萊蒙國際
TOPSPRiNG

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 2018

HIGHLIGHTS

- For the year ended 31 December 2018, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK$895.4 million. The pre-sales of properties was approximately HK$869.1 million with pre-sold GFA of approximately 112,715 sq.m. and ASP of approximately HK$7,710.6 per sq.m., representing a decrease of approximately 64.0%, 44.2% and 33.5%, respectively, as compared with 2017.

- As at 31 December 2018, the Group had a total of 18 projects over 10 cities in various stages of development with a total estimated net saleable/leasable GFA of approximately 505,726 sq.m..

- Revenue for the year ended 31 December 2018 decreased by approximately 66.3% to approximately HK$619.7 million from approximately HK$1,836.7 million for the year ended 31 December 2017.

- For the year ended 31 December 2018, the Group generated recurring rental income of approximately HK$245.4 million (2017: approximately HK$244.7 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 2018, the investment property portfolio (inclusive of investment properties classified as held for sale) had a total leasable GFA of approximately 220,970 sq.m. and a fair value of approximately HK$5,808.9 million, representing approximately 20.4% of the Group's total asset value.

- Gross profit margin increased to approximately 54.9% for the year ended 31 December 2018 from approximately 31.1% for the year ended 31 December 2017.

- For the year ended 31 December 2018, the net profit margin of the Group was approximately 20.6% (for the year ended 31 December 2017: approximately 251.0%). For the year ended 31 December 2018, the profit attributable to equity shareholders of the Company was approximately HK$102.6 million (for the year ended 31 December 2017: approximately HK$4,642.2 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 2018 were approximately HK$0.07 and HK$0.02 respectively, representing a decrease of approximately 97.8% and 99.2% respectively as compared with 2017.

- Net assets per Share attributable to equity shareholders of the Company and the holders of PCSs as at 31 December 2018 was approximately HK$6.9 (as at 31 December 2017: approximately HK$7.5).

- As at 31 December 2018, the net gearing ratio of the Group increased to approximately 29.5% from approximately 24.2% as at 31 December 2017.

- The Board has recommended the payment of a final dividend of HK6 cents per Share to equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2018 (for the year ended 31 December 2017: HK26 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 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018** *HK$'000*	2017 *(Note)* *HK$'000*
Revenue	*3*	**619,712**	1,836,705
Direct costs		**(279,768)**	(1,266,053)
Gross profit		**339,944**	570,652
Valuation gains on investment properties and investment properties classified as held for sale		**292,344**	172,934
Other revenue	*4*	**710,087**	156,322
Other net income	*5*	**256,948**	7,480,450
Selling and marketing expenses		**(30,373)**	(114,014)
Administrative expenses		**(320,462)**	(1,018,344)
Impairment loss on trade and other receivables		**(104,078)**	(369,086)
Loss arising from the derecognition of financial assets measured at amortised cost		**(116,529)**	–
Profit from operations		**1,027,881**	6,878,914
Finance costs	*6(a)*	**(533,574)**	(655,530)
Share of losses of associates		**(76,317)**	(20,160)
Share of losses of joint ventures		**(7,839)**	(754)
Profit before taxation	*6*	**410,151**	6,202,470
Income tax expense	*7*	**(282,352)**	(1,592,912)
Profit for the year		**127,799**	4,609,558
Attributable to:			
Equity shareholders of the Company		**102,610**	4,642,246
Non-controlling interests		**25,189**	(32,688)
Profit for the year		**127,799**	4,609,558
Earnings per share (HK$)	*8*		
Basic		**0.07**	3.23
Diluted		**0.02**	2.61

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated except for separately presenting impairment losses on trade and other receivables. See Note 2.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
		(Note)
	HK$'000	*HK$'000*
Profit for the year	**127,799**	4,609,558
Other comprehensive income for the year (after reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– financial statements of foreign subsidiaries	**(530,189)**	1,064,518
– reclassified to profit or loss upon disposal of subsidiaries	**(2,450)**	(263,781)
	(532,639)	800,737
Share of other comprehensive income of associates and joint ventures	**(48,071)**	81,016
	(580,710)	881,753
Total comprehensive income for the year	**(452,911)**	5,491,311
Attributable to:		
Equity shareholders of the Company	**(470,179)**	5,442,801
Non-controlling interests	**17,268**	48,510
Total comprehensive income for the year	**(452,911)**	5,491,311

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	Note	2018 HK$'000	2017 (Note) HK$'000
Non-current assets			
Investment properties		**5,704,379**	4,837,896
Other property, plant and equipment		**154,094**	153,680
		5,858,473	4,991,576
Intangible assets		**3,769**	–
Goodwill		**40,736**	–
Interest in associates		**11,558**	1,385,817
Interest in joint ventures		**479,290**	533,571
Other financial assets		**1,487,235**	151,309
Other receivables	*10*	**–**	1,441,512
Deferred tax assets		**224,170**	307,752
		8,105,231	8,811,537
Current assets			
Inventories and other contract costs		**10,040,990**	1,641,881
Other financial assets		**341,497**	–
Trade and other receivables	*10*	**1,849,598**	9,699,088
Prepaid tax		**23,171**	51,703
Restricted and pledged deposits		**2,565,681**	2,071,706
Cash and cash equivalents		**5,488,739**	4,599,697
		20,309,676	18,064,075
Investment properties classified as held for sale		**104,539**	106,274
		20,414,215	18,170,349
Current liabilities			
Trade and other payables	*11*	**4,117,258**	2,730,975
Contract liabilities		**155,479**	–
Bank and other borrowings		**3,322,635**	2,921,827
Convertible bonds		**1,461,691**	–
Derivative financial instruments		**–**	242,478
Note payable		**–**	1,183,283
Bonds payable		**783,150**	1,171,920
Tax payable		**1,516,734**	2,213,830
Provision		**24,408**	8,923
		11,381,355	10,473,236
Net current assets		**9,032,860**	7,697,113
Total assets less current liabilities		**17,138,091**	16,508,650

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018 (CONTINUED)

	Note	**2018** **HK$'000**	2017 *(Note)* *HK$'000*
Non-current liabilities			
Bank and other borrowings		**5,403,679**	2,663,521
Convertible bonds		**–**	1,299,330
Deferred tax liabilities		**1,023,450**	889,842
Provision		**14,906**	43,048
		6,442,035	4,895,741
NET ASSETS		**10,696,056**	11,612,909
CAPITAL AND RESERVES			
Share capital		**138,558**	138,344
Reserves		**10,443,721**	11,312,202
Total equity attributable to equity shareholders of the Company		**10,582,279**	11,450,546
Non-controlling interests		**113,777**	162,363
TOTAL EQUITY		**10,696,056**	11,612,909

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

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 ("**Listing Date**").

The principal activity of the Company is investment holding and the principal activities of the Group are property development, property investment, property management and related services and education 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 2018 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. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

2 CHANGES IN ACCOUNTING POLICIES

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

– HKFRS 9, *Financial instruments (i)*

– HKFRS 15, *Revenue from contracts with customers (ii)*

– HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

Due to the transition methods chosen by the Group in applying the new standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss on trade and other receivables.

The adoption of HK(IFRIC) 22 does not have any material impact on the financial statements of the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, *Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. However, there is no impact to the opening equity at 1 January 2018 by the initial application of HKFRS 9. The comparative information continues to be reported under HKAS 39.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to HKFRS 15 on retained earnings and the related tax impact at 1 January 2018:

	HK$'000
Retained earnings	
Capitalisation of sales commissions	5,787
Related tax	(1,447)
Net increase in total equity at 1 January 2018	4,340
Net increase in non-controlling interests at 1 January 2018	(1,736)
Net increase in retained earnings at 1 January 2018	2,604

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

Revenue represents income from sale of properties, rental income, income from provision of property management and related services and income from provision of education related services earned during the year, net of value added tax and other sales related taxes and discounts allowed.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018	2017
		(Note)
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of properties	**97,782**	1,313,371
– Property management and related services income	**231,024**	211,131
– Education related services income	**45,458**	–
– Hotel operations	**–**	67,504
	374,264	1,592,006
Revenue from other sources		
Rental income	**245,448**	244,699
	619,712	1,836,705

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11 (see Note 2).

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. 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.

– 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.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

– Education related services: this segment mainly provides education related services and products to students.

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

During the year, due to the change of strategy of the Group, the segment related to medical and healthcare services was no longer a reportable segment for the Group.

(i) 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:

Segment assets include all tangible, non-current and current assets with the exception of interests in associates and joint ventures, receivables from third parties without specified dates of settlement included in financial assets other than those related to financial instruments 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 interest, 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 revenue and net income, valuation change on investment properties and investment properties classified as held for sale, loss arising from the derecognition of financial assets measured at amortised cost, impairment loss on trade and other receivables and other head office or corporate expenses.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning inter-segment sales, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation and amortisation, provision on inventories, valuation changes on investment properties and investment properties classified as held for sale, loss arising from the derecognition of financial assets measured at amortised cost, impairment loss on trade and other receivables and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

Disaggregation of revenue from contracts with customers, revenue from other sources as well as 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 years ended 31 December 2018 and 2017 is set out below.

2018

	Property development 2018	Property investment 2018	Property management and related services 2018	Education related services 2018	Hotel operations 2018	Total 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	**97,783**	**245,448**	**231,023**	**45,458**	**–**	**619,712**
Inter-segment revenue	–	55,976	89,764	–	–	145,740
Reportable segment revenue	**97,783**	**301,424**	**320,787**	**45,458**	**–**	**765,452**
Reportable segment (loss)/ profit (adjusted EBITDA)	**(87,114)**	**156,205**	**29,034**	**1,145**	**–**	**99,270**
Interest income from bank deposits	56,250	1,172	932	1	–	58,355
Interest expense	(492,392)	(25,588)	(15,042)	(552)	–	(533,574)
Depreciation and amortisation	(4,631)	(3,723)	(1,302)	(484)	–	(10,140)
Impairment loss on trade and other receivables	(90,506)	–	(13,572)	–	–	(104,078)
Loss arising from the derecognition of financial assets measured at amortised cost	(116,529)	–	–	–	–	(116,529)
Valuation gains on investment properties and investment properties classified as held for sale	–	292,344	–	–	–	292,344
Reportable segment assets	**20,940,696**	**5,712,863**	**483,647**	**208,597**	**–**	**27,345,803**
Additions to non-current segment assets during the year	584	320,144	1,674	88	–	322,490
Reportable segment liabilities	**(13,707,368)**	**(970,705)**	**(297,787)**	**(59,303)**	**–**	**(15,035,163)**

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

2017

	Property development 2017 *HK$'000*	Property investment 2017 *HK$'000*	Property management and related services 2017 *HK$'000*	Education related services 2017 *HK$'000*	Hotel operations 2017 *HK$'000*	Total 2017 *HK$'000*
Revenue from external customers	1,313,371	244,699	211,131	–	67,504	1,836,705
Inter-segment revenue	–	62,532	96,590	–	–	159,122
Reportable segment revenue	1,313,371	307,231	307,721	–	67,504	1,995,827
Reportable segment (loss)/ profit (adjusted EBITDA)	(220,673)	151,925	31,663	–	3,027	(34,058)
Interest income from bank deposits	88,622	2,802	928	–	–	92,352
Interest expense	(644,517)	(5,535)	(5,478)	–	–	(655,530)
Depreciation and amortisation	(14,988)	(3,237)	(975)	–	(16,131)	(35,331)
Provision on inventories	(19,251)	–	–	–	–	(19,251)
Impairment loss on trade and other receivables	(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	–	–	24,309,440
Additions to non-current segment assets during the year	5,815	574	5,839	–	227	12,455
Reportable segment liabilities	(11,305,169)	(398,299)	(287,772)	–	(13,700)	(12,004,940)

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**765,452**	1,995,827
Elimination of inter-segment revenue	**(145,740)**	(159,122)
Consolidated revenue	**619,712**	1,836,705
Profit		
Reportable segment profit/(loss) derived from Group's external customers	**99,270**	(34,058)
Share of losses of associates	**(76,317)**	(20,160)
Share of losses of joint ventures	**(7,839)**	(754)
Other revenue and net income	**967,035**	7,636,772
Impairment loss on trade and other receivables	**(104,078)**	(369,086)
Loss arising from the derecognition of financial assets measured at amortised cost	**(116,529)**	–
Depreciation and amortisation	**(12,563)**	(37,937)
Finance costs	**(533,574)**	(655,530)
Valuation gains on investment properties and investment properties classified as held for sale	**292,344**	172,934
Unallocated head office and corporate expenses	**(97,598)**	(489,711)
Consolidated profit before taxation	**410,151**	6,202,470
Assets		
Reportable segment assets	**27,345,803**	24,309,440
Interest in associates	**11,558**	1,385,817
Interest in joint ventures	**479,290**	533,571
Other financial assets	**188,769**	151,309
Prepaid tax	**23,171**	51,703
Deferred tax assets	**224,170**	307,752
Unallocated head office and corporate assets	**246,685**	242,294
Consolidated total assets	**28,519,446**	26,981,886
Liabilities		
Reportable segment liabilities	**(15,035,163)**	(12,004,940)
Tax payable	**(1,516,734)**	(2,213,830)
Deferred tax liabilities	**(1,023,450)**	(889,842)
Unallocated head office and corporate liabilities	**(248,043)**	(260,365)
Consolidated total liabilities	**(17,823,390)**	(15,368,977)

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment property, other property, plant and equipment, intangible assets, goodwill and interests in associates, joint ventures, receivables from third parties without specified dates of settlement ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of investment properties and other property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets, goodwill and other non-current receivables, and the location of operations, in the case of interests in associates and joint ventures.

	Revenue from external customers		**Specified non-current assets**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China (place of domicile)	**567,083**	1,836,705	**6,882,137**	7,879,752
Hong Kong	**52,629**	–	**401,581**	750
Australia	**–**	–	**409,714**	471,974
	619,712	1,836,705	**7,693,432**	8,352,476

4 OTHER REVENUE

	2018 *HK$'000*	2017 *HK$'000*
Interest income on financial assets measured at amortised cost	**421,592**	–
Bank interest income	**62,263**	100,419
Other interest income	**181,819**	8,797
Construction management service income	**3,241**	11,981
Rental income from operating leases, other than those relating to investment properties	**36,558**	18,743
Other service income	**2,093**	10,246
Others	**2,521**	6,136
	710,087	156,322

5 OTHER NET INCOME

	2018 *HK$'000*	2017 *HK$'000* *(Note)*
Net gain on disposal of subsidiaries	**20,030**	7,832,517
Compensation income for return of prepaid investment cost	**229,657**	–
Fair value loss on financial assets measured at fair value through profit or loss ("**FVPL**")	**(179,304)**	–
Impairment loss on available-for-sale investments	**–**	(207,469)
Net exchange gain/(loss)	**5,963**	(54,372)
Net (loss)/gain on sale of investment properties classified as held for sale	**(450)**	15,645
Net gain/(loss) on disposal of property, plant and equipment	**730**	(47)
Amortisation of loss arising from the issuance of convertible bonds	**(62,898)**	(75,379)
Fair value change on conversion option embedded in convertible bonds	**243,220**	(127,123)
Gain on previously held interest in subsidiaries upon loss of control	**–**	82,090
Net gain on disposal of interest in joint venture	**–**	42,425
Loss on conversion of convertible bonds	**–**	(12,858)
Investment income	**–**	25,686
Provision on inventories	**–**	(19,251)
Provision for leaseback arrangements	**–**	(49,961)
Others	**–**	28,547
	256,948	7,480,450

Note: Impairment losses on trade and other receivables of HK$369,086,000 for the year ended 31 December 2017 was separately presented in the consolidated statement of profit or loss.

6 PROFIT BEFORE TAXATION

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

	2018	2017
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank and other borrowings	**349,779**	326,181
Interest on convertible bonds	**169,671**	190,061
Interest on note payable	**62,185**	120,598
Interest on amounts due to non-controlling shareholders	**14,697**	10,175
Interest on bonds payable	**81,272**	182,840
Accrued interest on significant financing component of contract liabilities	**1,038**	–
Other borrowing costs	**23,622**	55,692
	702,264	885,547
Less: Amount capitalised *(Note)*	**(168,690)**	(230,017)
	533,574	655,530

Note: The borrowing costs have been capitalised at rates ranging from 1.56% to 16.6% (2017: 1.27% to 13.98%) per annum for the year ended 31 December 2018.

	2018	2017
(b) Staff costs		
Salaries, wages and other benefits *(Note)*	**116,379**	673,767
Contributions to defined contribution retirement plans	**11,353**	20,853
Equity settled share-based payment expenses	**9,163**	20,539
	136,895	715,159

Note: Included in the "Salaries, wages and other benefits" is reversal of prior year's discretionary bonuses of HK$156,045,000 which was forfeited during the year (2017: Nil).

	2018	2017
(c) Other items		
Depreciation and amortisation	**12,563**	38,659
Less: Amount capitalised	**–**	(722)
	12,563	37,937
Cost of properties sold	**69,266**	1,031,486
Rental income from investment properties *(Note)*	**(245,448)**	(244,699)
Less: Direct outgoings	**24,884**	37,446
	(220,564)	(207,253)
Operating lease charges:		
– minimum lease payments for land and buildings	**25,267**	21,350

Note: Included contingent rental income of HK$15,484,000 (2017: HK$12,521,000) for the year ended 31 December 2018.

7 INCOME TAX

Income tax expenses charged to consolidated statement of profit of loss represents:

	2018	2017
	HK$'000	*HK$'000*
Current tax		
Provision for PRC Corporate Income Tax ("**CIT**")	**203,384**	580,350
Provision for Land Appreciation Tax ("**LAT**")	**3,748**	83,839
Withholding tax	**853**	1,015,115
	207,985	1,679,304
Deferred tax		
Origination and reversal of temporary differences	**74,367**	(86,392)
	282,352	1,592,912

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 2017 and 2018 except for the Hong Kong subsidiaries acquired in 2018, which calculated the provision for Hong Kong Profits Tax at 16.5%.

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 2018 (2017: 25%).

LAT is levied on properties developed and investment properties held by the Group in the Mainland China 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 rental income earned and proceeds from the sale of investment properties in the Mainland China by a Hong Kong subsidiary.

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 and the holder of PCSs of the Company of HK$102,610,000 (2017: HK$4,642,246,000) and the weighted average number of 1,528,652,000 shares (2017: 1,438,264,000 shares) in issue during the year, calculated as follows:

	2018	2017
	'000	*'000*
Weighted average number of shares		
Issued ordinary shares	**1,383,439**	1,183,776
Effect of share options exercised and bonus perpetual subordinated convertible securities ("**PCSs**") converted	**1,660**	8,681
Effect of convertible bonds exercised	**–**	7,254
Effect of PCSs converted	**–**	8,068
Effect of bonus issue of shares (with PCSs as an alternative)	**143,553**	230,485
Weighted average number of shares at 31 December	**1,528,652**	1,438,264

(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$29,061,000 (2017: HK$4,896,532,000) and the weighted average number of 1,900,219,000 shares (2017: 1,875,897,000 shares) in issue during the year, calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

	2018	2017
	'000	*'000*
Profit attributable to equity shareholders of the Company	**102,610**	4,642,246
Interest on convertible bonds	**169,671**	190,061
Fair value change on conversion option embedded in convertible bonds	**(243,220)**	127,123
Unamortised loss arising from the issuance of convertible bonds	**(62,898)**	(138,277)
Amortisation of loss arising from the issuance of convertible bonds	**62,898**	75,379
Profit attributable to equity shareholders (diluted)	**29,061**	4,896,532

(ii) Weighted average number of shares (diluted)

	2018	2017
	'000	*'000*
Weighted average number of shares	**1,528,652**	1,438,264
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	**5,516**	13,620
Effect of deemed conversion of convertible bonds	**366,051**	424,013
Weighted average number of shares (diluted) at 31 December	**1,900,219**	1,875,897

9 DIVIDENDS

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

	2018	2017
	HK$'000	*HK$'000*
No interim dividend declared and paid in respect of the interim period (2017: HK nil per ordinary share and unit of PCSs)	**–**	–
Final dividend proposed after the end of the reporting period of HK6 cents (2017: HK26 cents) per ordinary share and unit of PCSs	**91,757**	397,018
	91,757	397,018

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

	2018	2017
	HK$'000	*HK$'000*
Trade debtors and bills receivable	**119,818**	95,858
Less: Allowance for doubtful debts	**(37,698)**	(29,860)
	82,120	65,998
Other debtors *(i)*	**786,673**	8,472,100
Less: Allowance for doubtful debts	**(139,600)**	(372,222)
	647,073	8,099,878
Less: Amount to be recovered more than one year	**–**	(1,441,512)
	647,073	6,658,366
Amounts due from non-controlling shareholders	**–**	5,562
Financial assets measured at amortised cost	**729,193**	6,729,926
Deposits and prepayments *(ii)*	**1,120,405**	2,969,162
	1,849,598	9,699,088

Notes:

(i) The amount included loans to third parties of HK$252,567,000 with interest-bearing at 3.45% to 18% (2017: HK$203,092,000) which are secured and recoverable within one year.

During the year, other receivables of HK$1,844,756,000 was derecognised and reclassified to financial assets measured at FVPL.

(ii) The details of deposits and prepayments are set out below:

	2018	2017
	HK$'000	*HK$'000*
Prepayments for acquisition of land use rights	**715,148**	447,089
Prepayments for acquisition of properties	**146,422**	2,290,378
Others	**258,835**	231,695
	1,120,405	2,969,162

(iii) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivables (net of allowance for doubtful debts) based on invoice date was as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**40,253**	59,477
1 to 3 months	**16,266**	546
3 to 6 months	**15,084**	446
6 months to 1 year	**10,517**	3,070
Over 1 year	**–**	2,459
	82,120	65,998

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

11 TRADE AND OTHER PAYABLES

	Note	31 December 2018 *HK$'000*	1 January 2018 (i) *HK$'000*	31 December 2017 (i) *HK$'000*
Creditors and bills payable	*(ii)*	2,318,799	298,828	298,828
Other creditors and accrued charges		532,910	839,926	839,926
Amounts due to non-controlling shareholders	*(iii)*	1,157,996	848,585	848,585
Amount due to a related company		–	3,935	3,935
Financial liabilities measured at amortised cost		4,009,705	1,991,274	1,991,274
Rental and other deposits		79,150	73,469	73,469
Receipts in advance	*(v)*	28,403	15,630	666,232
		4,117,258	2,080,373	2,730,975

Notes:

(i) The Group has initially applied HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

(ii) All of the Group's creditors and bills payable are expected to be settled or recognised as income within one year or are repayable on demand except for an amount of HK$2,134,391,000 (2017: Nil), which presents estimated value of future settlement properties to be compensated to residents, which is expected to be settled after more than one year.

(iii) Apart from the amounts due to non-controlling shareholders of HK$924,554,000 (2017: HK$602,388,000) which are interest-free, all of the balances are unsecured, interest-bearing at 4.35% (2017: 4.35%) and repayable within one year or on demand.

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

	2018	2017
	$'000	*$'000*
Within 1 month	**67,462**	111,489
1 to 3 months	**37,526**	45,547
3 to 6 months	**31,262**	11,559
6 months to 1 year	**16,937**	86,182
Over 1 year	**31,221**	44,051
	184,408	298,828

(v) As at 31 December 2018, receipts in advance represented the rental in advance from customers. As a results of the adoption of HKFRS15, receipts in advance related to sales of properties and property management and related services are included in contract liabilities.

12 CAPITAL COMMITMENTS

	2018	2017
	HK$'000	*HK$'000*
Contracted for	**3,331,063**	1,829,906
Authorised but not contracted for	**1,188,948**	1,032,130
	4,520,011	2,862,036

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 2018

(1) Pre-sales

In 2018, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK$895.4 million (of which approximately HK$869.1 million was from pre-sales of properties), representing a decrease of approximately 64.0% as compared with 2017. The Group's total pre-sold gross floor area ("**GFA**") was approximately 112,715 square metres ("**sq.m.**"), representing a decrease of approximately 44.2% as compared with 2017. The average selling price ("**ASP**") of the Group's pre-sales of properties in 2018 was approximately HK$7,710.6 per sq.m. (2017: approximately HK$11,590.7 per sq.m.), representing a decrease of approximately 33.5% as compared with 2017. The decrease in the Group's overall ASP was mainly due to the pre-sales of properties of Huizhou Phoenix City, which has a relatively lower ASP as compared to projects in other cities. In addition, the Group's pre-sales of car park units in 2018 was approximately HK$26.3 million from the sale of 180 car park units.

A breakdown of the total pre-sales of the properties and car park units of the Group during the year ended 31 December 2018 is set out as follows:

(a) Pre-sales of properties

City	**Project – type of project**	**Pre-sold GFA**		**Pre-sales**		**Pre-sales ASP**
		sq.m.	*%*	*HK$ million*	*%*	*HK$/sq.m.*
Changzhou	Changzhou Fashion Mark					
	– residential	106	0.1	1.2	0.1	11,320.8
Tianjin	Tianjin Le Leman City					
	– residential	12,884	11.4	178.7	20.6	13,869.9
Huizhou	Huizhou Phoenix City					
	– residential	90,544	80.3	626.0	72.0	6.913.8
	– retail	9,181	8.2	63.2	7.3	6,883.8
Sub-total		99,725	88.5	689.2	79.3	6,911.0
Total		112,715	100	869.1	100	7,710.6

(b) Pre-sales of car park units

City	Project	Number of pre-sold car park units		Pre-sales		Pre-sales ASP
		unit	*%*	*HK$ million*	*%*	*HK$/unit*
Nanjing	The Spring Land – Nanjing	14	7.8	2.2	8.4	157,142.9
Nanjing	The Sunny Land – Nanjing	166	92.2	24.1	91.6	145,180.7
		180	100	26.3	100	146,111.1

(2) Projects Delivered and Booked in 2018

For the year ended 31 December 2018, the Group's property development business in Nanjing, Changzhou and Tianjin achieved revenue from sale of properties (excluding sale of car park units) of approximately HK$76.3 million with saleable GFA of approximately 7,420 sq.m. being recognised, representing a decrease of approximately 93.3% and 91.5%, respectively, as compared with the year ended 31 December 2017. The recognised ASP of the Group's sale of properties was approximately HK$10,283.0 per sq.m. for the year ended 31 December 2018. The approximately 20.9% 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 residential project in Tianjin, which has a relatively lower ASP as compared with the ASP of other projects sold during the year ended 31 December 2017.

For the year ended 31 December 2018, the Group delivered and recognised the sale of car park units of approximately HK$21.5 million from the sale of 157 car park units.

Details of sale of properties and car park units of the Group recognised in 2018 are listed below:

City	Project – type of project	Saleable GFA booked	Sale of properties recognised	Recognised ASP
		sq.m.	*HK$ million*	*HK$/sq.m.*
Nanjing	The Sunny Land – Nanjing			
	– residential	590	13.2	22,372.9
	– retail	702	22.8	32,478.6
Sub-total		1,292	36.0	27,863.8
Changzhou	Changzhou Fashion Mark			
	– residential	106	1.2	11,320.8
Tianjin	Tianjin Le Leman City			
	– residential	5,621	34.8	6,191.1
	– retail	401	4.3	10,723.2
Sub-total		6,022	39.1	6,492.9
Total		7,420	76.3	10,283.0

City	Project	Number of car park units booked	Sale of car park units recognised	Recognised ASP
		unit	*HK$ million*	*HK$/unit*
Nanjing	The Sunny Land – Nanjing	145	19.7	135,862.1
Nanjing	The Spring Land – Nanjing	12	1.8	150,000.0
Total		157	21.5	136,942.7

(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, Shanghai Shama Century Park and Shanghai Bay Valley in the People's Republic of China (the "**PRC**" or "**China**") and Hong Kong Kowloon Tong Creative Kindergarten Campus Project in Hong Kong. As at 31 December 2018, the total fair value of the investment properties of the Group was approximately HK$5,808.9 million, representing approximately 20.4% of the Group's total asset value. The Group's investment property portfolio had a total leasable GFA of approximately 220,970 sq.m.. The Group recorded approximately HK$230.6 million (net of deferred tax) (for the year ended 31 December 2017: approximately HK$69.7 million) as gain in fair value of its investment properties for the year ended 31 December 2018.

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 2018, 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 46.4% (as at 31 December 2017: approximately 34.1%) of the Group's total leasable area in its investment properties under operation.

For the year ended 31 December 2018, the occupancy rate of the Group's investment properties increased from approximately 77.1% as at 31 December 2017 to 89.0% as at 31 December 2018. Despite 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$245.4 million for the year ended 31 December 2018, representing an increase of approximately 0.3% from approximately HK$244.7 million for the year ended 31 December 2017. The average monthly rental income of the Group's investment properties under operation for the year ended 31 December 2018 was approximately HK$104.0 per sq.m. (for the year ended 2017: approximately HK$107.4 per sq.m.).

Details of the Group's investment properties as at 31 December 2018 and the Group's rental income for the year ended 31 December 2018 are set out as follows:

Investment properties (inclusive of investment properties classified as held for sale)	**Leasable GFA as at 31 December 2018** *(Note)* *sq.m.*	**Fair value as at 31 December 2018** *HK$ million*	**Rental income for the year ended 31 December 2018** *HK$ million*	**Average monthly rental income per sq.m. for the year ended 31 December 2018** *HK$/sq.m.*	**Occupancy rate as at 31 December 2018** *%*
Investment properties under operation					
Changzhou Fashion Mark Phases 1 and 2 (Shopping mall and car park units)	78,068	1,536.0	42.9	59.8	76.6
Dongguan Landmark (Shopping mall and car park units)	20,172	556.8	38.6	159.5	100
Hangzhou Landmark (Shopping mall)	24,667	395.1	29.1	99.7	98.7
Shenzhen Water Flower Garden (Retail assets)	4,992	278.9	20.3	365.7	92.7
The Spring Land – Shenzhen Phase 1 – Fashion Walk (Retail assets)	3,356	194.7	16.3	451.1	89.7
The Spring Land – Shenzhen Phase 3 – Fashion Walk (Retail assets and car park units)	22,393	666.1	28.2	118.9	88.3
The Spring Land – Shenzhen Phase 5 – Fashion Walk (Retail assets)	3,521	212.9	16.9	443.2	90.3
The Spring Land – Shenzhen Phase 6A – Fashion Walk (Retail assets)	1,291	69.5	11.4	749.8	98.1
The Spring Land – Shenzhen Phase 6B – Fashion Walk (Retail assets)	2,893	171.9	6.6	191.7	99.2
Chengdu Fashion Mark (Shopping mall and car park units)	38,285	734.4	25.9	56.7	99.4
Shanghai Shama Century Park (Serviced apartments and car park units)	1,715	104.5	–	N/A	N/A
Shanghai Bay Valley	19,043	568.1	3.2	84.0	100.0
HongKong Kowloon Tong Creative Kindergarten Campus Project	574	320.0	6.0	1,160.9	100.0
Total	220,970	5,808.9	245.4	104.0	89.0

Note: The leasable GFA as at 31 December 2018 excluded car park units.

(4) Land Bank as at 31 December 2018

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 2018, the Group had a total of 18 projects over 10 cities in various stages of development, including an estimated net saleable/leasable GFA of completed projects of approximately 319,553 sq.m., an estimated net saleable/leasable GFA of projects under development of approximately 132,642 sq.m., an estimated net saleable/leasable GFA of projects held for future development of approximately 30,494 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 23,037 sq.m., totalling an estimated net saleable/leasable GFA of approximately 505,726 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	82,845	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	1,715	70.0
9	Tianjin	Tianjin Le Lemen City	Residential/ Commercial	8,667	58.0
10	Nanjing	The Spring Land – Nanjing	Commercial	717	100.0
11	Shanghai	Bay Valley Project	Commercial	97,854	70.0
12	Hong Kong	Hong Kong Kowloon Tong Creative Kindergarten Campus Project	Campus	574	100.0
Sub-total				**319,553**	
Projects under Development					
9	Tianjin	Tianjin Le Lemen City	Commercial	34,465	58.0
13	Shenzhen	Shenzhen Jianshang Project	Residential/ Commercial	91,250	100.0
14	Hong Kong	Hong Kong Kowloon Tong Waterloo Road Project	Residential	6,927	60.0
Sub-total				**132,642**	

Project no.	City	Project	Type of project	Estimated net saleable/ leasable GFA *sq.m.*	Interest attributable to the Group *%*
Projects Held for Future Development					
15	Sydney, Australia	Sydney, St. Leonards Project	Residential	30,494	49.0
Projects Contracted to be Acquired or under Application for Change in Land Use					
16	Hong Kong	Hong Kong Yuen Long Shap Pat Heung Road Project	Agricultural	23,037	100.0
17	Hong Kong	Hong Kong Yuen Long Tong Yan San Tsuen Road Project(1)	Agricultural	N/A	100.0
18	Hong Kong	Hong Kong Sheung Shui Ma Sik Road Project(2)	Agricultural	N/A	50.0
Sub-total				**23,037**	
Total				**505,726**	

Notes:

(1) Hong Kong Yuen Long Tong Yan San Tsuen Road Project is currently under scheme development. The site area is approximately 11,123 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 Dongguan	153,882
Shanghai	99,569
Nanjing	717
Chengdu	38,285
Hangzhou	26,264
Tianjin	43,132
Changzhou	82,845
Hong Kong	30,538
Sydney, Australia	30,494
Total	505,726

Details of the new projects or land reserves acquired and interest agreed to be disposed of in existing projects from 1 January 2018 to the date of this announcement are set out below:

New projects or land reserves acquired:

Region/City	Project or land reserves	Total consideration	Estimated net saleable/ leasable GFA	Estimated number of car park units	Interest attributable to the Group
Sheung Shui, Hong Kong	Hong Kong Sheung Shui Ma Sik Road Project (1)	HK$200,000,000	N/A	N/A	50
Shanghai, PRC	Shanghai Bay Valley Project (2)	RMB2,397,426,430	97,854 sq.m.	210	70
Yuen Long, Hong Kong	Hong Kong Yuen Long Tong Yan San Tsuen Project (3)	HK$310,515,999	N/A	N/A	100
Kowloon Tong, Hong Kong	Hong Kong Kowloon Tong Waterloo Road Project (4)	HK$476,720,656	6,927 sq.m.	28	60
Kowloon Tong, Hong Kong	Hong Kong Kowloon Tong Creative Kindergarten Campus Project (5)	HK$126,211,000	574 sq.m.	N/A	100

Notes:

(1) 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$200,000,000, which was settled in January 2018. The project is currently under scheme development.

(2) 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.

(3) On 25 October 2017 and 14 November 2017, the Group as purchaser entered into provisional sale and purchase agreements with 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. On 11 April 2018, the Group as purchaser further entered into provision sale and purchase agreements with independent third parties as vendors for the acquisition of another number of parcels of agricultural land for a total consideration of HK$169,115,999, which was settled in June 2018. The project is currently under scheme development.

(4) On 15 December 2017, the Group as purchaser entered into a sale and purchase agreement with an independent third party as vendor 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.

(5) On 22 December 2017, the Group as purchaser entered into sale and purchase agreements with independent third parties as vendors pursuant to which the Group agreed to purchase 70% equity interests in a company holding a group which provides education related services and products to students in Hong Kong and 100% equity interest of a company holding the Hong Kong Kowloon Tong Creative Kindergarten Campus Project, for a total consideration of HK$126,211,000, which were completed in February 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 and Dongguan), 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.

The completion of transfer of the remaining 20% equity interest in each of the Target Companies took place on 15 January 2019. For details, please refer to the Company's announcement dated 15 January 2019.

(5) Projects with commencement of construction in 2018

In 2018, the Group commenced construction of two projects with a total estimated net saleable/leasable GFA of approximately 39,913 sq.m..

Details of such projects are set out below:

City	**Project**	**Estimated net saleable/ leasable GFA** *sq.m.*
Shenzhen	Shenzhen Jianshang Project	32,986
Hong Kong	Hong Kong Kowloon Tong Waterloo Road Project	6,927
		39,913

(6) Projects with expected commencement in 2019

In 2019, the Group intends to commence construction of two projects with a total estimated net saleable/leasable GFA of approximately 81,301 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	23,037
Shenzhen	Shenzhen Jianshang Project	58,264
		81,301

BUSINESS REVIEW

In 2018, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK$895.4 million (2017: HK$2,490.3 million), pre-sold saleable GFA of 112,715 sq.m. (2017: 201,964 sq.m.) and gross profit margin of recognised sales of 29.2% (2017: 21.5%).

In 2018, the Group's rental income from investment properties was approximately HK$245.4 million (2017: HK$244.7 million), representing an increase of approximately 0.3%. As at 31 December 2018, the overall occupancy rate of the Group's investment properties was approximately 89.0%. As at 31 December 2018, the total leasable GFA of the Group's operating investment property portfolio increased to approximately 220,970 sq.m. from approximately 201,485 sq.m. as at 31 December 2017. Taking into account the projects that have been completed but yet to operate in the next one to two years, the estimated total leasable GFA of the Group's investment property portfolio will reach approximately 299,781 sq.m.. Its fair value was approximately HK$8.26 billion as at 31 December 2018, representing approximately 29.0% of the Group's total asset value. In addition, as at 31 December 2018, the accumulated total area of properties managed by the Group amounted to approximately 11,340,000 sq.m., of which approximately 6,310,000 sq.m. was properties not developed by the Group and approximately 1,590,000 sq.m. was commercial property management projects. Currently, one of the property companies under the Group ranked 75th in the "Top 100 Property Service Companies in China" for four consecutive years from 2015 to 2018 with its scale of property management expanding year on year.

As at 31 December 2018, the land bank (that is, the net saleable/leasable GFA) of 18 projects of the Group was approximately 505,726 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. As for overseas land bank expansion, the Group successfully acquired a parcel of agricultural land located in Tong Yan San Tsuen, Yuen Long with a total site area of approximately 64,000 square feet ("**sq.ft.**") at a consideration of HK$169 million in June 2018, together with a number of parcels acquired in 2017 in the adjacent areas. Currently, the Group has a total of approximately 119,000 sq.ft. parcels of agricultural land located in Tong Yan San Tsuen, Yuen Long. In addition, the Group successfully obtained 60% equity interest of a quality residential project located at 128 Waterloo Road, Kowloon Tong, Hong Kong with GFA of approximately 86,000 sq.ft. via joint corporation with Asia Allied Infrastructure Holdings Limited in March 2018.

FUTURE OUTLOOK

Focusing on the Greater Bay Area and building a premium and boutique properties brand

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 and Dongguan), Shanghai and Sydney, Australia; and leveraging on our experience and expertise in the development of boutique properties to establish the Company as a true premium and boutique properties developer.

Expansion into education and the "Property +" business

The Group successfully expanded into education related industry in February 2018. We have established a joint venture with the operator of a famous group of kindergartens and nurseries in Hong Kong, namely the "Creative Kindergarten" and "Creative Day Nursery", thus taking the first material step for the "Property +" business opportunities. Domestically, the past two decades have seen an economic taking off and increasing per capita income and the living standard has been greatly enhanced. People have placed greater emphasis on education. Hence, the Group is very positive and thinks highly of education and believes that it is a high growth industry with enormous future potential. Meanwhile, the Greater Bay Area, with a population of sixty to seventy million people, is developing rapidly, and has an ever-growing and urgent demand for education related services, especially for high quality early childhood education. The Group will capture this historic opportunity, to actively explore education business opportunities in the Greater Bay Area, by leveraging on the well-known "Creative Kindergarten" brand and the advanced teaching philosophy of Hong Kong's high quality of education. At the same time, the Group plans to grow and expand its existing education related services in Hong Kong and actively expand into mainland China market in the near future.

Growing rental income and expanding property management services

The Group considers that maintaining steady rising rental income is highly important. Currently, the Group has rental properties of approximately 220,970 sq.m. located in the first- and second-tier cities in China, which is able to bring the Group with rental income of not less than HK$240 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.

The property management company of the Group has been recognised as one of the "Top 100 Property Service Companies in China" for four consecutive years from 2015 to 2018 and currently ranks 75th in the "Top 100 Property Service Companies in China" with its scale of property management expanding year on year. The types of service provided by the property management company of the Group have developed from the original property management of commercial and residential properties to the diverse property management of urban mixed-use community, villa, high-end residence, office premises, government public properties, industrial parks, schools and parks. Currently, the national strategic layout of the property management company of the Group has covered the areas of Beijing-Hebei-Henan region, Chengdu-Chongqing, the Bohai Rim, the Yangtze River Delta and the Greater Bay Area, with 60 service projects. It is estimated that in the coming three years, Top Spring Property Management Group will have approximately 250 service projects with approximately 50 million sq.m. of management areas, among which there are approximately 35 commercial property management projects.

Increasing overseas real estate business and maximizing shareholders' interests

As for the overseas real estate sector, the Group currently has 4 real estate projects in Kowloon and New Territories in Hong Kong and 1 real estate project in Sydney, Australia. It is expected that the overseas real estate land bank and value as a proportion of the Group will increase year by year. The pre-sale of the Waterloo Road Project Kowloon Tong, Hong Kong owned by the Group is estimated to start in the fourth quarter of 2020, landmarking the first saleable overseas project launched by the Group in Hong Kong. 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 high returns to the Group. Looking forward, the Group will continue to actively explore investment opportunities in Hong Kong.

Adhering to the principle of "maximizing profit and shareholders' interest", the Group conducts investments on the premise that the existing and potential projects will be able to maximize profit for its shareholders so as to bring stable and higher returns to its shareholders.

FINANCIAL REVIEW

In 2018, the Group's consolidated revenue and profit attributable to equity shareholders of the Company reached approximately HK$619.7 million and HK$102.6 million, respectively, decreased by approximately 66.3% and 97.8%, respectively, as compared with 2017. For the year ended 31 December 2018, the Group's basic and diluted earnings per share of the Company (the "**Share(s)**") decreased by approximately 97.8% and 99.2% as compared with 2017 to approximately HK$0.07 and HK$0.02 respectively. Net assets per Share attributable to equity shareholders of the Company and the holders of PCSs decreased by approximately 8.0% from approximately HK$7.5 as at 31 December 2017 to approximately HK$6.9 as at 31 December 2018.

In order to maintain a stable dividend policy, the Board has recommended the payment of a final dividend of HK6 cents per Share attributable to the equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2018 (for the year ended 31 December 2017: HK26 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 and income from provision of property management and related services and income from provision of education related services earned during the year, net of value-added tax and other sales related taxes and discounts allowed.

Revenue for the year ended 31 December 2018 decreased by approximately 66.3% to approximately HK$619.7 million from approximately HK$1,836.7 million for the year ended 31 December 2017. This decrease was primarily due to a decrease in the Group's income from sale of properties. During the year, the Group recognised property sales of approximately HK$97.8 million, representing approximately 15.8% of the revenue. The Group recognised rental income of approximately HK$245.4 million, representing approximately 39.6% of the revenue. The Goup recognised property management and related services income of approximately HK$231.0 million, representing approximately 37.3% of the revenue. The remaining approximately 7.3% of the revenue of approximately HK$45.5 million was income from education related services.

Revenue from the Group's sale of properties decreased by approximately 92.6% in 2018 as compared with 2017 primarily due to a decrease of approximately 91.5% in the Group's total saleable GFA sold and delivered (excluding sale of car park units), after deduction of sales return, from approximately 87,067 sq.m. in 2017, to approximately 7,420 sq.m. in 2018. 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 property management and related services and the cost of education 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$279.8 million for the year ended 31 December 2018 from approximately HK$1,266.1 million for the year ended 31 December 2017. 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 2018.

Gross profit

The Group's gross profit decreased by approximately 40.4% to approximately HK$339.9 million for the year ended 31 December 2018 from approximately HK$570.7 million for the year ended 31 December 2017. The Group reported a gross profit margin of approximately 54.9% for the year ended 31 December 2018 as compared with approximately 31.1% for the year ended 31 December 2017. The increase in gross profit margin was primarily driven by the increase in overall proportion of rental income and education related services and products which contributed higher gross profit margin.

Other revenue

Other revenue increased by approximately HK$553.8 million, or approximately 354.3%, to approximately HK$710.1 million in 2018 from approximately HK$156.3 million in 2017. The increase was primarily attributable to the interest income on financial assets measured at amortised cost and other interest income.

Other net income

Other net income decreased significantly by approximately 96.6% to approximately HK$256.9 million in 2018 from approximately HK$7,480.5 million in 2017, mainly due to the absence of other net income on disposal of certain subsidiaries (in particular, a net gain of approximately HK$7.83 billion of the Disposal) and a joint venture of the Company, which were recorded in 2017.

Selling and marketing expenses

Selling and marketing expenses decreased by approximately 73.3% to approximately HK$30.4 million for the year ended 31 December 2018 from approximately HK$114.0 million for the year ended 31 December 2017. The decrease was primarily attributable to the reduction in advertising and promotion expenses incurred in 2018 as compared with 2017. Selling and marketing expenses accounted for approximately 3.4% of total pre-sales amount in 2018 (2017: approximately 4.6%).

Administrative expenses

Administrative expenses decreased by approximately 68.5% to approximately HK$320.5 million for the year ended 31 December 2018 from approximately HK$1,018.3 million for the year ended 31 December 2017. The decrease was due to the decrease in professional fees and staff costs incurred in 2018 as compared with 2017.

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 increased by approximately 69.1% to approximately HK$292.3 million for the year ended 31 December 2018 from approximately HK$172.9 million for the year ended 31 December 2017. The increase was due to the fair value gain in Shanghai Bay Valley in 2018.

Finance costs

Finance costs decreased by approximately 18.6% to approximately HK$533.6 million for the year ended 31 December 2018 from approximately HK$655.5 million for the year ended 31 December 2017. The decrease was primarily attributable to the decrease in borrowings following the Disposal of the Target Companies to H-Change in the end of 2017.

Income tax

Income tax expense decreased by approximately 82.3% to approximately HK$282.4 million for the year ended 31 December 2018 from approximately HK$1,592.9 million for the year ended 31 December 2017. The decrease was primarily attributable to the absence of the corporate income tax for the Disposal of the Target Companies to H-Change of approximately HK$1,159.5 million incurred in 2017.

Net profit margin

The net profit margin of the Group (profit for the year to revenue) decreased from approximately 251.0% in 2017 to approximately 20.6% in 2018. The decrease was mainly due to the significant decrease in other net income in 2018.

Non-controlling interests

The profit attributable to non-controlling interests was approximately HK$25.2 million for the year ended 31 December 2018 (for the year ended 31 December 2017: loss attributable to non-controlling interests of approximately HK$32.7 million).

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 31 December 2018, the carrying amount of the Group's cash and bank deposits was approximately HK$8,054.4 million (as at 31 December 2017: approximately HK$6,671.4 million), representing an increase of approximately 20.7% as compared with that as at 31 December 2017.

Borrowings and charges on the Group's assets

The Group had an aggregate borrowings (including bank and other borrowings, convertible bonds, bonds payable and amounts due to non-controlling shareholders) as at 31 December 2018 of approximately HK$11,204.6 million, of which approximately HK$5,800.9 million is repayable within one year, approximately HK$4,070.4 million is repayable after one year but within five years and approximately HK$1,333.3 million is repayable after five years.

As at 31 December 2018, the Group's bank loans of approximately HK$7,114.5 million (as at 31 December 2017: approximately HK$5,130.6 million) and bonds payable were secured by certain investment properties (inclusive of investment properties classified as held for sale), 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$9,345.4 million (as at 31 December 2017: approximately HK$9,320.9 million). As at 31 December 2018, the Group's convertible bonds were secured by equity interests of certain subsidiaries of the Group.

The carrying amounts of all the Group's bank and other borrowings and bonds payable were denominated in RMB except for certain borrowings with an aggregate amount of approximately HK$3,400.4 million (as at 31 December 2017: approximately HK$1,971.2 million) and HK$3,262.9 million (as at 31 December 2017: approximately HK$2,471.3 million) as at 31 December 2018 which were denominated in Hong Kong dollars and US dollars, respectively.

As at 31 December 2018, the Group had bank borrowings of approximately HK$753.7 million which bore fixed interest rates ranging from 6.4% 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.

The Note was fully repaid on 13 June 2018.

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 and may be converted into Shares at an initial conversion price of HK$3.8289 per Share (subject to adjustment) stated at fair value after initial recognition.

As at 31 December 2018, the Group recognised derivative financial instruments relating to the liability component of the Bonds of approximately HK$1.5 billion.

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.

Further, pursuant to the provisions of the adjustments to the conversion price as stated in the terms and conditions of the Bonds, the conversion price was further adjusted to HK$3.2534 per Share as a result of the declaration of the final dividend of HK26 cents per Share for the year ended 31 December 2017 approved by the shareholders of the Company at the annual general meeting of the Company held on 21 May 2018 with effect from 7 June 2018, being the day immediately after the record date for the determination of the entitlement to the above final dividend. For details, please refer to the Company's announcement dated 31 May 2018.

During the year ended 31 December 2018, US$35,169,000 worth Bonds were converted into 78,102,177 Shares.

As at 31 December 2018, if the remaining Bonds were fully converted into Shares, it would be converted into 392,784,561 Shares, representing approximately 26.5% of the total issued share capital of the Company as at 31 December 2018.

The Bonds were fully redeemed by the Company on 7 January 2019.

US$120 million secured loan due 2020 (the "Secured Loan")

On 26 October 2018, Metro Property (BVI) Limited ("**Metro Property**") and Lee Kim Tah Holdings Limited as the lenders (the "**Lenders**"), Top Spring International (BVI) Limited (a wholly-owned subsidiary of the Company) as the borrower (the "**Borrower**"), Metro-LKT (BVI) Limited ("**Metro-LKT** ") (as the security agent and the facility agent) and the Company as the guarantor entered into a secured facility agreement (the "**Secured Facility Agreement**"), pursuant to which, among other things, the Lenders agreed to provide the Borrower with the loan in an aggregate sum of US$120,000,000 (equivalent to HK$938,400,000) for 24 months from 26 October 2018 with an option of 12-month extension at the Borrower's request subject to additional terms and conditions specified in the Secured Facility Agreement. The payment obligations of the Borrower under the Secured Facility Agreement are secured by the share charges and the shareholder's loans assignment given by the Borrower in favour of Metro-LKT. For details, please refer to the announcement of the Company dated 26 October 2018 and circular of the Company dated 1 November 2018.

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 6.8% in 2018 (2017: approximately 9.5%).

As at 31 December 2018, the weighted average borrowing cost for the Group's existing borrowings was approximately 7.6% (2017: approximately 7.1%).

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 increased from approximately 24.2% as at 31 December 2017 to approximately 29.5% as at 31 December 2018. The increase in net gearing ratio was mainly due to the settlement of land premium and project cost in respect of the newly acquired land reserves in the PRC and Hong Kong.

Foreign exchange risk

As at 31 December 2018, the Group had cash balances denominated in RMB of approximately RMB4,947.1 million (equivalent to approximately HK$5,632.6 million) and in US dollars of approximately US$212.1 million (equivalent to approximately HK$1,660.9 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 2018 and 31 December 2017 are calculated as follows:

	As at 31 December 2018	As at 31 December 2017
Net assets attributable to equity shareholders of the Company *(HK$'000)*	**10,582,279**	11,450,546
Number of issued ordinary Shares *('000)*	**1,385,575**	1,383,439
Number of outstanding PCSs *('000)*	**143,553**	143,553
Number of Shares for the calculation of net assets per Share *('000)*	**1,529,128**	1,526,992
Net assets per Share attributable to equity shareholders of the Company and the holders of PCSs *(HK$) (Note)*	**6.9**	7.5

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 2018 and 31 December 2017.

CONTINGENT LIABILITIES

As at 31 December 2018, save for the guarantees of approximately HK$592.1 million (as at 31 December 2017: approximately HK$859.6 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 ACQUISITION OF ASSETS

On 13 July 2018, Xiangkang Information Consulting (Shenzhen) Company Limited ("**Xiangkang Information**"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Ningbo Meishan Bonded Area Rong Zhuo Equity Investment Fund Partnership ("**Rong Zhuo**") whereby Xiangkang Information agreed to purchase 63.75% equity interest in Shenzhen Bo Jian Di Investment Development Company Limited from Rong Zhuo at the consideration of RMB154,564,677. For details, please refer to the announcements of the Company dated 13 July 2018 and 16 July 2018.

Save as disclosed above and elsewhere in this announcement, the Group did not have any material acquisition or disposal of assets during the year ended 31 December 2018.

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 2018, the Group employed a total of approximately 930 employees (as at 31 December 2017: 1,302 employees) in the PRC, Hong Kong and other locations, of which, approximately 172 were under the headquarters team, approximately 11 were under the property development division, approximately 727 were under the retail operation and property management division, approximately 4 were under education and approximately 16 were under funds. For the year ended 31 December 2018, the total staff and related costs incurred was approximately HK$136.9 million (for the year ended 31 December 2017: approximately HK$715.2 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 2018, 455,000 (for the year ended 31 December 2017: 8,596,499) share options had been exercised by the grantees and 166 (for the year ended 31 December 2017: 761,400) share options had been lapsed. As a result, 1,681,031 (as at 31 December 2017: 2,136,197) share options were outstanding as at 31 December 2018 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 schemes for the year ended 31 December 2018 is as follows:

	Exercise price *HK$ per Share*	As at 1 January 2018	Share options granted	Share options exercised	Share options cancelled	Share options lapsed	As at 31 December 2018
Pre-IPO	1.78	2,136,197	–	455,000	–	166	1,681,031
Post-IPO							
Lot 1	2.264	5,166,000	–	1,344,500	–	370,000	3,451,500
Lot 2	4.14	6,716,000	–	–	–	–	6,716,000
Lot 3	3.3	50,058,000	–	120,000	–	240,000	49,698,000
Lot 4	3.65	1,567,500	–	–	–	500,000	1,067,500
Lot 5	3.45	10,000,000	–	–	–	–	10,000,000
Lot 6	2.796	30,341,500	–	217,000	–	–	30,124,500
Sub-total		103,849,000	–	1,681,500	–	1,110,000	101,057,500
Total		105,985,197	–	2,136,500	–	1,110,166	102,738,531

ANNUAL GENERAL MEETING

An annual general meeting (the "**AGM**") of the Company is scheduled to be held on Thursday, 23 May 2019, the 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 Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK6 cents per Share attributable to the equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2018 (for the year ended 31 December 2017: HK26 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 Thursday, 6 June 2019. Upon approval by the shareholders of the Company at the AGM, it is expected that the final dividend will be payable on Thursday, 20 June 2019.

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 Monday, 20 May 2019 to Thursday, 23 May 2019 (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 Friday, 17 May 2019; 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 Friday, 10 May 2019.

    The record date for such purposes is Thursday, 23 May 2019.

(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 Monday, 3 June 2019 to Thursday, 6 June 2019 (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 Friday, 31 May 2019; 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 Friday, 24 May 2019.

    The record date for such purposes is Thursday, 6 June 2019.

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 2018.

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 2018 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 2018, Mr. WONG Chun Hong performed his duties as the chairman and the chief executive officer of the Company. The Board believes that the serving by the same individual as the chairman and the chief executive officer during the rapid development of the business is beneficial to the consistency of business plans and decision-making of the Company. The Board will continue to review the current management structure from time to time and shall make changes where appropriate and inform the investors of the Company accordingly.

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 2018 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 2018.

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 2018. The Audit Committee comprises three independent non-executive Directors, namely Mr. CHENG Yuk Wo (Chairman), Professor WU Si Zong and Mr. CHAN 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 2018 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 2018 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 2019

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. CHAN 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*