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: 03688)

ANNOUNCEMENT OF CONSOLIDATED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

- For the year ended 31 December 2017, the Group achieved contracted sales plus subscribed pre-sales of approximately HK$2,490.3 million. The Group recorded an aggregate of contracted sales of properties and contracted sales of car park units of approximately HK$1,870.2 million. The contracted sales of properties was approximately HK$1,723.9 million with contracted saleable GFA of approximately 125,580 sq.m. and ASP of approximately HK$13,727.5 per sq.m., representing a decrease of approximately 55.8%, 33.0% and 34.0%, respectively, as compared with 2016.

- As at 31 December 2017, the Group had a total of 19 projects over 11 cities in various stages of development with a total estimated net saleable/leasable GFA of approximately 646,635 sq.m..

- Revenue for the year ended 31 December 2017 decreased by approximately 67.0% to approximately HK$1,836.7 million from approximately HK$5,558.7 million for the year ended 31 December 2016.

- For the year ended 31 December 2017, the Group generated recurring rental income of approximately HK$244.7 million (2016: approximately HK$278.0 million) from its investment properties which mainly comprised shopping malls, community commercial centres, retail shops, serviced apartments, offices and car park units. As at 31 December 2017, the investment property portfolio (inclusive of investment properties classified as held for sale) had a total leasable GFA of approximately 201,485 sq.m. and a fair value of approximately HK$4,944.2 million, representing approximately 18.3% of the Group's total asset value.

- Gross profit margin increased to approximately 31.1% for the year ended 31 December 2017 from approximately 18.2% for the year ended 31 December 2016.

- For the year ended 31 December 2017, the net profit margin of the Group was approximately 251.0% (for the year ended 31 December 2016: approximately 16.3%). For the year ended 31 December 2017, the profit attributable to equity shareholders of the Company was approximately HK$4,642.2 million (for the year ended 31 December 2016: approximately HK$866.4 million).

- Basic and diluted earnings per Share attributable to equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2017 were approximately HK$3.23 and HK$2.61 respectively, representing an increase of approximately 429.5% and 521.4% respectively as compared with 2016.

- Net assets per Share attributable to equity shareholders of the Company and the holders of PCSs as at 31 December 2017 was approximately HK$7.5 (as at 31 December 2016: approximately HK$4.1).

- As at 31 December 2017, the net gearing ratio of the Group decreased to approximately 24.2% from approximately 43.3% as at 31 December 2016.

- The Board has recommended the payment of a final dividend of HK26 cents per Share attributable to equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2017 (for the year ended 31 December 2016: HK22 cents per Share).

CONSOLIDATED ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Top Spring International Holdings Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*2&3*	**1,836,705**	5,558,731
Direct costs		**(1,266,053)**	(4,548,121)
Gross profit		**570,652**	1,010,610
Valuation gains on investment properties and investment properties classified as held for sale		**172,934**	436,025
Other revenue	*4*	**156,322**	191,122
Other net income	*5*	**7,111,364**	735,933
Selling and marketing expenses		**(114,014)**	(182,533)
Administrative expenses		**(1,018,344)**	(750,868)
Profit from operations		**6,878,914**	1,440,289
Finance costs	*6(a)*	**(655,530)**	(679,414)
Share of losses of associates		**(20,160)**	(6,037)
Share of losses of joint ventures		**(754)**	(474)
Profit before taxation	*6*	**6,202,470**	754,364
Income tax (expense)/credit	*7*	**(1,592,912)**	149,221
Profit for the year		**4,609,558**	903,585
Attributable to:			
Equity shareholders of the Company		**4,642,246**	866,428
Non-controlling interests		**(32,688)**	37,157
Profit for the year		**4,609,558**	903,585
Earnings per share (HK$)	*8*		
Basic		**3.23**	0.61
Diluted		**2.61**	0.42

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**4,609,558**	903,585
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– financial statements of foreign subsidiaries	**1,064,518**	(941,173)
– reclassified to profit or loss upon disposal of subsidiaries	**(263,781)**	(25,015)
	800,737	(966,188)
Share of other comprehensive income of associates and joint ventures	**81,016**	(23,022)
	881,753	(989,210)
Total comprehensive income for the year	**5,491,311**	(85,625)
Attributable to:		
Equity shareholders of the Company	**5,442,801**	(42,338)
Non-controlling interests	**48,510**	(43,287)
Total comprehensive income for the year	**5,491,311**	(85,625)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

		2017		2016	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Investment properties			**4,837,896**		6,046,160
Other property, plant and equipment			**153,680**		303,408
Interests in leasehold land held for own use under operating leases			**–**		3,391
			4,991,576		6,352,959
Interest in associates			**1,385,817**		87,718
Interest in joint ventures			**533,571**		225,822
Other financial assets			**151,309**		246,818
Other receivables	*10*		**1,441,512**		–
Deferred tax assets			**307,752**		424,444
			8,811,537		7,337,761
Current assets					
Inventories		**1,641,881**		9,019,239	
Other financial assets		**–**		47,979	
Trade and other receivables	*10*	**9,699,088**		2,623,876	
Prepaid tax		**51,703**		133,295	
Restricted and pledged deposits		**2,071,706**		2,488,695	
Cash and cash equivalents		**4,599,697**		3,713,086	
		18,064,075		18,026,170	
Investment properties classified as held for sale		**106,274**		663,104	
		18,170,349		18,689,274	
Current liabilities					
Trade and other payables	*11*	**2,730,975**		6,710,457	
Bank and other borrowings		**2,921,827**		3,013,730	
Derivative financial instrument		**242,478**		155,273	
Note payable		**1,183,283**		–	
Bonds payable		**1,171,920**		–	
Tax payable		**2,213,830**		2,286,283	
Provision		**8,923**		–	
		10,473,236		12,165,743	
Net current assets			**7,697,113**		6,523,531
Total assets less current liabilities			**16,508,650**		13,861,292

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017 (CONTINUED)

		2017		2016	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current liabilities					
Provision		**43,048**		–	
Bank and other borrowings		**2,663,521**		2,152,264	
Convertible bonds		**1,299,330**		1,384,699	
Bonds payable		**–**		1,275,239	
Note payable		**–**		1,097,035	
Deferred tax liabilities		**889,842**		1,116,909	
			4,895,741		7,026,146
NET ASSETS			**11,612,909**		6,835,146
CAPITAL AND RESERVES					
Share capital			**138,344**		118,378
Reserves			**11,312,202**		5,780,518
Total equity attributable to equity shareholders of the Company			**11,450,546**		5,898,896
Non-controlling interests			**162,363**		936,250
TOTAL EQUITY			**11,612,909**		6,835,146

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. The shares of the Company (the "**Shares**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 23 March 2011.

The principal activity of the Company is investment holding and the principal activities of the Group are property development, property investment, hotel operations and provision of property management and related services in the People's Republic of China (the "**PRC**").

The consolidated annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2017 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 Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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 five reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Property development: this segment develops and sells residential and retail properties.

- Property investment: this segment leases shopping arcades, club houses, serviced apartments and car park units 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 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 and retail properties, and decoration services to group companies.

- Medical and healthcare services: this segment provides medical and healthcare services to general public.

2 SEGMENT REPORTING (CONTINUED)

(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 interest in associates and joint ventures (other than those related to medical and healthcare services segment), investments in financial assets, prepaid tax, 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", where "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at "adjusted EBITDA", the Group's earnings are further adjusted for items which are non-recurring or not specifically attributed to individual segments, such as share of profits less losses of associates and joint ventures (other than those related to medical and healthcare services segment). Other revenue and net income/loss, valuation change on investment properties and investment properties classified as held for sale, and other head office or corporate expenses.

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, provision on inventories, impairment losses on non-current assets and disposal group classified as held for sale, valuation changes on investment properties and investment properties classified as held for sale 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.

2016

	Property development *HK$'000*	Property investment *HK$'000*	Hotel operations *HK$'000*	Property management and related services *HK$'000*	Medical and healthcare services *HK$'000*	Total *HK$'000*
Revenue from external customers	5,028,519	277,958	63,758	188,496	–	5,558,731
Inter-segment revenue	–	49,016	–	105,794	–	154,810
Reportable segment revenue	5,028,519	326,974	63,758	294,290	–	5,713,541
Reportable segment profit/(loss) (adjusted EBITDA)	249,183	175,987	3,037	(32,859)	(3,029)	392,319
Interest income from bank deposits	56,621	3,279	–	1,154	1	61,055
Interest expenses	(651,338)	(22,751)	–	(5,325)	–	(679,414)
Depreciation and amortisation for the year	(15,222)	(5,417)	(22,800)	(1,129)	(9)	(44,577)
Provision on inventories	(26,490)	–	–	–	–	(26,490)
Reversal of provision on inventories	80,147	–	–	–	–	80,147
Impairment loss on disposal group classified as held for sale	(179,217)	–	–	–	–	(179,217)
Valuation gains on investment properties and investment properties classified as held for sale	–	436,025	–	–	–	436,025
Reportable segment assets	16,957,936	7,259,049	251,144	193,048	190,305	24,851,482
Additions to non-current segment assets during the year	11,242	122,553	846	995	–	135,636
Reportable segment liabilities	(14,762,913)	(402,087)	(12,736)	**(252,298)**	(2,788)	(15,432,822)

2 SEGMENT REPORTING (CONTINUED)

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

2017

	Property development *HK$'000*	Property investment *HK$'000*	Hotel operations *HK$'000*	Property management and related services *HK$'000*	Medical and healthcare services *HK$'000*	Total *HK$'000*
Revenue from external customers	1,313,371	244,699	67,504	211,131	–	1,836,705
Inter-segment revenue	–	62,532	–	96,590	–	159,122
Reportable segment revenue	1,313,371	307,231	67,504	307,721	–	1,995,827
Reportable segment (loss)/profit (adjusted EBITDA)	(220,673)	151,925	3,027	31,663	(40)	(34,098)
Interest income from bank deposits	88,622	2,802	–	928	2	92,354
Interest expenses	(644,517)	(5,535)	–	(5,478)	–	(655,530)
Depreciation and amortisation for the year	(14,988)	(3,237)	(16,131)	(975)	(10)	(35,341)
Provision on inventories	(19,251)	–	–	–	–	(19,251)
Impairment loss on available-for-sale investments	–	–	–	–	(195,943)	(195,943)
Provision for doubtful debts	(357,292)	–	–	(11,794)	–	(369,086)
Valuation gains on investment properties and investment properties classified as held for sale	–	172,934	–	–	–	172,934
Reportable segment assets	18,784,618	5,052,144	–	472,678	348	24,309,788
Additions to non-current segment assets during the year	5,815	574	227	5,839	–	12,445
Reportable segment liabilities	(11,305,169)	(398,299)	(13,700)	(287,772)	(2,826)	(12,007,766)

2 **SEGMENT REPORTING (CONTINUED)**

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

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**1,995,827**	5,713,541
Elimination of inter-segment revenue	**(159,122)**	(154,810)
Consolidated revenue *(Note 3)*	**1,836,705**	5,558,731
Profit		
Reportable segment (loss)/profit derived from Group's external customers	**(34,098)**	392,319
Share of losses of associates	**(20,160)**	(6,037)
Share of losses of joint ventures	**(754)**	(474)
Other revenue and net income	**7,267,686**	927,055
Depreciation and amortisation	**(37,937)**	(46,001)
Finance costs	**(655,530)**	(679,414)
Valuation gains on investment properties and investment properties classified as held for sale	**172,934**	436,025
Unallocated head office and corporate expenses	**(489,671)**	(269,109)
Consolidated profit before taxation	**6,202,470**	754,364
Assets		
Reportable segment assets	**24,309,788**	24,851,482
Interest in associates	**1,385,817**	87,718
Interest in joint ventures	**533,571**	225,822
Other financial assets	**151,309**	105,022
Prepaid tax	**51,703**	133,295
Deferred tax assets	**307,752**	424,444
Unallocated head office and corporate assets	**241,946**	199,252
Consolidated total assets	**26,981,886**	26,027,035
Liabilities		
Reportable segment liabilities	**(12,007,766)**	(15,432,822)
Tax payable	**(2,213,830)**	(2,286,283)
Deferred tax liabilities	**(889,842)**	(1,116,909)
Unallocated head office and corporate liabilities	**(257,539)**	(355,875)
Consolidated total liabilities	**(15,368,977)**	(19,191,889)

(c) Geographic information

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

3 REVENUE

Revenue 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 value-added tax and other sales related taxes and discounts allowed, and is analysed as follows:

	2017	2016
	HK$'000	*HK$'000*
Sale of properties	**1,313,371**	5,028,519
Rental income	**244,699**	277,958
Hotel operations	**67,504**	63,758
Property management and related services income	**211,131**	188,496
	1,836,705	5,558,731

4 OTHER REVENUE

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**100,419**	77,777
Other interest income	**8,797**	46,355
Construction management service income	**11,981**	17,993
Rental income from operating leases, other than those relating to investment properties	**18,743**	17,003
Other service income	**10,246**	10,471
Others	**6,136**	21,523
	156,322	191,122

5 OTHER NET INCOME

	2017	2016
	HK$'000	*HK$'000*
Net gain on disposal of subsidiaries to H-Change Real Estate Group Ltd.	**7,587,600**	–
Net gain on disposal of other subsidiaries	**244,917**	–
Gain on previously held interest in subsidiaries upon loss of control	**82,090**	–
Net gain on disposal of interest in joint venture	**42,425**	–
Investment income	**25,686**	–
Net gain on disposal of available-for-sale investments	**–**	100,397
Impairment loss on available-for-sale investments	**(207,469)**	–
Net exchange (loss)/gain	**(54,372)**	83,287
Net loss on disposal of property, plant and equipment	**(47)**	(713)
Net gain/(loss) on sale of investment properties and investment properties classified as held for sale	**15,645**	(79,379)
Provision on inventories	**(19,251)**	(26,490)
Reversal of provision on inventories	**–**	80,147
Provision for doubtful debts	**(369,086)**	–
Net gain from disposal of disposal group classified as held for sale	**–**	682,281
Impairment loss on disposal group classified as held for sale	**–**	(179,217)
Amortisation of loss arising from the issuance of convertible bonds	**(75,379)**	(67,498)
Fair value change on conversion option embedded in convertible bonds	**(127,123)**	149,425
Loss on conversion of convertible bonds	**(12,858)**	–
Provision	**(49,961)**	–
Others	**28,547**	(6,307)
	7,111,364	735,933

6 PROFIT BEFORE TAXATION

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

	2017	2016
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank and other borrowings	**326,181**	456,310
Interest on convertible bonds	**190,061**	177,931
Interest on note payable	**120,598**	134,356
Interest on amounts due to non-controlling shareholders	**10,175**	9,966
Interest on bonds payable	**182,840**	32,866
Other borrowing costs	**55,692**	56,136
	885,547	867,565
Less: Amount capitalised *(Note)*	**(230,017)**	(188,151)
	655,530	679,414

Note: The borrowing costs have been capitalised at rates ranging from 1.27% to 13.98% (2016: 5.23% to 12.00%) per annum for the year ended 31 December 2017.

	2017	2016
(b) Staff costs		
Salaries, wages and other benefits	**673,767**	217,038
Contributions to defined contribution retirement plans	**20,853**	27,789
Equity settled share-based payment expenses	**20,539**	24,516
	715,159	269,343
(c) Other items		
Depreciation and amortisation	**38,659**	46,931
Less: Amount capitalised	**(722)**	(930)
	37,937	46,001
Cost of properties sold	**1,031,486**	4,263,065
Rental income from investment properties *(Note)*	**(244,699)**	(277,958)
Less: Direct outgoings	**37,446**	39,235
	(207,253)	(238,723)
Operating lease charges:		
– minimum lease payments for land and buildings	**21,350**	35,000

Note: Included contingent rental income of HK$12,521,000 (2016: HK$12,739,000) for the year ended 31 December 2017.

7 INCOME TAX

Income tax expenses/(credit) in the consolidated statement of profit of loss represents:

	2017	2016
	HK$'000	*HK$'000*
Current tax		
Provision for PRC Corporate Income Tax ("**CIT**")	**580,350**	(171,121)
Provision for Land Appreciation Tax ("**LAT**")	**83,839**	(357,164)
Withholding tax	**1,015,115**	164,141
	1,679,304	(364,144)
Deferred tax		
Origination and reversal of temporary differences	**(86,392)**	214,923
	1,592,912	(149,221)

Pursuant to the rules and regulations of the British Virgin Islands (the "**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 subject to Hong Kong Profits Tax for the years ended 31 December 2016 and 2017.

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 year ended 31 December 2017 (2016: 25%).

LAT is levied on properties developed and investment properties held 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 dividend distributions arising from profit of the PRC subsidiaries within the Group earned after 1 January 2008, rental income earned and proceeds from the sale of investment properties in the PRC by a Hong Kong subsidiary, and disposal gain earned by Hong Kong subsidiaries upon disposal of PRC subsidiaries at the applicable tax rates.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$4,642,246,000 (2016: HK$866,428,000) and the weighted average number of 1,438,264,000 shares (2016: 1,421,198,000 shares) in issue during the year, calculated as follows:

	2017	2016
	'000	*'000*
Weighted average number of shares		
Issued ordinary shares	**1,183,776**	1,181,433
Effect of share options exercised and bonus perpetual subordinated convertible securities ("**PCSs**") converted	**8,681**	1,212
Effect of convertible bonds exercised	**7,254**	–
Effect of PCSs converted	**8,068**	–
Effect of bonus issue of shares (with PCSs as an alternative)	**230,485**	238,553
Weighted average number of shares at 31 December	**1,438,264**	1,421,198

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$4,896,532,000 (2016: HK$743,799,000) and the weighted average number of 1,875,897,000 shares (2016: 1,788,148,000 shares) in issue during the year, calculated as follows:

	2017	2016
	'000	*'000*
Weighted average number of shares (diluted)		
Weighted average number of shares	**1,438,264**	1,421,198
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	**13,620**	10,123
Effect of deemed conversion of convertible bonds	**424,013**	356,827
Weighted average number of shares (diluted) at 31 December	**1,875,897**	1,788,148

9 DIVIDENDS

Dividends payable to equity shareholders of the Company and the holders of PCSs attributable to the year

	2017	2016
	HK$'000	*HK$'000*
No interim dividend declared and paid in respect of the interim period (2016: HK nil per ordinary share and unit of PCSs)	**–**	–
Final dividend proposed after the end of the reporting period of HK26 cents (2016: HK22 cents) per ordinary share and unit of PCSs	**397,018**	312,912
	397,018	312,912

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

10 TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade debtors	**95,858**	54,490
Less: Allowance for doubtful debts *(iii)*	**(29,860)**	(16,935)
	65,998	37,555
Deposits, prepayments and other receivables *(i)*	**11,441,262**	2,212,765
Less: Allowance for doubtful debts *(iii)*	**(372,222)**	–
	11,069,040	2,212,765
Less: amount to be recovered more than one year	**(1,441,512)**	–
	9,627,528	2,212,765
Amounts due from non-controlling shareholders *(ii)*	**5,562**	373,556
	9,699,088	2,623,876

Notes:

(i) The details of deposits, prepayments and other receivables (net of allowance for doubtful debts) are set out below:

	2017	2016
	HK$'000	*HK$'000*
Prepayments for acquisition of land use rights	**447,089**	974,946
Prepayments for acquisition of properties	**2,290,378**	–
Loans to the third parties *(a)*	**203,092**	–
Consideration receivables upon disposal of subsidiaries *(b)*	**7,159,547**	–
Others	**968,934**	1,237,819
	11,069,040	2,212,765
Less: amount to be recovered more than one year *(b)*	**(1,441,512)**	–
	9,627,528	2,212,765

(a) As at 31 December 2017, the loans to the third parties were interest-bearing at 8% to 18% per annum and recoverable within one year.

(b) As at 31 December 2017, the total consideration to be received upon disposal of subsidiaries from H-Change were HK$7,159,547,000 after discounting at the average borrowing cost plus a risk premium, HK$3,394,571,000 of which was settled at the date of this announcement. Included in the consideration receivable is an amount of HK$1,441,512,000 which is expected to be recoverable after more than one year, and classified under non-current assets.

(ii) The amount due from a non-controlling shareholder at 31 December 2017 was interest-free and recoverable on demand.

(iii) Impairment of trade debtors and other receivables

Impairment losses in respect of trade debtors and other receivable were recorded using an allowance account unless the Group was satisfied that recovery of the amount was remote, in which case the impairment loss was written off against trade debtors and other receivable directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, was as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**16,935**	16,935
Impairment loss recognised	**369,086**	–
Exchange difference	**16,061**	–
At 31 December	**402,082**	16,935

As at 31 December 2017, other receivables with an amount of HK$480,291,000 (2016: Nil) were individually determined to be impaired. The individually impaired receivables related to debtors with disputes with the Group while and management assessed that only a portion of the receivables would to be recovered. Consequently, specific allowances for doubtful debts of HK$357,292,000 (2016: Nil) were recognised in profit or loss during the year.

(iv) Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis based on due date at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
Current or under 1 month overdue	**59,477**	30,933
More than 1 month overdue and up to 3 months overdue	**546**	354
More than 3 months overdue and up to 6 months overdue	**446**	755
More than 6 months overdue and up to 1 year overdue	**3,070**	2,676
More than 1 year overdue	**2,459**	2,837
	65,998	37,555

(v) 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.

(vi) The Group's certain rental receivables and prepayments were pledged to secure bank loans.

11 TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Creditors and accrued charges	**1,138,754**	5,173,023
Rental and other deposits	**73,469**	217,890
Receipts in advance	**666,232**	828,304
Amounts due to non-controlling shareholders *(Note (i))*	**848,585**	489,259
Amount due to a related company *(Note (ii))*	**3,935**	1,981
	2,730,975	6,710,457

Notes:

(i) Apart from the amounts due to non-controlling shareholders of HK$602,388,000 (2016: HK$250,330,000) which are interest-free, all of the balances are unsecured, interest-bearing at 4.35% (2016: 20% above the 1-year RMB benchmark lending rate as determined by the People's Bank of China) and repayable within one year or on demand.

(ii) The balance is unsecured, interest-free and repayable on demand.

(iii) Included in trade and other payables are trade creditors with the following ageing analysis based on due date at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
Due within 1 month or on demand	**111,489**	696,511
Due after 1 month but within 3 months	**45,547**	148,939
Due after 3 months but within 6 months	**11,559**	49,078
Due after 6 months but within 1 year	**86,182**	253,810
Due after 1 year	**44,051**	53,379
	298,828	1,201,717

12 CAPITAL COMMITMENTS

	2017	2016
	HK$'000	*HK$'000*
Contracted for	**1,829,906**	2,012,438
Authorised but not contracted for	**1,032,130**	2,452,633
	2,862,036	4,465,071

Capital commitments are mainly related to development expenditure for the Group's properties under development and acquisition cost of the Group's projects.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Business in 2017

(1) Contracted Sales

In 2017, the Group recorded an aggregate of contracted sales of properties and contracted sales of car park units of approximately HK$1,870.2 million (of which approximately HK$1,723.9 million was from contracted sales of properties), representing a decrease of approximately 53.8% as compared with 2016. The contracted saleable GFA was approximately 125,580 sq.m., representing a decrease of approximately 33.0% as compared with 2016. The ASP of the Group's contracted sales of properties in 2017 was approximately HK$13,727.5 per sq.m. (2016: approximately HK$20,797.5 per sq.m.), representing a decrease of approximately 34.0% as compared with 2016. The decrease in the Group's overall ASP was mainly due to the contracted sales of Huizhou Phoenix City, which has a relatively lower ASP as compared to projects in other cities. In addition, the Group's contracted sales of car park units in 2017 was approximately HK$146.3 million from the sale of 1,015 car park units.

A breakdown of the total contracted sales of the Group during the year ended 31 December 2017 is set out as follows:

(a) Contracted sales of properties

City	Project and Type of Project	Contracted Saleable GFA		Contracted Sales		Contracted ASP
		sq.m.	*%*	*HK$ million*	*%*	*HK$/sq.m.*
Shanghai	Shanghai Shama Century Park					
	– serviced apartments	5,977	4.8	550.8	32.0	92,153.3
Nanchang	Nanchang Fashion Mark					
	– residential	516	0.4	10.0	0.6	19,379.8
	– retail	4,421	3.5	78.1	4.5	17,665.7
	– office	32,211	25.6	398.1	23.1	12,359.1
Sub-total		37,148	29.5	486.2	28.2	13,088.2
Nanjing	The Sunny Land – Nanjing					
	– residential	2,743	2.2	61.4	3.6	22,384.3
	– retail	1,266	1.0	47.9	2.8	37,835.7
Sub-total		4,009	3.2	109.3	6.4	27,263.7

City	Project and Type of Project	Contracted Saleable GFA		Contracted Sales		Contracted ASP
		sq.m.	*%*	*HK$ million*	*%*	*HK$/sq.m.*
Hangzhou	The Spring Land – Hangzhou					
	– retail	2,617	2.1	65.3	3.8	24,952.2
Changzhou	Changzhou Fashion Mark					
	– residential	95	0.1	0.5	–	5,263.2
	– retail	338	0.3	4.9	0.3	14,497.0
Sub-total		433	0.4	5.4	0.3	12,471.1
Changzhou	Changzhou Le Leman City					
	– residential	489	0.4	5.0	0.3	10,224.9
	– retail	786	0.6	12.1	0.7	15,394.4
Sub-total		1,275	1.0	17.1	1.0	13,411.8
Tianjin	Tianjin Le Leman City					
	– residential	15,825	12.7	108.8	6.2	6,875.2
	– retail	1,566	1.2	17.2	1.0	10,983.4
Sub-total		17,391	13.9	126.0	7.2	7,245.1
Huizhou	Huizhou Phoenix City					
	– residential	53,672	42.7	343.0	19.9	6,390.7
	– retail	3,058	2.4	20.8	1.2	6,801.8
		56,730	45.1	363.8	21.1	6,412.8
Total		125,580	100.0	1,723.9	100.0	13,727.5

(b) Contracted sales of car park units

City	Project	Number of Contracted Sales of Car Park Units		Contracted Sales		Contracted ASP
		unit	*%*	*HK$ million*	*%*	*HK$/unit*
Shanghai	Shanghai Shama Century Park	29	2.9	9.6	6.6	331,034.5
Nanchang	Nanchang Fashion Mark	145	14.3	25.0	17.1	172,413.8
Nanjing	The Spring Land – Nanjing	56	5.5	9.5	6.5	169,642.9
Nanjing	The Sunny Land – Nanjing	401	39.5	57.2	39.0	142,643.4
Hangzhou	The Spring Land – Hangzhou	130	12.8	32.3	22.1	248,461.5
Changzhou	Changzhou Le Leman City	254	25.0	12.7	8.7	50,000.0
		1,015	100.0	146.3	100.0	144,137.9

(2) Projects Delivered and Booked in 2017

For the year ended 31 December 2017, the Group's property development business in Nanchang, Nanjing, Hangzhou, Changzhou and Tianjin achieved revenue from sale of properties (excluding sale of car park units) of approximately HK$1,131.6 million with saleable GFA of approximately 87,067 sq.m. being recognised, representing a decrease of approximately 77.1% and 74.2%, respectively, as compared with the year ended 31 December 2016. The recognised ASP of the Group's sale of properties was approximately HK$12,996.9 per sq.m. for the year ended 31 December 2017. The approximately 11.3% decrease in recognised ASP was primarily attributable to a significant proportion of the recognised sale of properties (excluding sale of car park units) being contributed by the Group's retail and office project in Nanchang, which has a relatively lower ASP as compared with the year ended 31 December 2016 mainly contributed by the sale of residential units.

For the year ended 31 December 2017, the Group delivered and recognised the sale of car park units of approximately HK$181.8 million from the sale of 1,321 car park units.

Details of sale of properties and car park units of the Group recognised in 2017 are listed below:

City	Project and Type of Project	Saleable GFA Booked	Sale of Properties Recognised	Recognised ASP
		sq.m.	*HK$ million*	*HK$/sq.m.*
Nanchang	Nanchang Fashion Mark			
	– residential	4,373	62.7	14,338.0
	– retail and office	40,629	521.4	12,833.2
Sub-total		45,002	584.1	12,979.4
Nanjing	The Sunny Land – Nanjing			
	– residential	2,829	55.0	19,441.5
	– retail	4,872	168.4	34,564.9
Sub-total		7,701	223.4	29,009.2
Hangzhou	The Spring Land – Hangzhou			
	– residential	498	10.8	21,686.7
	– retail	3,698	88.0	23,796.6
Sub-total		4,196	98.8	23,546.2
Changzhou	Changzhou Fashion Mark			
	– residential	344	3.4	9,883.7
	– retail	274	3.4	12,408.8
Sub-total		618	6.8	11,003.2
Changzhou	Changzhou Le Leman City			
	– residential	10,149	61.8	6,089.3
	– retail	3,116	44.3	14,216.9
Sub-total		13,265	106.1	7,998.5
Tianjin	Tianjin Le Leman City			
	– residential	14,859	98.0	6,595.3
	– retail	1,426	14.4	10,098.2
Sub-total		16,285	112.4	6,902.1
Total		87,067	1,131.6	12,996.9

City	Project	Number of Car Park Units Booked *unit*	Sale of Car Park Units Recognised *HK$ million*	Recognised ASP *HK$/unit*
Nanchang	Nanchang Fashion Mark	437	72.7	166,361.6
Nanjing	The Sunny Land – Nanjing	404	54.9	135,891.1
Nanjing	The Spring Land – Nanjing	84	9.6	114,285.7
Hangzhou	The Spring Land – Hangzhou	142	32.8	230,985.9
Changzhou	Changzhou Le Leman City	254	11.8	46,456.7
Total		1,321	181.8	137,623.0

(3) Investment Properties (inclusive of investment properties classified as held for sale)

In addition to the sale of properties developed by the Group, the Group has also leased out or expects to lease out its investment property portfolio comprising mainly shopping malls, community commercial centres, retail shops, serviced apartments and car park units in The Spring Land – Shenzhen, Changzhou Fashion Mark, Dongguan Landmark, Hangzhou Landmark, Shenzhen Water Flower Garden, Chengdu Fashion Mark and Shanghai Shama Century Park in the PRC. As at 31 December 2017, the total fair value of the investment properties of the Group was approximately HK$4,944.2 million, representing approximately 18.3% of the Group's total asset value. The Group's investment property portfolio had a total leasable GFA of approximately 201,485 sq.m., of which investment properties under operation with a leasable GFA of approximately 201,485 sq.m. had a fair value of approximately HK$4,944.2 million. The Group recorded approximately HK$69.7 million (net of deferred tax) (for the year ended 31 December 2016: approximately HK$230.6 million) as gain in fair value of its investment properties for the year ended 31 December 2017.

The Group carefully plans and selects tenants based on factors such as a project's overall positioning, market demand in surrounding areas, market levels of rent and development needs of tenants. The presence of large-scale anchor tenants which the Group has attracted enhances the value of its projects. The Group enters into longer-term and more favourable lease contracts with such anchor and reputable tenants which include well-known brands, chain cinema operators, reputable restaurants and top operators of catering businesses. As at 31 December 2017, the GFA taken up by these anchor and reputable tenants, whose leased GFA was over 10.0% of the total leasable GFA of a single investment property, made up approximately 34.1% (as at 31 December 2016: approximately 35.9%) of the Group's total leasable area in its investment properties under operation.

For the year ended 31 December 2017, the occupancy rate decreased from approximately 83.4% as at 31 December 2016 to 77.1% as at 31 December 2017. Owing to the sale of Shanghai Shama Century Park, resulting in a reduction in the Group's leasable GFA, the Group generated rental income of approximately HK$244.7 million for the year ended 31 December 2017, representing a decrease of approximately 12.0% from approximately HK$278.0 million for the year ended 31 December 2016. The average monthly rental income of the Group's investment properties under operation for the year ended 31 December 2017 was approximately HK$107.4 per sq.m. (for the year ended 2016: approximately HK$117.8 per sq.m.). The decrease in the average monthly rental income was mainly attributable to the decrease in rental rate of the Group's existing investment property under operation, in particular, Shanghai Shama Century Park during the year ended 31 December 2017.

Details of the Group's investment properties as at 31 December 2017 and the Group's rental income for the year ended 31 December 2017 are set out as follows:

Investment Properties (inclusive of investment properties classified as held for sale)	**Leasable GFA as at 31 December 2017** *(Note 1)*	**Fair Value as at 31 December 2017**	**Rental Income for the year ended 31 December 2017**	**Average Monthly Rental Income per sq.m. for the year ended 31 December 2017**	**Occupancy Rate as at 31 December 2017**
	sq.m.	*HK$ million*	*HK$ million*	*HK$/sq.m.*	*%*
Investment properties under operation					
Changzhou Fashion Mark Phases 1 and 2 (Shopping mall and car park units)	78,068	1,499.8	48.5	88.2	58.7
Dongguan Landmark (Shopping mall and car park units)	20,172	558.4	33.4	138.0	100.0
Hangzhou Landmark (Shopping mall)	24,667	404.7	33.9	114.9	99.7
Shenzhen Water Flower Garden (Retail assets)	4,992	280.9	23.3	396.3	98.1
The Spring Land – Shenzhen Phase 1 – Fashion Walk (Retail assets)	3,356	194.5	11.0	279.8	97.6
The Spring Land – Shenzhen Phase 3 – Fashion Walk (Retail assets and car park units)	22,393	672.4	21.5	93.9	85.2
The Spring Land – Shenzhen Phase 5 – Fashion Walk (Retail assets)	3,521	214.9	10.2	249.9	96.6
The Spring Land – Shenzhen Phase 6A – Fashion Walk (Retail assets)	1,291	70.9	5.9	388.1	98.1
The Spring Land – Shenzhen Phase 6B – Fashion Walk (Retail assets)	2,893	172.9	4.2	125.4	96.5
Changzhou Le Leman City Phase 11 (Retail assets)	–	–	3.1	33.8	N/A
Chengdu Fashion Mark (Shopping mall and car park units)	38,285	768.5	40.5	112.1	78.6
Shanghai Shama Century Park (Serviced apartments and car park units)	1,847	106.3	0.5	–	N/A
Hangzhou Spring Land (Office)	–	–	8.7	35.6	N/A
Total	201,485	4,944.2	244.7	107.4	77.1

Note 1: The leasable GFA as at 31 December 2017 excluded car park units.

(4) Land Bank as at 31 December 2017

The Group is specialised in the development and operation of urban mixed-use communities and the development and sale of residential properties in the Greater Bay Area, the Yangtze River Delta, the Central China, the Beijing-Tianjin and the Chengdu-Chongqing regions in the PRC.

As at 31 December 2017, the Group had a total of 19 projects over 11 cities in various stages of development, including an estimated net saleable/leasable GFA of completed projects of approximately 229,729 sq.m., an estimated net saleable/leasable GFA of projects under development of approximately 203,241 sq.m., an estimated net saleable/leasable GFA of projects held for future development of approximately 81,387 sq.m. and an estimated net saleable/leasable GFA of projects contracted to be acquired or under application for change in land use of approximately 132,278 sq.m., totalling an estimated net saleable/leasable GFA of approximately 646,635 sq.m., the details of which are as follows:

Project no.	City	Project	Type of Project	Estimated Net Saleable/ Leasable GFA	Interest Attributable to the Group
				sq.m.	*%*
Completed Projects					
1	Shenzhen	Shenzhen Hidden Valley	Residential	4,015	100.0
2	Shenzhen	The Spring Land – Shenzhen	Commercial	33,453	100.0
3	Shenzhen	Shenzhen Water Flower Garden	Commercial	4,992	100.0
4	Changzhou	Changzhou Fashion Mark	Commercial	82,951	100.0
5	Dongguan	Dongguan Landmark	Commercial	20,172	100.0
6	Hangzhou	Hangzhou Landmark	Commercial	26,264	100.0
7	Chengdu	Chengdu Fashion Mark	Commercial	38,285	100.0
8	Shanghai	Shanghai Shama Century Park	Serviced apartments	1,847	70.0
9	Tianjin	Tianjin Le Lemen City	Residential/ Commercial	14,667	58.0
10	Nanjing	The Spring Land – Nanjing	Commercial	717	100.0
11	Nanjing	The Sunny Land – Nanjing	Residential/ Commercial	2,366	100.0
Sub-total				**229,729**	

Project no.	City	Project	Type of Project	Estimated Net Saleable/ Leasable GFA	Interest Attributable to the Group
				sq.m.	*%*
Projects Under Development					
12	Shenzhen	Shenzhen Jianshang Project	Residential/ Commercial	32,661	49.0
13	Huizhou	Huizhou Phoenix City	Residential	170,580	60.0
Sub-total				**203,241**	
Projects Held For Future Development					
9	Tianjin	Tianjin Le Lemen City	Commercial	50,850	58.0
14	Sydney, Australia	Sydney, St. Leonards Project	Residential	30,537	49.0
Sub-total				**81,387**	
Projects Contracted To Be Acquired or Under Application For Change in Land Use					
15	Hong Kong	Hong Kong Yuen Long Shap Pat Heung Road Project	Agricultural	25,968	100.0
16	Hong Kong	Hong Kong Yuen Long Tong Yan San Tsuen Road Project(1)	Agricultural	N/A	100.0
17	Shanghai	Shanghai Bay Valley Project	Commercial	97,854	70.0
18	Hong Kong	Hong Kong Sheung Shui Ma Sik Road Project(2)	Agricultural	N/A	50.0
19	Hong Kong	Hong Kong Kowloon Tong Waterloo Road Project	Residential	8,456	60.0
Sub-total				**132,278**	
Total				**646,635**	

Notes:

(1) Hong Kong Yuen Long Tong Yan San Tsuen Road Project is currently under scheme development. The site area is approximately 3,862 sq.m..

(2) Hong Kong Sheung Shui Ma Sik Road Project is currently under scheme development. The site area is approximately 9,629 sq.m..

Details of land bank in major cities are set out below:

Region/City	Estimated Net Saleable/ Leasable GFA *sq.m.*
Shenzhen and surrounding regions (including Dongguan and Huizhou)	265,873
Shanghai	99,701
Nanjing	3,083
Chengdu	38,285
Hangzhou	26,264
Tianjin	65,517
Changzhou	82,951
Hong Kong	34,424
Sydney, Australia	30,537
Total	646,635

Details of the new projects or land reserves acquired and interest agreed to be disposed of in existing projects from 1 January 2017 to the date of this announcement are set out below:

New projects or land reserves acquired:

City, Country	Project or Land Reserves	Total Consideration	Estimated Net Saleable/ Leasable GFA	Estimated Number of Car Park Units	Interest Attributable to the Group
Nanjing, PRC	Nanjing Hongshan Zoo Project[1]-	RMB290,000,000	41,000 sq.m.	325	100
Sydney, Australia	Sydney, St. Leonards Projects [2]	AUD80,117,946	30,537 sq.m.	413	49
Huizhou, PRC	Huizhou Phoenix City [3]	RMB77,000,000	170,580 sq.m.	2,100	60
Sheung Shui, Hong Kong	Hong Kong Sheung Shui Ma Sik Road Project [4]	HK$200,000,000	N/A	N/A	50
Shanghai, PRC	Shanghai Bay Valley Project [5]	RMB2,397,426,430	97,854 sq.m	210	100
Yuen Long, Hong Kong	Hong Kong Yuen Long Tong Yan San Tsuen Project [6]	HK$141,400,000	N/A	N/A	100
Kowloon Tong, Hong Kong	Hong Kong Kowloon Tong Waterloo Road Project [7]	HK$476,720,656	8,456 sq.m	28	60

Notes:

(1) On 14 February 2017, the Group successfully bid a parcel of commercial land in Nanjing, the PRC through public auction at a consideration of RMB290,000,000 (equivalent to approximately HK$323,733,000). The Group entered into a land grant contract for the land with a total site area of approximately 23,295 sq.m. on 2 March 2017. The project has been disposed of through the Disposal (as defined below), the first completion of which took place on 28 December 2017.

(2) On 10 March 2017, Top Spring Australia St Leonards No. 1 Pty Ltd ("**Top Spring Australia**"), an indirect wholly-owned subsidiary of the Group, entered into a sale and purchase agreement (as amended and supplemented by a supplemental agreement dated 3 April 2017) with Silver Pond Investments Pty Ltd (as trustee of a trust known as the "Silver Pond Unit Trust" (the "**Trust**")) (the "**Trustee**"), New Spring Developments Pty Ltd (as trustee of a discretionary family trust known as the "New Spring Family Trust") (the "**Vendor**"), New Spring Developments Pty Ltd (the "**Silver Pond Vendor**") and Mr. Wong Chun Hong, pursuant to which (i) the Vendor agreed to sell, and Top Spring Australia or its nominee agreed to purchase, the 49 units in the Trust held by the Vendor at a consideration of AUD1,436,074 (equivalent to approximately HK$8,401,033); and (ii) the Silver Pond Vendor agreed to sell, and Top Spring Australia or its nominee agreed to purchase, the 49 ordinary shares in the capital of the Trustee at a consideration of AUD49 (equivalent to approximately HK$287) (the "**Acquisition**"). Upon completion of the Acquisition in May 2017, Top Spring Australia owns (i) 49% of the units in the Trust; and (ii) 49% of the issued shares of the Trustee, and has 49% interest in 20 parcels of land with an estimated net saleable GFA of approximately 30,537 sq.m. in St. Leonards of Sydney, New South Wales, Australia. Pursuant to the above sale and purchase agreement, the Group will make a capital contribution in the amount of AUD78,681,823 (equivalent to approximately HK$460,288,665) as soon as practicable after the completion of the Acquisition. For details, please refer to the Company's announcement dated 10 March 2017 and the Company's circular dated 7 April 2017.

(3) On 13 June 2017, the Group entered into two sale and purchase agreements pursuant to which the Group agreed to purchase 60% equity interest in Huizhou City Tengxin Property Development Co., Ltd.* (惠州市騰信房地產開發有限公司) from an independent third party and 60% equity interest in Huizhou City Chengnuo Enterprise Co., Ltd.* (惠州市承諾實業有限公司) from two independent third parties, at a total consideration of RMB77,000,000 (equivalent to approximately HK$88,546,458). The two target companies collectively own the project of Huizhou Phoenix City.

(4) On 11 July 2017, the Group and an independent third party as purchasers entered into a provisional sale and purchase agreement with an independent third party as vendor for the acquisition of a number of parcels of agricultural land situated in Sheung Shui, Hong Kong for a total consideration of HK$200 million, which was settled in January 2018. The project is currently under scheme development.

(5) On 11 July 2017, the Group as purchaser entered into a provisional subscription agreement with an independent third party as vendor for the acquisition of three office buildings situated in Shanghai, the PRC for a total consideration of approximately RMB2,397,426,430 (equivalent to approximately HK$2,756,930,000), which was settled in January 2018.

(6) On 25 October 2017 and 14 November 2017, the Group as purchaser entered into provisional sale and purchase agreements with the independent third parties as vendors for the acquisition of a number of parcels of agricultural land situated in Yuen Long, Hong Kong for a total consideration of HK$141.4 million, which was settled in December 2017. The project is currently under scheme development.

(7) On 15 December 2017, the Group as purchaser entered into an agreement for sale and purchase pursuant to which the Group agreed to purchase 60% equity interest of a company holding the Hong Kong Kowloon Tong Waterloo Road Project, for a total consideration of HK$476,720,656, which was settled in March 2018.

The Group intends to continue to leverage its experience in identifying land parcels in and/or outside the PRC with investment potential at advantageous times and acquiring land reserves which are or will be well connected with transportation and infrastructure developments. Moreover, the Group intends to continue to acquire new land parcels or projects in locations in and/or outside the PRC with vibrant economies and strong growth potential, in particular, the Greater Bay Area (including Hong Kong, Shenzhen, Dongguan, Guangzhou and Huizhou), Shanghai and Sydney of Australia.

Projects agreed to be disposed of:

On 15 August 2017, the Company entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with H-Change Real Estate Group Ltd.* (和昌地產集團有限公司) ("**H-Change**"), pursuant to which (i) the Company (or its designated companies) conditionally agreed to sell, and H-Change (or its designated companies) conditionally agreed to purchase, equity interests in each of Tai Xiang Information Consulting (Shenzhen) Co., Ltd.* (泰祥信息諮詢(深圳)有限公司), Changzhou Top Spring Water Flower Property Development Co., Ltd.* (常州萊蒙水榭花都房地產開發有限公司), Shenzhen Water Flower Property Development Co., Ltd.* (深圳市水榭花都房地產有限公司) and Nanchang Top Spring Real Estate Co., Ltd.* (南昌萊蒙置業有限公司) (collectively, the "**Target Companies**"); and (ii) H-Change (or its designated companies) shall settle the intercompany loans owed by the Target Companies and/or their subsidiaries to the Group (the "**Disposal**"). The Target Companies, directly or indirectly, own eight property projects at various stages of development in six cities in the PRC.

According to the Sale and Purchase Agreement, subject to adjustments, the aggregate value of the consideration and the intercompany loans of RMB13,325,903,636 (equivalent to approximately HK$15,324,789,000), comprising (i) the consideration in an aggregate amount of RMB10,672,084,432 (equivalent to approximately HK$12,272,897,000); and (ii) the intercompany loans in an aggregate amount of RMB2,653,819,204 (equivalent to approximately HK$3,051,892,000), will be payable to the Group.

Pursuant to the supplemental agreement to the Sale and Purchase Agreement dated 13 October 2017 entered into between the Company and H-Change, the aggregate value of the consideration and the intercompany loans was adjusted to RMB12,966,083,189 (equivalent to approximately HK$15,569,264,000), comprising (i) the final amount of the consideration of RMB10,139,084,340 (equivalent to approximately HK$12,174,693,000); and (ii) the final amount of the intercompany loans of RMB2,826,998,849 (equivalent to approximately HK$3,394,571,000).

For details, please refer to the Company's announcements dated 15 August 2017 and 13 October 2017 and circular dated 26 October 2017.

The first completion of the Disposal involving 80% equity interest in each of the Target Companies took place on 28 December 2017. For details, please refer to the Company's announcement dated 28 December 2017.

(5) Projects with Expected Commencement in 2018

In 2018, the Group intends to commence construction of two projects with a total estimated net saleable/leasable GFA of approximately 34,424 sq.m..

Details of such projects are set out below:

City	**Project**	**Estimated Net Saleable/ Leasable GFA** *sq.m.*
Hong Kong	Hong Kong Yuen Long Shap Pat Heung Road Project	25,968
Hong Kong	Hong Kong Kowloon Tong Waterloo Road Project	8,456
		34,424

BUSINESS REVIEW

In 2017, the Company recorded a contracted sales of HK$1,870.2 million (2016: HK$4,048.3 million), saleable GFA of 125,580 sq.m. (2016: 187,383 sq.m.) and gross profit margin of the recognised sales of 21.5% (2016: 15.2%). Facing the uncertain market condition caused by balance sheet reduction globally, the Group had adopted a series of assets reconsolidation measures to achieve stable results of the consolidated financial statements for the current year and a very healthy level of financial condition (especially the net gearing ratio).

In 2017, the Group disposed of 8 projects with 1,980,148 sq.m. GFA across 6 cities in the PRC, recorded an asset realisation of approximately HK$11.7 billion, of which the Group had reduced HK$5.2 billion indebtedness and achieved a gearing ratio of 24.2% (2016: 43.3%) as at 31 December 2017. Meanwhile, the Company had acquired 3 parcels of land with total site area of 163,428 square feet in Hong Kong and 3 blocks of offices in Yangpu, Shanghai. Under a series of reformative measures, the Company achieved a net asset per share of HK$7.5 and cash per share of HK$4.4 as at 31 December 2017.

In 2017, the Group's rental income from investment properties was approximately HK$244.7 million (2016: HK$278.0 million), representing a decline of approximately 12.0%. This was mainly due to the fact that the Group had lower rental income from Shanghai Shama Century Park in 2017 as compared with 2016. As at 31 December 2017, the overall occupancy rate of the Group's investment properties was approximately 77.1%. As at 31 December 2017, the total leasable GFA of the Group's operating investment property portfolio slightly decreased to approximately 201,485 sq.m. from approximately 235,753 sq.m. as at 31 December 2016. As at 31 December 2017, taking into account the projects that have been completed but yet to operate or to be developed/modified in the next one to two years, the estimated total leasable GFA of the Group's investment property portfolio will reach approximately 299,338 sq.m.. Its fair value was approximately HK$7.8 billion as at 31 December 2017, representing approximately 28.9% of the Group's total asset value. In addition, as at 31 December 2017, the accumulated total area of properties managed by the Group amounted to approximately

5,210,000 sq.m., of which approximately 510,000 sq.m. was property area not developed by the Group and approximately 620,000 sq.m. was for retail purposes, with an unaudited net profit of HK$38.7 million. Currently, one of the property companies under the Group ranks 78th in the "Top 100 Real Estate Enterprises in China" and has been recognised as one of the "Top 100 Property Service Enterprises in China" for three consecutive years from 2015 to 2017 with its scale of property management expanding year on year.

As at 31 December 2017, the land bank (that is, the net saleable/leasable GFA) of 19 projects of the Group was approximately 646,635 sq.m.. In terms of land bank strategy, the Group will primarily focus on the Greater Bay Area and the first-tier cities in China, such as Shenzhen, Shanghai and Hong Kong. Since 1 January 2017, the Group has continued to identify and acquire high-quality property projects and has secured or subscribed for three property projects (including commercial, residential and office buildings, respectively) located in Nanjing, Huizhou and Shanghai in the PRC by way of bidding, acquisition of equity interests and capital injection, and entering into a subscription agreement, respectively, with the total saleable/leasable GFA of approximately 309,000 sq.m. (approximately 41,000 sq.m. of which was sold through the disposal of the project company at the end of the year). As for the overseas land bank expansion, subsequent to the Group's successful acquisition of the land located next to Tai Tong Road and Shap Pat Heung Road in Yuen Long, Hong Kong (which is currently zoned for agricultural use) in December 2015, the Group has acquired 49% interest in the development ownership right of a residential project in Sydney, Australia through the acquisition of 49% interest in the Trust in May 2017. The Group believes that the project is expected to benefit from future population growth in Sydney and the huge investment in public infrastructure by the municipal government as it is located in a prime location in proximity to Sydney's city centre with convenient transportation and good environment. In addition, the Group also entered into a provisional sale and purchase agreement with an independent third party in July 2017 to acquire a number of parcels of agricultural land located in Ma Sik Road, Sheung Shui, Hong Kong with a total site area of approximately 104,000 square feet at a consideration of HK$200 million. It has been duly completed in January 2018. With a growing demand in the real estate market in Hong Kong, the increase of land bank in Hong Kong can bring greater synergy to the Group.

FUTURE OUTLOOK

Starting from the beginning of 2017, China's real estate market has experienced significant changes. Under the circumstances of Chinese government's regulation as well as the global balance sheet reduction, it is expected that the property price will be suppressed and the real estate market will have a steady and healthy development, with no more explosive growth in the property price. In 2018, the Group is of the view that the future monetary policy will be further tightened by the Central Government of China. In fact, starting from 2018, the domestic market has experienced tightened liquidity, greater costs and restrictions on use of proceeds. On the contrary, there have been breakeven or even downward trends on returns from real estate investment projects in China. Hence, the Group believes that there will be less room for reaping profits in the future. The operation models of high indebtedness, large scale, quick turnover and small profits and quick returns previously pursued by the real estate developers will be challenged. The Group also expects that quite a few large enterprises would continue with their mergers and acquisitions in 2018, which may lead to the concentration of the majority of market share in top 20 enterprises of the top 100 real estate enterprises.

The philosophy of the Group's operation is seeking improvement while maintaining stability. It is not the Group's business philosophy to acquire expensive land in the first and second-tier cities through public land auction. The Group optimises its cash flow, liability structure, net asset per share and proportion of cash per share through the sale of undervalued asset packages, so as to acquire quality land and projects at lower price amidst the deteriorating market environment and bring fruitful and stable returns to its shareholders.

Focus on premium and boutique properties

The Group is well known and established itself as a respected developer of premium and boutique properties, especially in Shenzhen. The future development strategy of the Group is to focus on the highly potential markets, namely, the Greater Bay Area (including Hong Kong, Shenzhen, Dongguan, Guangzhou and Huizhou) and Shanghai, the PRC and Sydney, Australia; and leveraging on our experience and expertise in the development of boutique properties, to establish us as a true premium and boutique properties developer.

Active exploration of the "Property +" business opportunities

Domestically, the past two decades has seen an economic take off and increasing per capita income. The living standard has been greatly enhanced, especially with the rise of the middle class and upgrade on concept of consumption. People have placed greater emphasis on health and education. Hence, the Group will capture this historic opportunity and actively explore the new business lines of elderly healthcare and education. The Group is currently actively engaging the relevant professional institutions for business cooperation, with a target to quickly develop and build a professional, high-quality and outstanding team and business in the two sectors and to integrate the elderly healthcare and education elements with some of our properties. The Group believes that this will increase the value to our properties and at the same time providing convenience to the residents. In the near future, the Group may consider taking more ways of cooperation and direct investment to gradually increase its scale in the elderly healthcare and education sectors and improve its revenue and profit, which will in turn create a new source of profit growth and achieve the goal of capital appreciation for the Group.

Maximization of profit and shareholders' interest: maintaining and moderately increasing rental properties with stable growth, and expanding overseas real estate business

Adhering to the principle of "maximizing profit and shareholders' interest", the Group conducts investments on the premise that the existing and potential projects have to be able to provide maximum profit for its shareholders, and make profits from higher asset price so as to bring stable and higher returns to its shareholders. Looking forward, the Group considers that maintaining steadily rising rental income is highly important. Currently, the Group has rental properties of approximately 201,485 sq.m. located in the first-tier and top second-tier cities in China, which is able to bring the Group rental income of not less than HK$200 million per annum. The Group also expects to create more room for rental income growth by holding more self-owned properties or long-term leased apartments in the future.

As for the overseas real estate sector, as of the date of this announcement, the Group had 4 real estate projects in Kowloon and New Territories in Hong Kong, which will generate value of approximately HK$10.3 billion to the Group in the coming five years. Owing to high population and scarce land with huge housing demand, as well as the lower financing costs and taxation costs in Hong Kong, the Group believes that the region provides a favourable environment for operation and is able to bring satisfactory returns to the Group. In 2018, the Group will continue to actively explore investment opportunities in Hong Kong.

FINANCIAL REVIEW

In 2017, the Group's consolidated revenue and profit attributable to equity shareholders of the Company reached approximately HK$1,836.7 million and HK$4,642.2 million, respectively, decreased by approximately 67.0% and increased by approximately 435.8%, respectively, as compared with 2016. For the year ended 31 December 2017, the Group's basic and diluted earnings per Share increased by approximately 429.5% and 521.4% as compared with 2016 to approximately HK$3.23 and HK$2.61 respectively. Net assets per Share attributable to equity shareholders of the Company and the holders of PCSs increased by approximately 82.9% as compared with approximately HK$4.1 as at 31 December 2016 to approximately HK$7.5 as at 31 December 2017.

In order to maintain a stable dividend policy, the Board has recommended the payment of a final dividend of HK26 cents per Share attributable to the equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2017 (for the year ended 31 December 2016: HK22 cents per Share), subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

Revenue

Revenue 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 value-added tax and other sales related taxes and discounts allowed.

Revenue for the year ended 31 December 2017 decreased by approximately 67.0% to approximately HK$1,836.7 million from approximately HK$5,558.7 million for the year ended 31 December 2016. This decrease was primarily due to a decrease in the Group's income from sale of properties. The Group recognised property sales of approximately HK$1,313.4 million, representing approximately 71.5% of the revenue. The remaining approximately 28.5% revenue represented rental income, income from hotel operations, and property management and related services income.

Revenue from the Group's sale of properties decreased by approximately 73.9% in 2017 as compared with 2016 primarily due to a decrease of approximately 74.2% in the Group's total saleable GFA sold and delivered (excluding sale of car park units), after deduction of sales return, from approximately 337,848 sq.m. in 2016, to approximately 87,067 sq.m. in 2017. The Group's rental income decreased primarily due to the sale and delivery of Shanghai Shama Century Park which consequently reduced the rental income of the Group's investment properties under operation for the year ended 31 December 2017. Income from the Group's hotel operations remained stable as compared with 2016. As a result of an increase in the accumulated GFA of the properties managed by the Group, the income from the property management and related services 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. The Group recognises the cost of completed properties sold for a given period to the extent that revenue from such properties has been recognised in such period.

The Group's direct costs decreased to approximately HK$1,266.1 million for the year ended 31 December 2017 from approximately HK$4,548.1 million for the year ended 31 December 2016. This decrease was primarily attributable to the decrease in the saleable GFA and the related construction costs of the Group's properties completed and delivered for the year ended 31 December 2017.

Gross profit

The Group's gross profit decreased by approximately 43.5% to approximately HK$570.7 million for the year ended 31 December 2017 from approximately HK$1,010.6 million for the year ended 31 December 2016. The Group reported a gross profit margin of approximately 31.1% for the year ended 31 December 2017 as compared with approximately 18.2% for the year ended 31 December 2016. The increase in gross profit margin was primarily driven by a lower proportion of properties sold and delivered from The Sunny Land – Nanjing in 2017 which offered a relatively lower gross profit margin.

Other revenue

Other revenue decreased by approximately HK$34.8 million, or approximately 18.2%, to approximately HK$156.3 million in 2017 from approximately HK$191.1 million in 2016. The decrease was primarily attributable to the decrease in bank and other interest income.

Other net income

Other net income increased significantly by approximately 866.4% to approximately HK$7,111.4 million in 2017 from approximately HK$735.9 million in 2016, mainly due to the disposal of certain percentage of equity interests in one of the PRC subsidiaries of the Group and the disposal of equity interests of certain subsidiaries of the Group as mentioned in the paragraph headed "Management Discussion and Analysis – Review of Business in 2017 – (4) Land Bank as at 31 December 2017" in this announcement.

Selling and marketing expenses

Selling and marketing expenses decreased by approximately 37.5% to approximately HK$114.0 million for the year ended 31 December 2017 from approximately HK$182.5 million for the year ended 31 December 2016. The decrease was primarily attributable to the reductions in advertising and promotion expenses incurred in 2017 as compared with 2016. Selling and marketing expenses accounted for approximately 6.1% of total contracted sales amount in 2017 (2016: approximately 4.5%).

Administrative expenses

Administrative expenses increased by approximately 35.6% to approximately HK$1,018.3 million for the year ended 31 December 2017 from approximately HK$750.9 million for the year ended 31 December 2016. The increase was due to the increase in professional fees and staff costs incurred in 2017 as compared with 2016.

Valuation gains on investment properties and investment properties classified as held for sale

Valuation gains on investment properties and investment properties classified as held for sale decreased by approximately 60.3% to approximately HK$172.9 million for the year ended 31 December 2017 from approximately HK$436.0 million for the year ended 31 December 2016. The decrease was due to the decrease in average saleable area of Shanghai Shama Century Park which contributed relatively high contracted ASP and fair value gain in 2016 and 2017.

Finance costs

Finance costs decreased by approximately 3.5% to approximately HK$655.5 million for the year ended 31 December 2017 from approximately HK$679.4 million for the year ended 31 December 2016. The decrease was primarily attributable to the increase in the percentage of interest expenses being qualified for capitalisation from approximately 21.7% from the year ended 31 December 2016 to approximately 26.0% for the year ended 31 December 2017.

Income tax

Income tax credit of approximately HK$149.2 million in 2016 changed to an income tax expenses of approximately HK$1,592.9 million in 2017. The change was primarily attributable to (i) absence of reversal of land appreciation tax provision which amounted to approximately HK$164.0 million in 2016 and (ii) the corporate income tax for the disposal of the Target Companies to H-Change of approximately HK$1,159.5 million.

Net profit margin

The net profit margin of the Group (profit for the year to revenue) increased from approximately 16.3% in 2016 to approximately 251.0% in 2017. The increase was mainly due to the significant increase in other net income in 2017.

Non-controlling interests

The loss attributable to non-controlling interests was approximately HK$32.7 million for the year ended 31 December 2017 (for the year ended 31 December 2016: profit attributable to non-controlling interests of approximately HK$37.2 million).

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 31 December 2017, the carrying amount of the Group's cash and bank deposits was approximately HK$6,671.4 million (as at 31 December 2016: approximately HK$6,201.8 million), representing an increase of approximately 7.6% as compared with that as at 31 December 2016.

Borrowings and charges on the Group's assets

The Group had an aggregate borrowings (including bank and other borrowings, convertible bonds, bonds payable, note payable and amounts due to non-controlling shareholders) as at 31 December 2017 of approximately HK$9,486.1 million, of which approximately HK$5,523.3 million is repayable within one year, approximately HK$2,891.5 million is repayable after one year but within five years and approximately HK$1,071.3 million is repayable after five years.

As at 31 December 2017, the Group's bank loans of approximately HK$5,130.6 million (as at 31 December 2016: approximately HK$4,658.2 million), bonds payable and note payable were secured by certain investment properties (inclusive of investment properties classified as held for sale), hotel properties, other land and buildings, leasehold land held for development for sale, properties under development for sale, completed properties for sale, pledged deposits and rental receivables of the Group with total carrying values of approximately HK$9,320.9 million (as at 31 December 2016: approximately HK$9,878.2 million). As at 31 December 2017, the Group's convertible bonds were secured by equity interests of certain subsidiaries of the Group. As at 31 December 2017, the Group's note payable was secured by certain investment properties.

The carrying amounts of all the Group's bank and other borrowings, bonds payable and note payable were denominated in RMB except for certain borrowings with an aggregate amount of approximately HK$1,971.2 million (as at 31 December 2016: approximately HK$2,135.6 million) and HK$2,471.3 million (as at 31 December 2016: approximately HK$1,834.2 million) as at 31 December 2017 which were denominated in Hong Kong dollars and US dollars, respectively.

As at 31 December 2017, the Group had bank borrowings of approximately HK$1,742.0 million which bore fixed interest rates ranging from 1.3% to 7.0% per annum.

RMB990,000,000 unlisted note due 2018 (the "Note")

The Note is in the principal amount of RMB990,000,000 (equivalent to approximately HK$1,247,400,000) and bears interest from and including 15 June 2015, being the date of issue of the Note, at the rate of 10.595% per annum, payable quarterly in arrears, up to the date of redemption of the Note. For details, please refer to the Company's announcement dated 29 May 2015.

RMB800,000,000 first tranche corporate bonds due 2021 (the "Corporate Bonds Due 2021")

Shenzhen SZITIC Property Development Co., Ltd.* (深圳深國投房地產開發有限公司) ("**Shenzhen SZITIC**"), formerly an indirect wholly-owned subsidiary of the Company established in the PRC, received the "Approval Letter for the Public Offering of Corporate Bonds of Shenzhen SZITIC to Qualified Investors" (Zheng Jian Xu Ke [2016] No. 1364) from the China Securities Regulatory Commission ("**CSRC**") pursuant to which CSRC approved Shenzhen SZITIC to issue the corporate bonds of up to RMB4,000,000,000 to qualified investors. For details, please refer to the Company's announcement dated 9 September 2016.

On 14 September 2016, a total size of the first tranche Corporate Bonds Due 2021 of RMB800,000,000 (which comprises (i) Corporate Bonds Due 2021 in the principal amount of RMB500,000,000; and (ii) additional Corporate Bonds Due 2021 in the amount of RMB300,000,000 upon the exercise of the over-allotment option) was issued at the coupon rate of 5.8% per annum. The first tranche Corporate Bonds Due 2021 were listed on the Shenzhen Stock Exchange on 25 November 2016. For details, please refer to the Company's announcements dated 14 September 2016 and 22 November 2016, respectively.

Upon the first completion of the Disposal involving 80% equity interest in each of the Target Companies on 28 December 2017, Shenzhen SZITIC ceased to be a subsidiary of the Company. For details of the Disposal, please refer to the paragraph headed "Management Discussion and Analysis — Review of Business in 2017 — (4) Land Bank as at 31 December 2017" in this announcement.

US$200 million convertible bonds due 2019 (the "Bonds")

On 28 December 2015, the Company entered into the subscription agreements (the "**Subscription Agreements**") with Lord Business Holding IV Limited, Great Wall Pan Asia International Investment Co., Limited, China Orient Enhanced Income Fund and Caiyun International Investment Limited* (彩雲國際投資有限公司) (collectively referred to as "**Investors**") pursuant to which, on the terms and subject to the conditions of the Subscription Agreements, the Company has agreed to issue, and the Investors have agreed to subscribe and pay for the Bonds in the aggregate principal amount of US$200 million due 2019. For details, please refer to the Company's announcement dated 29 December 2015.

The Bonds in the aggregate principal amount of US$100 million each were issued to the respective Investors on 6 January 2016 and 21 March 2016, respectively. For details, please refer to the Company's announcements dated 6 January 2016 and 21 March 2016, respectively.

The Bonds bear interest at the rate of 6.0% per annum payable semi-annually in arrear on 6 January and 6 July in each year. The liability component of the Bonds is stated at amortised cost and the conversion option is stated at fair value after initial recognition.

As at 31 December 2017, the Group recognised derivative financial instruments relating to the conversion option and liability component of the Bonds of approximately HK$242.5 million and approximately HK$1,299.3 million, respectively.

The Bonds will, at the option of the bondholders, be convertible into fully paid ordinary shares in the issued and paid up capital of the Company at an initial conversion price of HK$3.8289 per Share, but will be subject to adjustment in accordance with the terms and conditions of the Bonds. If the Bonds have not been converted, they will be redeemed at US$1,136.04 in respect of each Calculation Amount (as defined in the Company's circular dated 26 February 2016) on 6 January 2019 together with interest accrued but unpaid to (but excluding) such date (if any).

Pursuant to the provisions of the adjustments to the conversion price as stated in the terms and conditions of the Bonds, the conversion price, initially HK$3.8289 per Share, was adjusted to HK$3.4910 per Share as a result of the declaration of the final dividend of HK22 cents per Share for the year ended 31 December 2016 approved by the shareholders of the Company at the annual general meeting of the Company held on 23 May 2017 with effect from 10 June 2017, being the day immediately after the record date for the determination of the entitlement to the above final dividend. For the details, please refer to the Company's announcement dated 29 May 2017.

During the year ended 31 December 2017, US$35,169,000 worth Bonds were converted into 78,102,177 Shares.

As at 31 December 2017, if the remaining Bonds are fully converted into Shares, it will be converted into 366,051,359 Shares, representing approximately 26.5% of the total issued share capital of the Company as at 31 December 2017.

RMB1,900,000,000 Domestic Corporate Bonds Due 2020 (the "Corporate Bonds")

On 27 April 2017, Shenzhen SZITIC completed the non-public issue of the Corporate Bonds with an issue size of RMB1,900,000,000. The Corporate Bonds were issued in two types. The first type has a term of three years, in respect of which Shenzhen SZITIC is entitled to opt to adjust the coupon rate while the investors are entitled to opt to sell back the Corporate Bonds as at the end of the second year. The coupon rate is 7.50% and the issue size was RMB1,650,000,000. The second type has a term of three years, in respect of which Shenzhen SZITIC is entitled to opt to adjust the coupon rate while the investors are entitled to opt to sell back the Corporate Bonds as at the end of the first year and second year. The coupon rate is 7.28% and the issue size was RMB250,000,000. For details, please refer to the Company's announcement dated 27 April 2017.

Upon the first completion of the Disposal involving 80% equity interest in each of the Target Companies on 28 December 2017, Shenzhen SZITIC ceased to be a subsidiary of the Company. For details of the Disposal, please refer to the paragraph headed "Management Discussion and Analysis — Review of Business in 2017 — (4) Land Bank as at 31 December 2017".

Cost of borrowings

The Group's average cost of borrowings (calculated by dividing total interest expenses expensed and capitalised by average borrowings during the year) was approximately 9.5% in 2017 (2016: approximately 8.6%).

Net gearing ratio

The net gearing ratio is calculated by dividing the Group's net borrowings (total borrowings net of cash and cash equivalents, and restricted and pledged deposits) by the total equity. The Group's net gearing ratio decreased from approximately 43.3% as at 31 December 2016 to approximately 24.2% as at 31 December 2017. The net gearing ratio decreased as a result of the increase in cash position of the Group and increase in total equity as at 31 December 2017 owing to disposal of certain companies during 2017.

Foreign exchange risk

As at 31 December 2017, the Group had cash balances denominated in RMB of approximately RMB4,649.8 million (equivalent to approximately HK$5,583.3 million), and in US dollars of approximately US$37.7 million (equivalent to approximately HK$294.3 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 general and administrative expenses and other 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. The Group does not have a foreign currency hedging policy. However, the Directors monitor the Group's 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.

NET ASSETS PER SHARE

Net assets per Share of the Company as at 31 December 2017 and 31 December 2016 are calculated as follows:

	As at 31 December 2017	As at 31 December 2016
Net assets attributable to equity shareholders of the Company *(HK$'000)*	**11,450,546**	5,898,896
Number of issued ordinary Shares *('000)*	**1,383,439**	1,183,776
Number of outstanding PCSs *('000)*	**143,553**	238,553
Number of Shares for the calculation of net assets per Share *('000)*	**1,526,992**	1,422,329
Net assets per Share attributable to equity shareholders of the Company and the holders of PCSs *(HK$) (Note)*	**7.5**	4.1

Note: The net assets per Share attributable to the equity shareholders of the Company and the holders of PCSs is calculated as if the holders of PCSs have converted the PCSs into Shares as at 31 December 2017 and 31 December 2016.

The increase in net assets per Share attributable to the equity shareholders of the Company and the holders of PCSs from HK$4.1 as at 31 December 2016 to HK$7.5 as at 31 December 2017 was mainly due to increase in the total equity owing to disposal of certain companies during 2017.

CONTINGENT LIABILITIES

As at 31 December 2017, save for the guarantees of approximately HK$859.6 million (as at 31 December 2016: approximately HK$4,508.5 million) given to the financial institutions for the mortgage loan facilities granted to the purchasers of the Group's properties. The Group had no other material contingent liabilities.

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

MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS

(a) On 27 February 2017, Shenzhen Water Flower Property Development Co., Ltd.* (深圳市水榭花都房地產有限公司) ("**Shenzhen Water Flower**"), a wholly-owned subsidiary of the Company, entered into a termination agreement with Shenzhen Zongxin Shiye Investment Company Limited* (深圳市宗新實業投資有限公司) ("**Shenzhen Zongxin**"), Shenzhen Yanhan Shiye Company Limited* (深圳市燕翰實業有限公司) (the "**Project Company**"), Shenzhen Zhujiang Junan Cement Products Company Limited* (深圳珠江均安水泥製品有限公司) and Shenzhen Jianning Real Estate Investment Company Limited* (深圳市健寧房地產投資有限公司) to terminate a cooperation agreement dated 21 October 2014 entered into among the same parties (the "**Termination**"). As a result of the Termination, Shenzhen Zongxin entered into an agreement in February 2017 to repurchase from Shenzhen Water Flower 40% of the equity interests in the Project Company acquired and owned by Shenzhen Water Flower upon fulfilment of certain conditions. The completion of the repurchase of equity interests took place in March 2017. For details of the Termination, please refer to the Company's announcement dated 27 February 2017.

(b) On 10 March 2017, Top Spring Australia, an indirect wholly-owned subsidiary of the Group, entered into a sale and purchase agreement (as amended and supplemented by a supplemental agreement dated 3 April 2017) with Silver Pond Investments Pty Ltd (as trustee of a trust known as the "Silver Pond Unit Trust" (the "**Trust**") (the "**Trustee**"), New Spring Developments Pty Ltd (as trustee of a discretionary family trust known as the "New Spring Family Trust") (the "**Vendor**"), New Spring Developments Pty Ltd (the "**Silver Pond Vendor**") and Mr. Wong Chun Hong, pursuant to which (i) the Vendor agreed to sell, and Top Spring Australia or its nominee agreed to purchase, the 49 units in the Trust held by the Vendor at a consideration of AUD1,436,074 (equivalent to approximately HK$8,401,033); and (ii) the Silver Pond Vendor agreed to sell, and Top Spring Australia or its nominee agreed to purchase, the 49 ordinary shares in the capital of the Trustee at a consideration of AUD49 (equivalent to approximately HK$287) (the "**Acquisition**"). Upon completion of the Acquisition in May 2017, Top Spring Australia owns (i) 49% of the units in the Trust; and (ii) 49% of the issued shares of the Trustee, and has 49% interest in 20 parcels of land with an estimated net saleable GFA of approximately 30,537 sq.m. in St. Leonards of Sydney, New South Wales, Australia. Pursuant to the above sale and purchase agreement, the Group will make a capital contribution in the amount of AUD78,681,823 (equivalent to approximately HK$460,288,665) as soon as practicable after the completion of the Acquisition. For details, please refer to the Company's announcement dated 10 March 2017 and the Company's circular dated 7 April 2017.

(c) On 15 August 2017, the Company entered into the Sale and Purchase Agreement with H-Change, pursuant to which (i) the Company (or its designated companies) conditionally agreed to sell, and H-Change (or its designated companies) conditionally agreed to purchase, (a) the entire equity interest in Tai Xiang Information Consulting (Shenzhen) Co., Ltd.* (泰祥信息諮詢(深圳)有限公司) ("**Tai Xiang**"); (b) 79% equity interest in Changzhou Top Spring Water Flower Property Development Co., Ltd.* (常州萊蒙水榭花都房地產開發有限公司) ("**Changzhou Top Spring**"); (c) 25% equity interest in Shenzhen Water Flower; and (d) 19% equity interest in Nanchang

Top Spring Real Estate Co., Ltd.* (南昌萊蒙置業有限公司) ("**Nanchang Top Spring**") (Tai Xiang, Changzhou Top Spring, Shenzhen Water Flower and Nanchang Top Spring, collectively the "**Target Companies**"); and (ii) H-Change (or its designated companies) shall settle the interest-free loans owed by the Target Companies and/or their subsidiaries to the Group in the aggregate principal amount of RMB2,653,819,204 (equivalent to approximately HK$3,051,892,000) in the aggregate consideration of RMB13,325,903,636 (equivalent to approximately HK$15,324,789,000). On 13 October 2017, the Company and H-Change entered into a supplemental agreement to the Sale and Purchase Agreement to adjust the aggregate consideration to RMB12,966,083,189 (equivalent to approximately HK$15,569,264,000). The first completion of the Disposal involving 80% equity interest in each of the Target Companies took place on 28 December 2017. For details, please refer to announcements dated 15 August, 13 October and 28 December 2017, and the circular dated 26 October 2017 of the Company.

Save as disclosed above and elsewhere in this announcement, the Group did not have any material acquisitions or disposals of assets during the year ended 31 December 2017.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there are no material events affecting the Group after the end of the reporting period.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group employed a total of approximately 1,302 employees (as at 31 December 2016: 1,499 employees) in the PRC, Hong Kong and other locations, of which, approximately 99 were under the headquarters team, approximately 286 were under the property development division, approximately 897 were under the retail operation and property management division, approximately 3 were under education and approximately 17 were under funds. For the year ended 31 December 2017, the total staff and related costs incurred was approximately HK$715.2 million (for the year ended 31 December 2016: approximately HK$362.1 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, fringe benefits, 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 year ended 31 December 2017, 8,596,499 (for the year ended 31 December 2016: 1,502,666) share options had been exercised by the grantees and 761,400 (for the year ended 31 December 2016: 14,832) share options had been lapsed. As a result, 2,136,197 (as at 31 December 2016: 11,494,096) share options were outstanding as at 31 December 2017 under the pre-IPO share option scheme.

The Company 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, 20 June 2013, 28 April 2015, 8 September 2015 and 23 October 2015, the Group granted 15,720,000 share options (Lot 1), 14,000,000 share options (Lot 2), 82,650,000 share options (Lot 3), 3,000,000 share options (Lot 4), 10,000,000 share options (Lot 5) and 31,000,000 share options (Lot 6), respectively, under the post-IPO share option scheme at the exercise prices of HK$2.264 per Share (adjusted), HK$4.14 per Share, HK$3.3 per Share, HK$3.65 per Share, HK$3.45 per Share and HK$2.796 per Share, respectively, to certain Directors, senior management and selected employees of the Group.

Movement of the outstanding share options under the pre-IPO and post-IPO share option scheme for the year ended 31 December 2017 is as follows:

	Exercise Price *HK$ per Share*	**As at 1 January 2017**	**Share options granted**	**Share options exercised**	**Share options cancelled**	**Share options lapsed**	**As at 31 December 2017**
Pre-IPO	1.78	11,494,096	–	8,596,499	–	761,400	2,136,197
Post-IPO							
Lot 1	2.264	10,843,500	–	4,837,500	–	840,000	5,166,000
Lot 2	4.14	7,850,000	–	774,000	–	360,000	6,716,000
Lot 3	3.3	64,860,000	–	11,862,000	–	2,940,000	50,058,000
Lot 4	3.65	2,000,000	–	332,500	–	100,000	1,567,500
Lot 5	3.45	10,000,000	–	–	–	–	10,000,000
Lot 6	2.796	31,000,000	–	158,500	–	500,000	30,341,500
Sub-total		126,553,500	–	17,964,500	–	4,740,000	103,849,000
Total		138,047,596	–	26,560,999	–	5,501,400	105,985,197

ANNUAL GENERAL MEETING

An annual general meeting (the "**AGM**") of the Company is scheduled to be held on Wednesday, 23 May 2018, notice of which will be published and despatched to the shareholders of the Company as soon as practicable in accordance with the Company's articles of association and the Listing Rules.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK26 cents per Share attributable to the equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2017 (for the year ended 31 December 2016: HK22 cents) to the shareholders and the holders of PCSs whose names appear on the register of members or the register of holders of PCSs of the Company on Wednesday, 6 June 2018. Upon approval by the shareholders at the AGM, it is expected that the final dividend will be payable on Wednesday, 20 June 2018.

CLOSURE OF REGISTER OF MEMBERS AND REGISTER OF HOLDERS OF THE PCSs

For the purposes of determining the eligibility of the shareholders to attend and vote at the AGM and their entitlements to the proposed final dividend, the register of members and the register of holders of the PCSs of the Company will be closed as set out below:

(i) For determining the eligibility of the shareholders of the Company to attend and vote at the AGM or any adjournment of such meeting:

The register of members and the register of holders of the PCSs of the Company will be closed from Thursday, 17 May 2018 to Wednesday, 23 May 2018 (both days inclusive), during which period no transfer of the Shares and PCSs will be effected.

In order to qualify for attending and voting at the AGM or any adjournment of such meeting, (a) in the case of the Shares, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong (the "**Hong Kong Share Registrar**"), Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Wednesday, 16 May 2018; and (b) in the case of the PCSs, the notice of conversion in prescribed form, together with the relevant certificate of the PCSs and confirmation that any amounts required to be paid by the holder of the PCSs have been so paid, must be duly completed, executed and deposited with the Company at Rooms 04–08, 26th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 9 May 2018.

The record date for such purposes is Wednesday, 23 May 2018.

(ii) For determining the entitlement of the shareholders and the holders of PCSs to the proposed final dividend:

The register of members and the register of holders of the PCSs of the Company will be closed from Friday, 1 June 2018 to Wednesday, 6 June 2018 (both days inclusive), during which period no transfer of the Shares and PCSs will be effected.

In order to qualify for the proposed final dividend, (a) in the case of the Shares, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Hong Kong Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Thursday, 31 May 2018; and (b) in the case of the PCSs, all transfers of the PCSs accompanied by the relevant certificate of the PCSs must be lodged with the Company at Rooms 04–08, 26th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 24 May 2018.

The record date for such purposes is Wednesday, 6 June 2018.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with all the Code Provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**CG Code**") during the year ended 31 December 2017 and, where appropriate, adopted the Recommended Best Practices set out in the CG Code, except for the following deviation:

Under Code Provision A.2.1 of the CG 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 year ended 31 December 2017, Mr. WONG Chun Hong performed his duties as the chairman and a co-chief executive officer of the Company. The Board believes that the serving by the same individual as the chairman and a co-chief executive officer during the rapid development of the business is beneficial to the consistency of business plans and decision-making of the Company. Since the appointment of Mr. CHEN Feng Yang as a co-chief executive officer on 1 October 2015 (Mr. CHEN Feng Yang subsequently resigned as an executive Director and a co-chief executive officer on 1 March 2018), the powers and authorities between the co-chief executive officers have not been concentrated as the responsibilities have been shared between the co-chief executive officers. 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.

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise interests of the shareholders of the Company.

Details of the Company's corporate governance practices will be set out in the Company's 2017 annual report.

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 during the year ended 31 December 2017.

REVIEW OF CONSOLIDATED ANNUAL RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") has reviewed the accounting principles and practice adopted by the Group and has reviewed the consolidated annual results of the Group for the year ended 31 December 2017. The Audit Committee comprises three independent non-executive Directors, namely Mr. CHENG Yuk Wo (Chairman), Professor WU Si Zong and Mr. CHEN Yee Herman.

The financial figures in this announcement have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2017 and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and at the website of the Company at www.topspring.com. The 2017 annual report will be despatched to the shareholders 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, 14 March 2018

As at the date of this announcement, the executive Directors are Mr. WONG Chun Hong, Mr. YUAN Zhi Wei, Mr. CHEN Zhi Xiang and Ms. LAM Mei Ka, Shirley; the non-executive Directors are Mr. XU Lei and Mr. YIP Hoong Mun; and the independent non-executive Directors are Mr. CHENG Yuk Wo, Professor WU Si Zong and Mr. CHEN Yee, Herman.

Note: Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Accordingly, figures shown as total sums in certain tables may not be an arithmetic aggregation of figures preceding them.

* *For identification purposes only*