK$258.8 million, a decrease of approximately 54.0% as compared with the corresponding period of 2011.

- Basic and diluted earnings per share for the six months ended 30 June 2012 was approximately HK25.86 cents, a decrease of approximately 59.2% as compared with the corresponding period of 2011.

- Net assets per share as at 30 June 2012 was approximately HK$3.7 (as at 31 December 2011: approximately HK$3.5).

- As at 30 June 2012, the net gearing ratio of the Group was approximately 33.0% (as at 31 December 2011: approximately 34.1%).

- To maintain a stable dividend policy, the Board declared the payment of an interim dividend of HK15 cents per share for the six months ended 30 June 2012 (for the six months ended 30 June 2011: HK15 cents per share).

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Top Spring International Holdings Limited (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2012 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012 – UNAUDITED

		Six months ended 30 June	
		2012	2011
	Note	***HK$'000***	*HK$'000*
Turnover	*3 & 4*	**2,195,079**	3,103,099
Direct costs		**(1,335,131)**	(1,054,241)
Gross profit		**859,948**	2,048,858
Valuation gains on investment properties		**447,407**	40,042
Other revenue	*5*	**62,513**	21,643
Other net loss	*6*	**(826)**	(1,731)
Selling and marketing expenses		**(78,093)**	(83,534)
Administrative expenses		**(197,175)**	(195,602)
Profit from operations		**1,093,774**	1,829,676
Finance costs	*7(a)*	**(369,647)**	(115,666)
Share of profits less losses of associates		**4,210**	(2,673)
Profit before taxation	*7*	**728,337**	1,711,337
Income tax	*8*	**(471,878)**	(1,148,875)
Profit for the period		**256,459**	562,462
Attributable to:			
Equity shareholders of the Company		**258,832**	562,738
Non-controlling interests		**(2,373)**	(276)
Profit for the period		**256,459**	562,462
Basic and diluted earnings per share (HK cents)	*9*	**25.86**	63.35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2012 – UNAUDITED

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Profit for the period	**256,459**	562,462
Other comprehensive income for the period		
Exchange differences on translation of financial statements of PRC subsidiaries, net of nil tax	**(39,244)**	64,693
Shares of other comprehensive income of associates, net of nil tax	**(864)**	1,778
	(40,108)	66,471
Total comprehensive income for the period	**216,351**	628,933
Attributable to:		
Equity shareholders of the Company	**219,743**	629,213
Non-controlling interests	**(3,392)**	(280)
Total comprehensive income for the period	**216,351**	628,933

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2012

	Note	At 30 June 2012 (unaudited) *HK$'000*	At 31 December 2011 (audited) *HK$'000*
Non-current assets			
Fixed assets			
– Investment properties		**3,610,161**	2,942,217
– Other property, plant and equipment		**438,484**	479,542
– Interests in leasehold land held for own use under operating leases		**28,567**	29,117
		4,077,212	3,450,876
Interests in associates		**85,323**	81,977
Other financial assets		**31,961**	32,292
Restricted and pledged deposits		**488,520**	345,508
Deferred tax assets		**642,901**	719,150
		5,325,917	4,629,803
Current assets			
Inventories		**8,779,459**	9,166,826
Other financial assets		**78,163**	169,052
Trade and other receivables	*10*	**923,776**	526,822
Restricted and pledged deposits		**1,537,892**	1,344,771
Cash and cash equivalents		**5,496,975**	4,540,791
		16,816,265	15,748,262
Current liabilities			
Trade and other payables	*11*	**5,689,787**	5,188,466
Bank loans		**2,743,965**	1,720,066
Tax payable		**3,561,112**	3,879,498
		11,994,864	10,788,030

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2012 (CONTINUED)

	Note	**At 30 June 2012 (unaudited)** ***HK$'000***	At 31 December 2011 (audited) *HK$'000*
Net current assets		**4,821,401**	4,960,232
Total assets less current liabilities		**10,147,318**	9,590,035
Non-current liabilities			
Bank and other loans		**5,750,492**	5,473,006
Loan from an associate		**236,288**	238,738
Derivative financial instruments		**12,118**	13,641
Deferred tax liabilities		**489,633**	344,185
		6,488,531	6,069,570
NET ASSETS		**3,658,787**	3,520,465
CAPITAL AND RESERVES			
Share capital		**100,171**	100,041
Reserves		**3,425,685**	3,319,885
Total equity attributable to equity shareholders of the Company		**3,525,856**	3,419,926
Non-controlling interests		**132,931**	100,539
TOTAL EQUITY		**3,658,787**	3,520,465

NOTES:

1 BASIS OF PREPARATION

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2012 but are extracted from that financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 28 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The interim financial report is unaudited, but has been reviewed by KPMG 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 HKICPA.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. The 2011 statutory financial statements are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 29 March 2012.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a few amendments to HKFRSs, including amendments to HKAS 12, *Income taxes – Deferred tax: recovery of underlying assets*, that are first effective for the current accounting period of the Group and the Company. The adoption of the amendments to HKAS 12 has no material impact on the interim financial report as the amended HKAS 12 is consistent with the policies already adopted by the Group. None of the other developments are relevant to the Group's financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 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 to generate rental income and to gain from the appreciation in the properties' values in the long term.

- 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

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

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 and valuation changes on investment properties.

3 SEGMENT REPORTING (CONTINUED)

(a) Segment results (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 period is set out below.

	Property development		Property investment		Hotel operations		Property management and related services		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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										
Revenue from external customers	**2,068,935**	2,985,065	**55,474**	50,472	**35,391**	43,821	**35,279**	23,741	**2,195,079**	3,103,099
Inter-segment revenue	**–**	–	**15,537**	8,029	**–**	–	**23,542**	43,538	**39,079**	51,567
Reportable segment revenue	**2,068,935**	2,985,065	**71,011**	58,501	**35,391**	43,821	**58,821**	67,279	**2,234,158**	3,154,666
Reportable segment profit/(loss) (adjusted EBITDA)	**634,298**	1,863,584	**61,905**	12,630	**(565)**	14,972	**17,815**	(18,146)	**713,453**	1,873,040
Interest income from bank deposits	**50,019**	14,460	**694**	1,525	**–**	–	**612**	3,206	**51,325**	19,191
Interest expense	**(368,002)**	(32,836)	**(1,006)**	(22,576)	**–**	–	**(639)**	–	**(369,647)**	(55,412)
Depreciation and amortisation for the period	**(8,818)**	(4,925)	**(282)**	(1,577)	**(10,230)**	(14,589)	**(608)**	(1,561)	**(19,938)**	(22,652)
Valuation gains on investment properties	**–**	–	**447,407**	40,042	**–**	–	**–**	–	**447,407**	40,042

3 SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**2,234,158**	3,154,666
Elimination of inter-segment revenue	**(39,079)**	(51,567)
Consolidated turnover	**2,195,079**	3,103,099
Profit		
Reportable segment profit derived from Group's external customers	**713,453**	1,873,040
Share of profits less losses of associates	**4,210**	(2,673)
Other revenue and net loss	**61,687**	19,912
Depreciation and amortisation	**(25,936)**	(23,306)
Finance costs	**(369,647)**	(115,666)
Valuation gains on investment properties	**447,407**	40,042
Unallocated head office and corporate expenses	**(102,837)**	(80,012)
Consolidated profit before taxation	**728,337**	1,711,337

(c) Geographic information

No geographic information has been presented as the Group's operating activities are largely carried out in the People's Republic of China ("PRC").

4 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 period, net of business tax and other sales related taxes and discounts allowed, and is analysed as follows:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Sale of properties	**2,068,935**	2,985,065
Rental income	**55,474**	50,472
Hotel operations	**35,391**	43,821
Property management and related services income	**35,279**	23,741
	2,195,079	3,103,099

5 OTHER REVENUE

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Bank interest income	**57,546**	19,191
Rental income from operating leases, other than those relating to investment properties	**1,502**	987
Others	**3,465**	1,465
	62,513	21,643

6 OTHER NET LOSS

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Net exchange loss	**(1,974)**	(1,723)
Net loss on disposal of fixed assets	**(329)**	–
Fair value change on derivative financial instruments	**1,523**	–
Others	**(46)**	(8)
	(826)	(1,731)

7 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank loans and other borrowings wholly repayable:		
– within five years	**271,387**	232,509
– after five years	**125,561**	31,934
	396,948	264,443
Interest on loan from an associate wholly repayable within five years	**13,437**	–
Other borrowing costs	**43,199**	9,429
	453,584	273,872
Less: Amount capitalised	**(83,937)**	(158,206)
	369,647	115,666
(b) Staff costs		
Salaries, wages and other benefits	**67,488**	32,471
Contributions to defined contribution retirement plans	**6,863**	4,715
Equity settled share-based payment expenses	**33,193**	39,488
	107,544	76,674
(c) Other items		
Depreciation and amortisation	**26,433**	23,343
Less: Amount capitalised	**(497)**	(37)
	25,936	23,306
Cost of properties sold	**1,254,055**	975,333
Rental income from investment properties	**(55,474)**	(50,472)
Less: Direct outgoings	**3,205**	5,086
	(52,269)	(45,386)
Impairment loss for trade receivables	**–**	11,881
Other rental income less direct outgoings	**(1,502)**	(987)
Operating lease charges: minimum lease payments for land and buildings	**4,295**	4,971

8 INCOME TAX

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Current tax		
Provision for PRC Corporate Income Tax ("CIT")	**115,136**	519,073
Provision for Land Appreciation Tax ("LAT")	**137,715**	833,085
	252,851	1,352,158
Deferred tax		
Origination and reversal of temporary differences	**219,027**	(203,283)
	471,878	1,148,875

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 did not earn any assessable profits for the six months ended 30 June 2011 and 2012.

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 rate was 25% for the six months ended 30 June 2012 (2011: 24% 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.

9 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$258,832,000 (2011: HK$562,738,000) and the weighted average number of 1,000,796,000 shares (2011: 888,297,000 shares) in issue during the period, calculated as follows:

	Six months ended 30 June	
	2012	2011
	'000	*'000*
Weighted average number of shares		
Issued ordinary shares	**1,000,414**	235
Capitalisation issue	**–**	749,765
Effect of issuance of new shares under IPO	**–**	138,297
Effect of share options exercised	**382**	–
Weighted average number of shares	**1,000,796**	888,297

9 BASIC AND DILUTED EARNINGS PER SHARE (CONTINUED)

The weighted average number of shares in issue during the six months ended 30 June 2011 was 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 23 March 2011, being the date of listing of the Company's shares on the Stock Exchange, 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.

The share options outstanding have no dilutive effects on earnings per share for the six months ended 30 June 2011 and 2012.

There were no potential dilutive ordinary shares in existence for the six months ended 30 June 2011 and 2012.

10 TRADE AND OTHER RECEIVABLES

	At 30 June 2012 (unaudited) ***HK$'000***	At 31 December 2011 (audited) *HK$'000*
Debtors, prepayments and deposits	**923,776**	526,822

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:

	At 30 June 2012 (unaudited) ***HK$'000***	At 31 December 2011 (audited) *HK$'000*
Current or under 1 month overdue	**28,777**	23,956
More than 1 month overdue and up to 3 months overdue	**7,093**	15,343
More than 3 months overdue and up to 6 months overdue	**1,403**	1,051
More than 6 months overdue and up to 1 year overdue	**77**	1,445
More than 1 year overdue	**2,096**	2,201
	39,446	43,996

The Group maintains a defined credit policy and the exposures to the credit risks are monitored on an ongoing basis. In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables.

11 TRADE AND OTHER PAYABLES

	At 30 June 2012 (unaudited) *HK$'000*	At 31 December 2011 (audited) *HK$'000*
Creditors and accrued charges	**1,260,328**	1,847,526
Rental and other deposits	**69,204**	74,125
Receipts in advance	**4,151,638**	3,099,396
Amounts due to non-controlling shareholders	**208,617**	167,419
	5,689,787	5,188,466

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

	At 30 June 2012 (unaudited) *HK$'000*	At 31 December 2011 (audited) *HK$'000*
Due within 1 month or on demand	**788,423**	875,490
Due after 1 month but within 3 months	**1,356**	1,548
Due after 3 months but within 6 months	**164,580**	132,161
Due after 6 months but within 1 year	**29,139**	330,118
Due after 1 year	**142,714**	50,475
	1,126,212	1,389,792

12 CAPITAL COMMITMENTS

	At 30 June 2012 (unaudited) *HK$'000*	At 31 December 2011 (audited) *HK$'000*
Contracted for	**1,526,594**	1,419,165
Authorised but not contracted for	**5,630,978**	3,481,418
	7,157,572	4,900,583

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

In addition, the Group was committed at 30 June 2012 to make donations of HK$4,912,000 (31 December 2011: HK$6,170,000) to a charitable institution of RMB1,000,000 per annum until 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The PRC property market saw a decline in both transaction volume and transaction value in the first half of 2012, caused mainly by ongoing stringent government regulatory measures amid uncertain prospects for the domestic and global economies. However, there has been a steady pick-up in transaction volume since May 2012 owing to the gradual relaxation of China's monetary policy, including measures such as the reductions in bank deposit reserve requirement ratio, cuts in benchmark interest rates and mortgage interest rate discounts available to first home buyers. The increase in market liquidity, together with the volume-driven pricing strategy of developers, have led to a gradual increase in end-user demand comprising mainly first home purchases and first-time upgrades.

During the first half of 2012, the Group seized opportunities to launch projects that met market demand and aggressively promoted its product sales. Consequently, the Group recorded contracted sales of approximately HK$3,590.7 million in the six months ended 30 June 2012, representing a significant growth of approximately 38.1% over the same period of 2011 and accounting for approximately 59.8% to 71.8% respectively of its 2012 contracted sales target range of HK$5.0-6.0 billion. Up to 19 August 2012, the Group achieved contracted sales of approximately HK$4,670.2 million, representing an increase of approximately 18.9% over the corresponding period of 2011 and achieving approximately 77.8% to 93.4% respectively of its 2012 contracted sales target range.

For the six months ended 30 June 2012, satisfactory sales performance was achieved by the Group's new project launches in Shenzhen, Changzhou, Chengdu and Hangzhou. In particular, with its strong brand name, outstanding product quality, and innovative product design, The Spring Land Phase 5 in Shenzhen, which was launched for pre-sale on 10 June 2012, recorded robust contracted sales amounting to approximately HK$1.5 billion up to 30 June 2012. The project was also awarded the best selling project in Shenzhen in terms of contracted sales for the first day of launch and for a single month during the first half of 2012.

The approximately 29.3% year-over-year decrease in recognised turnover to approximately HK$2,195.1 million and the approximately 58.0% year-over-year decrease in gross profit to approximately HK$859.9 million for the six months ended 30 June 2012 were primarily driven by a change in product mix as approximately 87.4% of the saleable gross floor area ("GFA") booked for the period was attributable to a lower margin project, Changzhou Le Leman City, while approximately 94.2% of the saleable GFA booked for the same period last year was related to higher margin projects such as Shenzhen Hidden Valley and The Spring Land.

Barring unforeseeable circumstances, the Group expects that it should be able to achieve its 2012 planned property completion schedule as disclosed in the Company's 2011 Annual Report which includes The Spring Land Phase 5. Moreover, as at 19 August 2012, approximately 82.0% of the approximately 439,041 sq.m. saleable GFA targeted for completion in 2012, an increase of approximately 67.7% over approximately 261,795 sq.m. saleable GFA completed in 2011, has already been locked-in through pre-sales.

For the six months ended 30 June 2012, the Group generated steady recurring rental income of approximately HK$55.5 million, representing an increase of approximately 9.9% over the approximately HK$50.5 million recorded for the same period last year. As at 30 June 2012, with the completion of the retail asset at The Spring Land Phase 3 – Fashion Walk, the leasable GFA of the Group's investment properties under operation amounted to approximately 170,018 sq.m., an increase of approximately 15.2% over approximately 147,625 sq.m. at the end of 2011. The shopping mall of Chengdu Landmark and the retail asset of Changzhou Le Leman City Phase 9 (2-B) are expected to commence operation in May 2013 and October 2013, respectively, which together will further increase the leasable GFA of the Group's investment properties under operation by approximately 35.3% to approximately 229,993 sq.m.. Despite the overall slowdown in retail sales growth, the leasing progress of the two projects has been progressing well with approximately 93.1% of the leaseable GFA of Chengdu Landmark Shopping Mall and 100% of the leaseable GFA of the retail asset of Changzhou Le Leman City Phase 9 (2-B) pre-committed to date.

In the first half of 2012, the Group replenished its land bank selectively while maintaining a sound financial position. During the period, the Group acquired three parcels of land in Tianjin, Changzhou and Nanjing representing a total plot ratio GFA of approximately 375,462 sq.m. and the average land cost was approximately RMB4,686.2 per sq.m. (equivalent to approximately HK$5,754.2 per sq.m.). As at 30 June 2012, the Group' landbank comprises a total of 15 projects in 8 cities with a total net saleable/leaseable GFA of approximately 4,142,082 sq.m.. The Group has always put emphasis on maintaining a prudent financial management approach when expanding its landbank. As at 30 June 2012, the net gearing ratio of the Group was approximately 33.0%, as compared with approximately 34.1% at the end of 2011.

Future Outlook

We believe that the Central Government, in order to support economic growth, will continue to encourage home purchases by first home buyers or first-time upgraders. On the other hand, regulatory measures will likely remain in place in the short to medium term to prevent over-speculation in the housing market. This together with the still relatively high inventory level of developers would suggest that material price growth of residential properties would be difficult to come by. That said, the Group will firmly adhere to its dual modes business model of "medium to high-end residential properties + urban mixed-use communities", as we continue to see a tremendous long-term potential for good quality, well located residential properties in China given the combined effect of the consistent growth in both urban population and household incomes. Such a business model will also allow the Group to steadily build up its investment property portfolio while maintaining a sound financial and cashflow condition.

In the second half of 2012, to better cope with the market changes and to enhance returns, we will further step up our efforts in promoting property sales, with volume as opposed to selling price as the priority, enhancing our project execution capability, cutting unnecessary costs through better design planning, promoting collaborative efforts from different departments, implementing more stringent cost controls, introducing better incentive schemes for employees, etc. We have long been aware that our brand is our most important asset. To strengthen our brand and hence our competitiveness in the market, we will strive to further improve the quality of our product, including not just the product hardware but also customer services, customer satisfaction, and property management services.

The Group is in a favorable financial position, with a relatively low net gearing ratio of approximately 33.0% and approximately HK$7.5 billion in cash reserves as at 30 June 2012. The Group will continue to acquire quality and cost effective landbank with strong appreciation potential in the second half of 2012. Consistent with its strategy, the Group will maintain a balance between residential properties that meet end-user demands and urban mixed-use communities with a reasonable portion of investment properties in its future landbank acquisition. It will also diversify its landbank in terms of both geographical presence (i.e. focus mainly on the first and second tiered cities complemented by third and fourth tiered cities) and maturity profile of its projects. Finally, the Group will acquire landbank through multiple channels in order to control the risk and enhance rewards profile of the acquisitions.

Review of Business for the six months ended 30 June 2012

(1) Contracted Sales

For the six months ended 30 June 2012, the total contracted saleable GFA sold amounted to approximately 219,053 sq.m. (for the six months ended 30 June 2011: approximately 126,687 sq.m.) with total contracted sales of approximately HK$3,590.7 million (for the six months ended 30 June 2011: approximately HK$2,599.8 million). For the period from 1 January 2012 to 19 August 2012, the Group has achieved contracted sales of approximately HK$4,670.2 million with contracted saleable GFA of approximately 267,317 sq.m..

The breakdown of the total contracted saleable GFA and the total contracted sales of the Group during the six months ended 30 June 2012 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	227	0.1	14.1	17.3	0.5
	Phase 2	780	0.3	58.5	71.8	2.0
	Phase 3	3,110	1.4	202.2	248.3	6.9
	The Spring Land					
	Phase 1	238	0.1	4.6	5.6	0.1
	Phase 2	1,942	0.9	42.5	52.2	1.4
	Phase 3	786	0.3	15.9	19.5	0.5
	Phase 5	62,825	28.7	1,253.2	1,538.8	42.9
Changzhou	Changzhou Landmark					
	Phase 3 – retail portion	4,465	2.0	28.4	34.9	1.0
	Phase 3 – residential portion	453	0.2	3.0	3.7	0.1
	Phase 4 – retail portion	3,027	1.4	177.4	217.8	6.1
	Phase 4 – residential portion	8,996	4.1	98.6	121.1	3.4
	Changzhou Le Leman City					
	Phase 1 (1-A)	33	0.0	0.6	0.7	0.0
	Phase 3 (1-C)	356	0.2	4.5	5.5	0.1
	Phase 4 (3-B)	3,011	1.4	17.5	21.5	0.6
	Phase 5 (1-B)	1,280	0.6	10.4	12.8	0.4
	Phase 6 (3-A)	1,798	0.8	34.1	41.9	1.2
	Phase 7 (4-B)	83,888	38.3	487.0	598.0	16.6
	Phase 9 (2-B)	8,464	3.9	52.4	64.3	1.8

City	Project/Phase of Project	Contracted Saleable GFA		Contracted Sales		
					Equivalent to approximately	
		sq.m.	*%*	*RMB million*	*HK$ million*	*%*
Chengdu	Chengdu Landmark					
	Tower 1	5,618	2.6	59.3	72.8	2.0
	Tower 2	400	0.2	3.3	4.1	0.1
	Tower 3	3,049	1.4	31.5	38.7	1.1
	Tower 4	14,118	6.4	142.2	174.6	4.9
Hangzhou	Hangzhou Hidden Valley					
	Phase 1	10,189	4.7	183.1	224.8	6.3
Total		219,053	100	2,924.3	3,590.7	100

(2) *Projects Completed, Delivered and Booked in the six months ended 30 June 2012*

For the six months ended 30 June 2012, the Group completed construction of Changzhou Le Leman City (Phases 4 and 5) with total saleable GFA of approximately 161,621 sq.m..

For the six months ended 30 June 2012, the Group's property development business achieved a turnover of approximately HK$2,068.9 million with saleable GFA of approximately 188,910 sq.m. being recognised, representing a decrease of approximately 30.7% and an increase of approximately 70.4% respectively, over the six months ended 30 June 2011. The decrease in sale of properties with an increase in saleable GFA delivered in the six months ended 30 June 2012 was primarily attributable to a reduction in average selling price recognised from approximately HK$26,919.7 per sq.m. in the six months ended 30 June 2011 to approximately HK$10,951.8 per sq.m. in the six months ended 30 June 2012. In addition, the Group's gross profit margin and gross profit dropped by approximately 26.8 percentage points and HK$1,188.9 million respectively, mainly due to the significant rise in proportion of recognised sale of our low margin properties in Changzhou, in particular our Changzhou Le Leman City, which contributed approximately 87.4% of total saleable GFA booked, in the six months ended 30 June 2012. On the other hand, high margin properties in Shenzhen, namely our Shenzhen Hidden Valley and The Spring Land, which together contributed approximately 94.2% of total saleable GFA booked, were recognised in the six months ended 30 June 2011.

Details of the completion of projects and the sale of properties of the Group recognised in the six months ended 30 June 2012 are listed below:

Project/Phase of Project	Saleable GFA of Properties Completed	Saleable GFA Booked	Sale of Properties
	sq.m.	*sq.m.*	*HK$ million*
Shenzhen Hidden Valley			
– Phase 3	–	234	15.7
– Phase 4	–	2,503	186.4
The Spring Land			
– Phase 1	–	355	8.8
– Phase 2	–	1,062	26.9
– Phase 3	–	18,848	430.9
Changzhou Landmark			
– Phase 3	–	775	2.6
Changzhou Le Leman City			
– Phase 2 (2-A)	–	596	2.9
– Phase 3 (1-C)	–	2,280	29.9
– Phase 4 (3-B)	100,353	95,750	703.1
– Phase 5 (1-B)	61,268	57,359	493.0
– Phase 6 (3-A)	–	9,148	168.7
Total	161,621	188,910	2,068.9

(3) *Investment Properties*

In addition to the sale of properties developed by us, we also lease out or expect to lease out the retail assets in The Spring Land – Fashion Walk, Changzhou Landmark, Changzhou Le Leman City, Dongguan Landmark, Hangzhou Landmark, Shenzhen Water Flower Garden and Chengdu Landmark in the PRC. As at 30 June 2012, the total carrying value of the investment properties of the Group was approximately HK$3,610.2 million. The retail assets which we held for the purpose of leasing to third parties had a leasable GFA of approximately 229,993 sq.m. of which investment properties under operation with a leasable GFA of approximately 170,018 sq.m. had a fair value of approximately HK$3,213.3 million. A shopping mall in Chengdu Landmark, which was under development as at 30 June 2012, had a leaseable GFA and fair value of approximately 38,525 sq.m. and HK$345.6 million respectively. A retail asset in Changzhou Le Leman City (Phase 9) had a leasable GFA of approximately 21,450 sq.m. and fair value of approximately HK$51.3 million as at 30 June 2012. The Group recorded approximately HK$335.6 million (net of deferred tax) as gain in fair value of its investment properties for the six months ended 30 June 2012.

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 30 June 2012, 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 38.8% (as at 31 December 2011: approximately 33.3%) of our total leasable area in our investment properties.

For the six months ended 30 June 2012, we generated steady recurring rental income of approximately HK$55.5 million, representing an increase of approximately 9.9%, from approximately HK$50.5 million for the six months ended 30 June 2011. Excluding the shopping mall in Chengdu Landmark and the retail asset in Changzhou Le Leman City (Phase 9) which were under construction as at 30 June 2012, the occupancy rate of all our investment properties under operation achieved approximately 93.7% as at 30 June 2012 (as at 31 December 2011: approximately 92.9%).

Details of the Group's investment properties as at 30 June 2012 and the Group's rental income for the six months ended 30 June 2012 are set out as follows:

Investment Properties	**Leasable GFA as at 30 June 2012**	**Fair Value as at 30 June 2012**	**Rental Income for the six months ended 30 June 2012**	**Occupancy Rate as at 30 June 2012**
	sq.m.	*HK$ million*	*HK$ million*	*%*
Investment Properties under operation				
Changzhou Landmark Phases 1 and 2	77,581	1,403.3	23.2	100
Dongguan Landmark	20,172	453.1	9.1	100
Hangzhou Landmark	24,667	323.7	11.0	100
Shenzhen Water Flower Garden (Retail assets)	4,992	173.4	7.1	100
The Spring Land Phase 1 – Fashion Walk (Retail assets) *(Note 1)*	3,355	171.0	2.8	69
The Spring Land Phase 3 – Fashion Walk (Retail assets) *(Note 2)*	22,393	558.1	1.5	98
Changzhou Le Leman City Phase 11 (Retail asset) *(Note 3)*	16,858	130.7	0.8	45
Sub-total	170,018	3,213.3	55.5	93.7

Investment Properties	Leasable GFA as at 30 June 2012	Fair Value as at 30 June 2012	Rental Income for the six months ended 30 June 2012	Occupancy Rate as at 30 June 2012
	sq.m.	*HK$ million*	*HK$ million*	*%*
Investment Properties under development				
Chengdu Landmark (Shopping mall) *(Note 4)*	38,525	345.6	–	–
Changzhou Le Leman City Phase 9 (2-B) (Retail asset) *(Note 5)*	21,450	51.3	–	–
Sub-total	59,975	396.9	–	
Total	229,993	3,610.2	55.5	

Note 1: The unoccupied areas of the retail assets in The Spring Land Phase 1 – Fashion Walk mainly represent The Spring Land's sales centre with leaseable GFA of approximately 791 sq.m. which the Group intends to lease out in the future.

Note 2: Most of the leases in respect of the retail assets in The Spring Land Phase 3 – Fashion Walk commenced in June 2012.

Note 3: The retail asset represents a Habilitation and Recreation Centre of our Changzhou Le Leman City Phase 11, which is located nearby our Holiday-Inn Hotel, for leasing purpose.

Note 4: The construction of Chengdu Landmark is scheduled to be completed by the end of this year.

Note 5: The construction of a retail asset in our Changzhou Le Leman City Phase 9 (2-B), in respect of 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 by the end of this year.

(4) Land Bank

The Group is specialising in the development and operation of urban mixed-use communities and the development and sale of middle to high end residential properties in the Pearl River Delta, Yangtze River Delta, Beijing-Tianjin and Chengdu-Chongqing regions in the PRC.

As at 30 June 2012, the Group had a total of 15 projects over 8 cities in various stages of development, including a net saleable/leasable GFA of approximately 245,423 sq.m. of completed property developments, a net saleable/leasable GFA of approximately 695,057 sq.m. under development, a net saleable/leasable GFA of approximately 1,990,749 sq.m. held for future development and a net saleable/leasable GFA of approximately 1,210,853 sq.m. contracted to be acquired, totalling a net saleable/leasable GFA of approximately 4,142,082 sq.m..

In the first half of 2012, the Group acquired additional commercial and residential lands in Changzhou, Tianjin and Nanjing. The total plot ratio GFA of new land bank was approximately 375,462 sq.m. and the average cost was approximately RMB4,686.2 per sq.m. (equivalent to approximately HK$5,754.2 per sq.m.). As at 30 June 2012, the Group had a total net saleable/leaseable land bank of approximately 4,142,082 sq.m., with an average land cost of approximately RMB2,077.0 per sq.m. (equivalent to approximately HK$2,536.6 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	5,032	100
1	Shenzhen	Shenzhen Hidden Valley Phase 4	Residential	2,651	100
2	Shenzhen	The Spring Land Phase 1	Residential/ Commercial	3,821	100
2	Shenzhen	The Spring Land Phase 2	Residential	2,874	100
2	Shenzhen	The Spring Land Phase 3	Residential/ Commercial	26,692	100
3	Shenzhen	Shenzhen Water Flower Garden (Retail 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	635	100
5	Changzhou	Changzhou Le Leman City Phase 1 (1-A)	Residential/ Commercial	456	100
5	Changzhou	Changzhou Le Leman City Phase 3 (1-C)	Residential	4,001	100
5	Changzhou	Changzhou Le Leman City Phase 4 (3-B)	Residential/ Commercial	4,603	100
5	Changzhou	Changzhou Le Leman City Phase 5 (1-B)	Residential/ Commercial	3,909	100
5	Changzhou	Changzhou Le Leman City Phase 6 (3-A)	Residential	8,048	100
5	Changzhou	Changzhou Le Leman City Phase 11 (Retail asset and 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				**245,423**	

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 5 *(Note)*	Residential/ Commercial	143,574	100
4	Changzhou	Changzhou Landmark Phase 4	Residential/ Commercial	92,748	100
5	Changzhou	Changzhou Le Leman City Phase 7 (4-A)	Residential/ Commercial	84,921	100
5	Changzhou	Changzhou Le Leman City Phase 7 (4-B)	Residential/ Commercial	104,172	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
12	Tianjin	Tianjin Le Leman City (Lot 4) Phase 1	Commercial	34,204	58
Subtotal				**695,057**	
Projects Held For Future Development					
2	Shenzhen	The Spring Land Phase 6 *(Note)*	Residential/ Commercial	70,009	100
2	Shenzhen	The Spring Land Phase 7 *(Note)*	Residential/ Commercial	56,900	100
9	Shenzhen	Shenzhen Blue Bay	Residential	15,000	92
11	Hangzhou	Hangzhou Hidden Valley Phases 2-7	Residential	259,793	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	350,001	100
12	Tianjin	Tianjin Le Leman City (Lot 4) Phases 2-5 and (Lot 5 and 7)	Commercial	496,592	58
13	Huizhou	Huizhou Waterfront	Residential	509,310	100
Subtotal				**1,990,749**	

Note: The Group has renamed The Spring Land Phase 4 (as appearing in the Company's 2011 Annual Report) as The Spring Land Phase 5 during the six months ended 30 June 2012. As a result, The Spring Land Phase 5 and Phase 6 (as appearing in the Company's 2011 Annual Report) have been renamed as The Spring Land Phase 6 and Phase 7 respectively.

Project no.	City	Project	Type of Property	Net Saleable/ Leasable GFA *sq.m.*	Interest Attributable to the Group *%*
Projects Contracted To Be Acquired					
12	Tianjin	Tianjin Le Leman City (Lot 8) (see note (2) at the bottom of this page)	Commercial	199,482	58
14	Shenzhen	Shenzhen Landmark	Residential/ Commercial	865,391	100
15	Nanjing	The Spring Land – Nanjing (see note (3) at the bottom of this page)	Residential	145,980	100
Subtotal				**1,210,853**	
TOTAL				**4,142,082**	

Details of the projects acquired from 1 January 2012 to the date of this announcement are set out below:

Land reserves acquired from 1 January 2012 to the date of this announcement

City	Project	Total Consideration *RMB'000*	Site Area *sq.m.*	Plot Ratio GFA *sq.m.*	Average Cost *RMB per sq.m.*	Interest Attributable to the Group *%*
Changzhou	Taihu Hidden Valley[1]	60,000	40,000	30,000	2,000.0	100
Tianjin	Tianjin Le Leman City[2] (Lot 8) – held by 天津津俊投資發展有限公司 (Tianjin Jin Jun Investment Development Co., Ltd.*)	199,500	132,988	199,482	1,000.1	58
Nanjing	The Spring Land – Nanjing[3]	1,500,000	60,825	145,980	10,275.4	100
Total		1,759,500	233,813	375,462	4,686.2	

Notes:

(1) In May 2012, the Group entered into a land grant contract for a parcel of residential land for Taihu Hidden Valley with a site area of approximately 40,000 sq.m. at a consideration of approximately RMB60.0 million (equivalent to approximately HK$73.3 million). We have obtained the land use rights certificate for such parcel of land in May 2012.

(2) 天津津俊投資發展有限公司 (Tianjin Jin Jun Investment Development Co., Ltd.*), in which the Group has a 58% equity interest, won a bid and entered into a land grant contract for a parcel of commercial land in Tianjin with a total site area of approximately 132,988 sq.m. at a consideration of approximately RMB199.5 million (equivalent to approximately HK$243.6 million) in June and July 2012 respectively. Up to the date of this announcement, we have yet to obtain the land use rights certificate for such parcel of land.

(3) In June 2012, the Group won a bid in a public auction regarding a parcel of residential land in Nanjing at a consideration of RMB1.5 billion (equivalent to approximately HK$1.8 billion). A land grant contract for the land with a total site area of approximately 60,825 sq.m. was signed in July 2012. Up to the date of this announcement, we have yet to obtain the land use rights certificate for such parcel of land.

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 the second half of 2012*

In the second half of 2012, the Group intends to commence construction of four phases among three projects with a total net saleable/leasable GFA of approximately 288,744 sq.m..

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

City	**Project**	**Total Saleable/ Leasable GFA** *sq.m.*
Huizhou	Huizhou Waterfront Phase 1	136,500
Shenzhen	The Spring Land Phases 6 and 7	126,909
Tianjin	Tianjin Le Leman City (Lot 4) Phase 2	25,335
Total		288,744

The Group also intends to complete the construction of two phases among two projects and our Chengdu project which comprises four office towers and a multi-floors shopping mall with a total net saleable/leasable GFA of approximately 337,395 sq.m. in the second half of 2012.

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

City	**Project**	**Total Saleable/ Leasable GFA** *sq.m.*
Changzhou	Changzhou Le Leman City Phase 9 (2-B)	83,057
Chengdu	Chengdu Landmark	110,764
Shenzhen	The Spring Land Phase 5	143,574
Total		337,395

FINANCIAL REVIEW

For the six months ended 30 June 2012, the Group's consolidated turnover and profit attributable to equity shareholders of the Company were approximately HK$2,195.1 million and HK$258.8 million respectively, decreased by approximately 29.3% and 54.0% respectively over the corresponding period of 2011. For the six months ended 30 June 2012, the Group's basic and diluted earnings per share decreased by approximately 59.2% as compared with the corresponding period of 2011 to approximately HK25.86 cents, and net assets per share as at 30 June 2012 was approximately HK$3.7 (31 December 2011: HK$3.5 per share).

Turnover

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

Our turnover decreased by approximately 29.3%, to approximately HK$2,195.1 million for the six months ended 30 June 2012 from approximately HK$3,103.1 million for the six months ended 30 June 2011. This decrease was primarily attributable to a significant decrease in our sale of properties for the six months ended 30 June 2012.

Turnover from sale of properties decreased primarily due to a decrease in average selling price recognised, from approximately HK$26,919.7 per sq.m. in the six months ended 30 June 2011 to approximately HK$10,951.8 per sq.m. in the six months ended 30 June 2012. Nevertheless there was an increase in total saleable GFA sold and delivered, which was primarily driven by the higher scheduled deliveries of sold properties for our Changzhou projects, in particular our Changzhou Le Leman City, for the six months ended 30 June 2012. Rental income increased primarily due to an increase in the leaseable GFA of our investment properties for the six months ended 30 June 2012. Income from hotel operations decreased mainly due to a decrease in the average occupancy rate, average room rate and the income from the food and beverage sector of our hotel property. Such decrease was mainly attributable to the direct competition from a reputable hotel which was located in the same region as our hotel property and commenced business in the first half of 2012. 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 service 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, capitalized 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$1,335.1 million for the six months ended 30 June 2012 from approximately HK$1,054.2 million for the six months ended 30 June 2011. This increase was primarily attributable to the increase in saleable GFA of our properties delivered to the buyers for the six months ended 30 June 2012.

Gross profit

Our gross profit decreased by approximately 58.0%, to approximately HK$859.9 million for the six months ended 30 June 2012 from approximately HK$2,048.9 million for the six months ended 30 June 2011. The decrease in gross profit was primarily attributable to the lower average selling price and lower gross margin of our Changzhou projects, in particular, our Changzhou Le Leman City, which were recognised the first half of 2012 versus the higher average selling price and higher gross margin of our Shenzhen projects, in particular our Shenzhen Hidden Valley Phase 4 and The Spring Land Phase 2, which were recognised in the first half of 2011. The Group reported a gross profit margin of approximately 39.2% for the six months ended 30 June 2012 as compared to approximately 66.0% for the six months ended 30 June 2011.

Other revenue

Other revenue increased by approximately 1.9 times, to approximately HK$62.5 million for the six months ended 30 June 2012 from approximately HK$21.6 million for the six months ended 30 June 2011. The increase was primarily attributable to an increase in bank interest income by approximately HK$38.4 million.

Other net loss

Other net loss decreased by approximately HK$0.9 million from approximately HK$1.7 million for the six months ended 30 June 2011 to approximately HK$0.8 million for the six months ended 30 June 2012. The decrease was primarily attributable to the net gain on fair value gain on derivative financial instruments of approximately HK$1.5 million recorded in the six months ended 30 June 2012, which offsets an increase in net exchange loss by approximately HK$0.3 million.

Selling and marketing expenses

Selling and marketing expenses decreased by approximately HK$5.4 million, to approximately HK$78.1 million for the six months ended 30 June 2012 from approximately HK$83.5 million for the six months ended 30 June 2011. The decrease in selling and marketing expenses for the six months ended 30 June 2012 was mainly driven by the reduction in sales commission expenses incurred in relation to our properties sold and delivered, which was partly offset by the increase in promotion expenses during the period.

Administrative expenses

Administrative expenses increased by approximately HK$1.6 million, to approximately HK$197.2 million for the six months ended 30 June 2012 from approximately HK$195.6 million for the six months ended 30 June 2011. The increase was mainly due to an increase in the salaries of our administrative staff offsetting a decrease in legal and professional fee.

Valuation gains on investment properties

Valuation gains on investment properties increased by approximately 10.2 times, to approximately HK$447.4 million for the six months ended 30 June 2012 from approximately HK$40.0 million for the six months ended 30 June 2011. The increase was primarily attributable to the intended use of certain areas in The Spring Land Phase 3 – Fashion Walk being changed to leasing purpose during the six months ended 30 June 2012. The fair value of this retail asset was approximately HK$558.1 million as at 30 June 2012 and the revaluation gain of approximately HK$389.6 million was recognised in the six months ended 30 June 2012 accordingly.

Finance costs

Finance costs increased by approximately 2.2 times, to approximately HK$369.6 million for the six months ended 30 June 2012 from approximately HK$115.7 million for the six months ended 30 June 2011. The increase was primarily attributable to our increased borrowings, in particular the increase in our offshore loans for the six months ended 30 June 2012 as compared with the corresponding period of 2011, for which the relevant interest expenses are not qualified for capitalisation.

Profit before taxation

As a result of the above, our profit before taxation decreased by approximately HK$983.0 million to approximately HK$728.3 million for the six months ended 30 June 2012 from approximately HK$1,711.3 million for the six months ended 30 June 2011.

Income tax

Income tax expenses decreased by approximately 58.9%, to approximately HK$471.9 million for the six months ended 30 June 2012 from approximately HK$1,148.9 million for the six months ended 30 June 2011. The decrease was mainly attributable to a decrease in the profit for the six months ended 30 June 2012 and lower gross profit margin of the properties we sold and delivered in the six months ended 30 June 2012 resulting in a decrease in the provision for CIT and LAT by approximately HK$403.9 million and HK$695.4 million respectively which more than offset an increase in deferred tax expenses by approximately HK$422.3 million.

Non-controlling interests

The loss for the six months ended 30 June 2012 attributable to non-controlling interests increased by approximately HK$2.1 million to approximately HK$2.4 million for the six months ended 30 June 2012 from approximately HK$0.3 million for the six months ended 30 June 2011. The increase was primarily due to the increase in losses incurred by loss-making non-wholly owned subsidiaries attributable to the non-controlling interests in the six months ended 30 June 2012 as compared to the six months ended 30 June 2011. As at 30 June 2012, the non-controlling interests 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), 30% equity interest held by an independent third party in Guangzhou Zeji Property Co., Ltd. (廣州市澤基房地產有限公司), 45% equity interest held by an independent third party in Shenzhen Xin Xiang Investment Development Co., Ltd. (深圳市信祥投資發展有限公司) and 42% equity interests held by an independent third party in our 4 subsidiaries in Tianjin.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 30 June 2012, the carrying amount of the Group's cash and bank deposits was approximately HK$7,523.4 million (as at 31 December 2011: approximately HK$6,231.1 million), representing an increase of approximately 20.7% as compared to that as at 31 December 2011.

For the six months ended 30 June 2012, the Group had net cash from operating activities of approximately HK$485.6 million, net cash used in investing activities of approximately HK$233.4 million and net cash generated from financing activities of approximately HK$760.7 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 30 June 2012 of approximately HK$8,730.7 million, of which approximately HK$2,744.0 million is repayable within 1 year, approximately HK$4,028.1 million is repayable after 1 year but within 5 years and approximately HK$1,958.6 million is repayable after 5 years. As at 30 June 2012, the Group's bank loans of approximately HK$7,028.6 million (as at 31 December 2011: approximately HK$5,001.6 million) were secured by investment properties, hotel properties, properties under development for sale, other land and buildings and pledged deposits of the Group with total carrying values of approximately HK$8,436.5 million (as at 31 December 2011: approximately HK$5,537.2 million) and by equity interests in certain subsidiaries within the Group. As at 30 June 2012, the Group's other loans of approximately HK$1,296.5 million (as at 31 December 2011: 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$847.0 million (as at 31 December 2011: approximately HK$545.9 million) and approximately HK$1,028.8 million (as at 31 December 2011: approximately HK$848.9 million) as at 30 June 2012 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 for the six months ended 30 June 2012 and the year ended 31 December 2011 was approximately 33.0% and 34.1% respectively. The net gearing ratio was slightly reduced as a result of the increase in the Group's retained earnings as at 30 June 2012.

Foreign exchange risk

As at 30 June 2012, the Group had cash balances denominated in RMB of approximately RMB5,822.1 million (equivalent to approximately HK$7,110.5 million), and in US dollars of approximately US$10.6 million (equivalent to approximately HK$82.5 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 or US dollars as a result of its investment in the PRC and the settlement of certain of the general and administrative expenses and borrowings 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 30 June 2012, save for the guarantees of approximately HK$2,655.5 million (as at 31 December 2011: 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.

Pursuant to the mortgage contracts, banks require us to guarantee our customers' 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 six months ended 30 June 2012, 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 30 June 2012, the Group had applied approximately HK$1,277.5 million of the net proceeds for acquisition of new projects for development in the PRC and approximately HK$117.2 million for general corporate and work capital purposes, which is in compliance with the intended use of proceeds as disclosed in the Prospectus.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2012, the Group employed a total of 1,234 employees (as at 31 December 2011: 1,119 employees) in the PRC and Hong Kong. Of them, 111 were under the headquarter team, 371 were under the property development division and 752 were under the retail operation and property management division. For the six months ended 30 June 2012, the total staff costs incurred was approximately HK$107.5 million (for the six months ended 30 June 2011: approximately HK$76.7 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. During the six months ended 30 June 2012, 1,299,500 (for the six months ended 30 June 2011: Nil) share options had been exercised by the grantees and a total number of 2,954,999 (for the six months ended 30 June 2011: 2,474,999) share options had been cancelled upon the resignation of certain grantees and 27,608,836 (as at 31 December 2011: 31,863,335) share options were outstanding as at 30 June 2012 under the pre-IPO share option scheme. During the six months ended 30 June 2012, a total number of 608,000 (for the six months ended 30 June 2011: Nil) awarded shares had been cancelled upon resignation of certain awardees and 5,384,000 (as at 31 December 2011: 5,992,000) awarded shares were outstanding as at 30 June 2012 under the pre-IPO share award 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. On 26 June 2012, the Group granted 15,720,000 share options under the post-IPO share option scheme at the exercise price of HK$3.17 per share to directors, senior management and selected employees of the Group.

INTERIM DIVIDEND

To maintain a stable dividend policy, the Board declared the payment of an interim dividend of HK15 cents per share for the six months ended 30 June 2012 (for the six months ended 30 June 2011: HK15 cents per share) to shareholders whose names appear on the register of members of the Company on Friday, 21 September 2012. The interim dividend will be payable on Friday, 28 September 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18 September 2012 to Friday, 21 September 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 17 September 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 six months ended 30 June 2012.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Code") during the six months ended 30 June 2012 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 review and up to the date of this announcement, 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 during the six months ended 30 June 2012.

REVIEW OF INTERIM 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 interim results of the Group for the six months ended 30 June 2012. 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 one non-executive Director, Dr. McCabe Kevin Charles.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM 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 interim 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, 28 August 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 and 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.