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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS

- For the six months ended 30 June 2019, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK$75.8 million, representing a decrease of approximately 89.7% as compared with the corresponding period of 2018, of which approximately HK$67.9 million was from pre-sales of properties with pre-sold saleable GFA of approximately 5,073 sq.m. and approximately HK$7.9 million was from pre-sales of 55 car park units. The ASP of the Group's pre-sales of properties was approximately HK$13,384.6 per sq.m., representing an increase of approximately 85.7% as compared with the corresponding period of 2018.

- As at 30 June 2019, the Group had 19 projects across 10 cities with a total estimated net saleable/leasable GFA of approximately 504,534 sq.m..

- Revenue for the six months ended 30 June 2019 decreased by approximately 9.1% to approximately HK$280.7 million from approximately HK$308.9 million for the six months ended 30 June 2018.

- For the six months ended 30 June 2019, the Group generated recurring rental income of approximately HK$135.3 million (for the six months ended 30 June 2018: approximately HK$131.1 million) from its investment properties which mainly comprised shopping malls, community commercial centres, retail shops, serviced apartments and car park units. As at 30 June 2019, the investment property portfolio (inclusive of investment properties classified as held for sale) had a total leasable GFA of approximately 220,780 sq.m. and a fair value of approximately HK$5,851.8 million, representing approximately 22.3% of the Group's total asset value.

- Gross profit margin for the six months ended 30 June 2019 was approximately 60.4%, as compared with approximately 48.2% for the corresponding period of 2018.

- For the six months ended 30 June 2019, the loss attributable to equity shareholders of the Company was approximately HK$168.0 million (for the six months ended 30 June 2018: approximately HK$30.3 million).

- Basic loss per Share and diluted loss per Share attributable to equity shareholders of the Company and the holders of PCSs for the six months ended 30 June 2019 were approximately HK$0.11 and HK$0.11, respectively (for the six months ended 30 June 2018: HK$0.02 and HK$0.12, respectively).

- Net assets per Share attributable to equity shareholders of the Company and the holders of PCSs as at 30 June 2019 was approximately HK$6.7 (as at 31 December 2018: approximately HK$6.9).

- As at 30 June 2019, the net gearing ratio of the Group was approximately 49.3% (as at 31 December 2018: approximately 29.5%)

- No interim dividend is declared for the six months ended 30 June 2019.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**"and each a "**Director**") of Top Spring International Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2019 – UNAUDITED

		Six months ended 30 June	
		2019	2018 *(Note)*
	Note	***HK$'000***	*HK$'000*
Revenue	3	**280,717**	308,855
Direct costs		**(111,241)**	(159,955)
Gross profit		**169,476**	148,900
Valuation gains on investment properties and investment properties classified as held for sale		**58,758**	181,996
Other revenue	4	**88,633**	340,855
Other net income	5	**19,148**	247,675
Selling and marketing expenses		**(8,965)**	(16,381)
Administrative expenses		**(208,516)**	(252,967)
Impairment loss on trade and other receivables		**(14,923)**	(377,604)
Profit from operations		**103,611**	272,474
Finance costs	6(a)	**(180,529)**	(271,363)
Share of losses of associates		**(648)**	(8,245)
Share of losses of joint ventures		**(13,274)**	(444)
Loss before taxation	6	**(90,840)**	(7,578)
Income tax	7	**(68,284)**	(28,176)
Loss for the period		**(159,124)**	(35,754)
Attributable to:			
Equity shareholders of the Company		**(168,012)**	(30,322)
Non-controlling interests		**8,888**	(5,432)
Loss for the period		**(159,124)**	(35,754)
Loss per share (HK$)	8		
Basic		**(0.11)**	(0.02)
Diluted		**(0.11)**	(0.12)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019 – UNAUDITED

	Six months ended 30 June	
	2019	2018
		(Note)
	HK$'000	*HK$'000*
Loss for the period	**(159,124)**	(35,754)
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign subsidiaries	**(18,113)**	(104,860)
Share of other comprehensive income of associates and joint ventures	**(4,403)**	(22,559)
	(22,516)	(127,419)
Total comprehensive income for the period	**(181,640)**	(163,173)
Attributable to:		
Equity shareholders of the Company	**(187,606)**	(155,835)
Non-controlling interests	**5,966**	(7,338)
Total comprehensive income for the period	**(181,640)**	(163,173)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019 – UNAUDITED

	Note	**At 30 June 2019**	At 31 December 2018 *(Note)*
		HK$'000	*HK$'000*
Non-current assets			
Investment properties		**5,758,100**	5,704,379
Other property, plant and equipment		**217,596**	154,094
		5,975,696	5,858,473
Intangible assets		**3,769**	3,769
Goodwill		**40,736**	40,736
Interest in associates		**10,910**	11,558
Interest in joint ventures		**481,048**	479,290
Other financial assets	10	**1,473,111**	1,487,235
Deferred tax assets		**80,159**	224,170
		8,065,429	8,105,231
Current assets			
Inventories and other contract costs	11	**10,952,815**	10,040,990
Trade and other receivables	12	**1,944,563**	1,849,598
Prepaid tax		**23,496**	23,171
Other financial assets	10	**881,331**	341,497
Restricted and pledged deposits		**1,826,148**	2,565,681
Cash and cash equivalents		**2,491,334**	5,488,739
		18,119,687	20,309,676
Investment properties classified as held for sale		**93,721**	104,539
		18,213,408	20,414,215
Current liabilities			
Trade and other payables	13	**4,550,438**	4,117,258
Contract liabilities		**179,746**	155,479
Bank and other borrowings		**3,305,294**	3,322,635
Lease liabilities		**38,365**	–
Convertible bonds		**–**	1,461,691
Tax payable		**835,435**	1,516,734
Bonds payable		**781,350**	783,150
Provision		**–**	24,408
		9,690,628	11,381,355

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019 – UNAUDITED (CONTINUED)

	Note	At 30 June 2019 HK$'000	At 31 December 2018 (Note) HK$'000
Net current assets		**8,522,780**	9,032,860
Total assets less current liabilities		**16,588,209**	17,138,091
Non-current liabilities			
Bank and other borrowings		**5,042,174**	5,403,679
Lease liabilities		**59,133**	–
Deferred tax liabilities		**1,056,528**	1,023,450
Provision		**–**	14,906
		6,157,835	6,442,035
NET ASSETS		**10,430,374**	10,696,056
CAPITAL AND RESERVES			
Share capital		**141,274**	138,558
Reserves		**10,169,790**	10,443,721
Total equity attributable to equity shareholders of the Company		**10,311,064**	10,582,279
Non-controlling interests		**119,310**	113,777
TOTAL EQUITY		**10,430,374**	10,696,056

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

NOTES:

1 BASIS OF PREPARATION

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2019 but are extracted from that financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), including compliance with Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 29 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Top Spring International Holdings Limited ("**the Company**") and its subsidiaries (collectively referred to as "**the Group**") since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and there is no impact to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

3 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (product 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 identified four reportable segments. No operating segments have been aggregated to form the following reportable segments.

(a) Disaggregation of revenue

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

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of properties	**14,985**	63,383
– Property management and related services income	**111,119**	100,723
– Education related services income	**19,314**	13,681
	145,418	177,787
Revenue from other sources		
Rental income	**135,299**	131,068
	280,717	308,855
Disaggregated by geographical location of customers		
– Mainland China	**258,513**	291,400
– Hong Kong	**22,204**	17,455
	280,717	308,855

Disaggregation of revenue from contracts with customers and revenue from other sources by divisions is disclosed in Note 3(b).

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Information about profit or loss, assets and liabilities

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 period is set out below.

For the six months ended 30 June 2019	Property development *HK$'000*	Property investment *HK$'000*	Property management and related services *HK$'000*	Education related services *HK$'000*	Total *HK$'000*
Revenue from external customers	**14,985**	**135,299**	**111,119**	**19,314**	**280,717**
Inter-segment revenue	**–**	**28,194**	**32,475**	**–**	**60,669**
Reportable segment revenue	**14,985**	**163,493**	**143,594**	**19,314**	**341,386**
Reportable segment (loss)/profit (adjusted EBITDA)	**(80,274)**	**96,377**	**9,243**	**(2,570)**	**22,776**
Interest income from bank deposits	**32,697**	**352**	**833**	**–**	**33,882**
Interest expenses	**(169,699)**	**(8,893)**	**(1,584)**	**(353)**	**(180,529)**
Depreciation and amortisation for the period	**(1,976)**	**(11,118)**	**(318)**	**(190)**	**(13,602)**
Impairment loss on trade and other receivables	**(6,808)**	**(2,870)**	**(3,827)**	**–**	**(13,505)**
Valuation gains on investment properties and investment properties classified as held for sale	**–**	**58,758**	**–**	**–**	**58,758**
Reportable segment assets	**18,281,332**	**5,868,699**	**423,842**	**187,700**	**24,761,573**
Reportable segment liabilities	**12,549,118**	**748,980**	**173,650**	**32,549**	**13,504,297**

3 **REVENUE AND SEGMENT REPORTING (CONTINUED)**

(b) Information about profit or loss, assets and liabilities (Continued)

For the six months ended 30 June 2018	Property development *(Note)* *HK$'000*	Property investment *(Note)* *HK$'000*	Property management and related services *(Note)* *HK$'000*	Education related services *(Note)* *HK$'000*	Total *(Note)* *HK$'000*
Revenue from external customers	63,383	131,068	100,723	13,681	308,855
Inter-segment revenue	–	28,861	28,932	–	57,793
Reportable segment revenue	63,383	159,929	129,655	13,681	366,648
Reportable segment (loss)/profit (adjusted EBITDA)	(96,222)	83,773	(11,762)	(5,429)	(29,640)
Interest income from bank deposits	25,998	436	668	1	27,103
Interest expenses	(258,062)	(5,835)	(7,158)	(308)	(271,363)
Depreciation and amortisation for the period	(909)	(613)	(564)	(249)	(2,335)
Impairment loss on trade and other receivables	(366,610)	–	–	–	(366,610)
Valuation gains on investment properties and investment properties classified as held for sale	–	181,996	–	–	181,996
Reportable segment assets	20,940,696	5,712,863	483,647	208,597	27,345,803
Reportable segment liabilities	13,707,368	970,705	297,787	59,303	15,035,163

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

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 gain on investment properties and investment properties classified as held for sale, impairment loss on trade and other receivables and other head office or corporate expenses.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 June 2019 HK$'000	Six months ended 30 June 2018 (Note) HK$'000
Revenue		
Reportable segment revenue	**341,386**	366,648
Elimination of inter-segment revenue	**(60,669)**	(57,793)
Consolidated revenue	**280,717**	308,855
Profit or loss		
Reportable segment profit/(loss) derived from Group's external customers	**22,776**	(29,640)
Share of losses of associates	**(648)**	(8,245)
Share of losses of joint ventures	**(13,274)**	(444)
Other revenue and net income	**107,781**	588,530
Impairment loss on trade and other receivables	**(14,923)**	(377,604)
Depreciation and amortisation	**(16,517)**	(3,721)
Finance costs	**(180,529)**	(271,363)
Valuation gains on investment properties and investment properties classified as held for sale	**58,758**	181,996
Unallocated head office and corporate expenses	**(54,264)**	(87,087)
Consolidated loss before taxation	**(90,840)**	(7,578)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

4 OTHER REVENUE

	Six months ended 30 June 2019 HK$'000	Six months ended 30 June 2018 HK$'000
Bank interest income	**37,826**	28,844
Other interest income	**24,286**	300,393
Interest income on financial assets measured at amortised cost	**62,112**	329,237
Rental income from operating leases, other than those relating to investment properties	**19,880**	8,109
Other service income	**3,881**	2,956
Others	**2,760**	553
	88,633	340,855

5 OTHER NET INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Net gain on disposal of subsidiaries	**–**	6,336
Net exchange gain	**3,901**	32,426
Net gain/(loss) on sale of investment properties and investment properties classified as held for sale	**1,189**	(487)
Amortisation of loss arising from the issuance of convertible bonds	**(1,858)**	(32,440)
Fair value change on conversion option embedded in convertible bonds	**–**	237,688
Fair value gain/(loss) on financial assets measured at FVPL	**15,002**	(2,124)
Others	**914**	6,276
	19,148	247,675

6 LOSS BEFORE TAXATION

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

	Six months ended 30 June	
(a) Finance costs	**2019**	2018
		(Note)
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**281,133**	142,483
Interest on lease liabilities	**2,815**	–
Interest on amounts due to non-controlling shareholders	**5,181**	1,375
Interest on note payable	**–**	62,185
Interest on bonds payable	**45,079**	42,577
Interest on convertible bonds	**7,610**	80,609
Other borrowing costs	**6,267**	8,271
	348,085	337,500
Less: Amount capitalised	**(167,556)**	(66,137)
	180,529	271,363
(b) Staff costs		
Salaries, wages and other benefits	**118,440**	132,489
Contributions to defined contribution retirement plans	**5,853**	6,441
Equity settled share-based payment expenses	**1,436**	5,783
	125,729	144,713
(c) Other items		
Depreciation and amortisation		
– plant and equipment	**2,443**	2,497
– right-of-use assets	**14,074**	1,224
	16,517	3,721
Cost of properties sold	**8,895**	46,110
Rental income from investment properties	**(135,299)**	(131,068)
Less: Direct outgoings	**10,232**	16,290
	(125,067)	(114,778)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

7 INCOME TAX

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Current tax		
Net (reversal of provision)/provision for People's Republic of China Corporate Income Tax ("**CIT**") ("**PRC**")	**(120,340)**	14,757
Net provision/(reversal of provision) for Land Appreciation Tax ("**LAT**")	**7,580**	(9,280)
Withholding tax	**1,275**	881
	(111,485)	6,358
Deferred tax		
Origination and reversal of temporary differences	**179,769**	21,818
	68,284	28,176

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

No provision was made for Hong Kong Profits Tax as the Group's Hong Kong subsidiaries did not earn any assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2019 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 six months ended 30 June 2019 (six months ended 30 June 2018: 25%).

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

Withholding taxes are levied on dividend distributions arising from profit of the PRC subsidiaries within the Group earned after 1 January 2008, rental income earned and proceeds from the sale of investment properties in the PRC by a Hong Kong subsidiary at the applicable tax rates.

During the period, as a result of clearance of LAT settlement of a subsidiary by the respective tax bureau, LAT payment of HK$570,196,000 in prior year is considered CIT deductible. Accordingly, a provision of CIT of HK$142,549,000 and the corresponding deferred tax assets with same amount were reversed.

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share during the six months ended 30 June 2019 is based on the loss attributable to equity shareholders and the holders of PCSs of the Company of HK$168,012,000 (six months ended 30 June 2018: HK$30,322,000) and the weighted average number of 1,529,258,000 shares (six months ended 30 June 2018: 1,528,168,000 shares) in issue during the period, calculated as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Loss attributable to equity shareholders of the Company	**(168,012)**	(30,322)
Weighted average number of shares (thousand shares)	***'000***	*'000*
Issued ordinary shares	**1,385,576**	1,383,439
Effect of share options exercised	**129**	1,176
Effect of PCSs converted	**9,099**	–
Effect of bonus issue of shares (with PCSs as an alternative)	**134,454**	143,553
Weighted average number of shares	**1,529,258**	1,528,168

(b) Diluted loss per share

The calculation of diluted loss per share for the six months ended 30 June 2019 and 2018 is based on the adjusted loss attributable to equity shareholders and the weighted average number of ordinary shares (diluted), calculated as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Loss attributable to equity shareholders of the Company	**(168,012)**	(30,322)
Interest on convertible bonds	**–**	80,609
Fair value change on conversion option embedded in convertible bonds	**–**	(237,688)
Unamortised loss arising from the issuance of convertible bonds	**–**	(62,898)
Amortisation of loss arising from the issuance of convertible bonds	**–**	32,440
Loss attributable to equity shareholders (diluted)	**(168,012)**	(217,859)

8 LOSS PER SHARE (CONTINUED)

(b) Diluted loss per share (Continued)

	Six months ended 30 June	
	2019	2018
	'000	*'000*
Weighted average number of shares	**1,529,258**	1,528,168
Effect of deemed conversion of convertible bonds	**–**	366,052
Weighted average number of shares (diluted)	**1,529,258**	1,894,220

9 DIVIDENDS

No interim dividend was declared in respect of the interim period ended 30 June 2019 and 2018.

10 OTHER FINANCIAL ASSETS

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
Non-current		
Unlisted equity securities not held for trading	**102,770**	101,410
Units in private security investment funds	**56,397**	44,135
Trading securities	**37,762**	42,084
Receivables from the third parties *(Note)*	**1,276,182**	1,299,606
	1,473,111	1,487,235
Current		
Receivables from the third parties *(Note)*	**327,156**	340,358
Wealth management products	**554,175**	1,139
	881,331	341,497

Note: The above receivables from third parties to be settled without specified dates of settlement are classified as Level 3 financial instruments in the fair value hierarchy. The valuations of these financial assets are derived from valuation models which require a number of inputs and assumptions which are not observable from market data and which are significant to the entire measurement. During the period, the fair value gain on financial assets measured at FVPL amounted to HK$2,171,000 (six months ended 30 June 2018: Nil).

11 INVENTORIES AND OTHER CONTRACT COSTS

	At 30 June 2019 *HK$'000*	At 31 December 2018 *HK$'000*
Property development		
Leasehold land held for development for sale	**724,078**	707,332
Properties held for/under development for sale	**7,625,474**	6,722,466
Completed properties for sale	**2,594,816**	2,603,370
	10,944,368	10,033,168
Other operations		
Low value consumables and supplies	**8,447**	7,822
	10,952,815	10,040,990

12 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the due date and net of loss allowance, is as follows:

	At 30 June 2019 *HK$'000*	At 31 December 2018 *HK$'000*
Current or under 1 month overdue	**39,303**	40,253
More than 1 month overdue and up to 3 months overdue	**23,849**	16,266
More than 3 months overdue and up to 6 months overdue	**16,103**	15,084
More than 6 months overdue and up to 1 year overdue	**10,812**	10,517
Trade debtors, net of loss allowance	**90,067**	82,120
Other debtors, net of loss allowance *(Note (i))*	**729,587**	647,073
Financial assets measured at amortised cost	**819,654**	729,193
Deposits and prepayments *(Note (ii))*	**1,124,909**	1,120,405
	1,944,563	1,849,598

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(i) The details of other receivables (net of loss allowance) are set out below:

	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
Loans to the third parties *(a)*	**434,471**	252,567
Others	**295,116**	394,506
	729,587	647,073

(a) As at 30 June 2019, the loans to the third parties were interest-bearing at 3.45% to 18% per annum and recoverable within one year.

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

	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
Prepayments for acquisition of land use rights	**773,241**	715,148
Prepayments for acquisition of properties	**146,306**	146,422
Others	**205,362**	258,835
	1,124,909	1,120,405

13 TRADE AND OTHER PAYABLES

As the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the due date, is as follows:

	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
Trade payable *(Note (i))*	**144,477**	184,408
Other creditors and accrued charges *(Note (ii))*	**3,106,585**	2,667,301
Amounts due to non-controlling shareholders *(Note (iii))*	**1,162,430**	1,157,996
Financial liabilities measured at amortised cost	**4,413,492**	4,009,705
Rental and other deposits	**81,801**	79,150
Receipts in advance	**55,145**	28,403
	4,550,438	4,117,258

13 TRADE AND OTHER PAYABLES (CONTINUED)

Notes:

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

	At 30 June 2019 *HK$'000*	At 31 December 2018 *HK$'000*
Within 1 month or on demand	**57,709**	67,462
1 month but within 3 months	**25,161**	37,526
3 months but within 6 months	**23,004**	31,262
6 months but within 1 year	**21,485**	16,937
Over 1 year	**17,118**	31,221
	144,477	184,408

(ii) An amount of HK$2,622,683,000 (2018: HK$2,134,391,000) 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$924,072,000 (31 December 2018: HK$924,554,000) which are interest-free and repayable on demand, all of the balances are unsecured, interest-bearing at 4.35% (31 December 2018: 4.35%) and repayable within one year or on demand.

14 COMMITMENTS

	At 30 June 2019 *HK$'000*	At 31 December 2018 *HK$'000*
Contracted for	**3,263,313**	3,331,063
Authorised but not contracted for	**1,408,362**	1,188,948
	4,671,675	4,520,011

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

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Business for the six months ended 30 June 2019

(1) Pre-sales

For the six months ended 30 June 2019, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK$75.8 million (of which approximately HK$67.9 million was from pre-sales of properties), representing a decrease of approximately 89.7% over the corresponding period of 2018. The Group's total pre-sold gross floor area ("**GFA**") was approximately 5,073 sq.m., representing a decrease of approximately 94.9% from approximately 100,397 sq.m. for the six months ended 30 June 2018. The average selling price ("**ASP**") of the Group's pre-sales of properties for the six months ended 30 June 2019 was approximately HK$13,384.6 per sq.m. (for the six months ended 30 June 2018: approximately HK$7,206.4 per sq.m.). In addition, the Group recorded pre-sales of car park units of approximately HK$7.9 million from 55 car park units for the six months ended 30 June 2019.

A breakdown of the total pre-sales of the Group during the six months ended 30 June 2019 is set out as follows:

City	Project and Type of Project	Pre-sold GFA		Pre-sales		Pre-sales ASP
		sq.m.	*%*	*HK$ million*	*%*	*HK$/sq.m.*
Changzhou	Changzhou Fashion Mark – retail	43	0.8	0.4	0.6	9,302.3
Tianjin	Tianjin Le Leman City – residential	5,030	99.2	67.5	99.4	13,419.5
Total		5,073	100.0	67.9	100.0	13,384.6

City	Project	Number of Pre-sold Car Park Units		Pre-sales		Pre-sales ASP
		unit	*%*	*HK$ million*	*%*	*HK$/unit*
Nanjing	The Sunny Land – Nanjing	51	92.7	7.3	92.4	143,137.3
Nanjing	The Spring Land – Nanjing	4	7.3	0.6	7.6	150,000.0
		55	100.0	7.9	100.0	143,636.4

(2) Projects Delivered and Booked for the Six Months Ended 30 June 2019

For the six months ended 30 June 2019, the Group's property development business in Tianjin achieved revenue from sale of properties (excluding sale of car park units) of approximately HK$7.4 million with saleable GFA of approximately 1,023 sq.m. being recognised, representing a decrease of approximately 86.9% and 73.0%, respectively, as compared with the corresponding period of 2018. The recognised ASP of the Group's sale of properties was approximately HK$7,233.6 per sq.m. for the six months ended 30 June 2019 (for the six months ended 30 June 2018: approximately HK$14,922.2 per sq.m.). The approximately 51.5% decrease in the recognised ASP was primarily due to the fact that a significant proportion of recognised sale of properties (excluding sale of car park units) was contributed by the Group's retail and residential project in Tianjin, which has a relatively lower ASP as compared with the other projects in the corresponding period of 2018.

For the six months ended 30 June 2019, the Group delivered and recognised sale of car park units of approximately HK$7.5 million from the sale of 63 car park units.

Details of sale of properties recognised by the Group during the six months ended 30 June 2019 are listed below:

City	**Project and Type of Project**	**Saleable GFA Booked**	**Sale of Properties Recognised**	**Recognised ASP**
		sq.m.	*HK$ million*	*HK$/sq.m.*
Tianjin	Tianjin Le Leman City			
	– residential	94	0.7	7,446.8
	– retail	929	6.7	7,212.1
		1,023	7.4	7,233.6

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	58	6.8	117,241.4
Nanjing	The Spring Land – Nanjing	5	0.7	140,000.0
Total		63	7.5	119,047.6

(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 PRC and Hong Kong Kowloon Tong Creative Kindergarten Campus Project in Hong Kong. As at 30 June 2019, the total fair value of the investment properties of the Group was approximately HK$5,851.8 million, representing approximately 22.3% of the Group's total asset value. The Group's investment property portfolio had a total leasable GFA of approximately 220,780 sq.m.. The Group recorded approximately HK$58.8 million (for the six months ended 30 June 2018: approximately HK$182.0 million) as gain in fair value of its investment properties for the six months ended 30 June 2019.

The Group carefully plans and selects tenants based on factors such as the project's overall positioning, market demand in surrounding areas, market rent and development needs of tenants. The Group attracts large-scale anchor tenants which assist in enhancing 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 30 June 2019, 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 41.0% (as at 31 December 2018: approximately 46.4%) of the Group's total leasable GFA in its investment properties under operation.

For the six months ended 30 June 2019, the occupancy rate decreased from approximately 89.0% as at 31 December 2018 to 86.2% as at 30 June 2019. The Group generated rental income of approximately HK$135.3 million for the six months ended 30 June 2019, representing an increase of approximately 3.2% from approximately HK$131.1 million for the six months ended 30 June 2018. The average monthly rental income of the Group's investment properties under operation for the six months ended

30 June 2019 was approximately HK$118.5 per sq.m. (for the six months ended 30 June 2018: approximately HK$140.2 per sq.m.). The decrease in the average monthly rental income was mainly attributable to a decrease in rental rate of the Group's existing investment property under operation, in particular, Chengdu Fashion Mark and Hangzhou Landmark, during the six months ended 30 June 2019.

Details of the Group's investment properties as at 30 June 2019 and the Group's rental income for the six months ended 30 June 2019 are set out as follows:

Investment Properties (inclusive of investment properties classified as held for sale)	**Leasable GFA as at 30 June 2019** *(Note 1)*	**Fair Value as at 30 June 2019**	**Rental Income for the six months ended 30 June 2019**	**Average Monthly Rental Income per sq.m. for the six months ended 30 June 2019**	**Occupancy Rate as at 30 June 2019**
	sq.m.	*HK$ million*	*HK$ million*	*HK$/sq.m.*	*%*
Investment properties under operation					
Changzhou Fashion Mark Phases 1 and 2 (Shopping mall and car park units)	78,068	1,544.1	26.1	77.6	71.8
Dongguan Landmark (Shopping mall and car park units)	20,172	563.1	17.8	147.1	100
Hangzhou Landmark (Shopping mall)	24,667	394.8	13.8	95.9	97.9
Shenzhen Water Flower Garden (Retail assets)	4,992	281.0	13.3	463.1	95.9
The Spring Land – Shenzhen Phase 1 – Fashion Walk (Retail assets)	3,356	199.1	9.1	478.6	93.4
The Spring Land – Shenzhen Phase 3 – Fashion Walk (Retail assets and car park units)	22,393	675.8	14.9	126.6	87.6
The Spring Land – Shenzhen Phase 5 – Fashion Walk (Retail assets)	3,521	216.2	8.4	464.7	85.6
The Spring Land – Shenzhen Phase 6A – Fashion Walk (Retail assets)	1,291	70.5	4.5	591.9	98.1
The Spring Land – Shenzhen Phase 6B – Fashion Walk (Retail assets)	2,893	176.3	4.3	247.7	100
Chengdu Fashion Mark (Shopping mall and car park units)	38,285	733.8	10.4	49.3	92.7
Shanghai Shama Century Park (Serviced apartments and car park units)	1,525	93.7	–	N/A	N/A
Shanghai Bay Valley	19,043	573.4	9.4	82.3	100
Hong Kong Kowloon Tong Creative Kindergarten Campus Project	574	330.0	3.3	957.7	100
Total	220,780	5,851.8	135.3	118.5	86.2

Note 1: The leasable GFA as at 30 June 2019 excluded car park units.

(4) Land Bank as at 30 June 2019

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 30 June 2019, the Group had a total of 19 projects over 10 cities in various stages of development, including an estimated net saleable/leasable GFA of completed projects of approximately 318,361 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 504,534 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	1,526	70.0
9	Tianjin	Tianjin Le Lemen City	Residential/ Commercial	7,664	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				318,361	
Projects under Development					
9	Tianjin	Tianjin Le Lemen City	Commercial	34,465	58.0
13	Shenzhen	Shenzhen Longhua Shangtang Metro Station 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	Interest Attributable to the Group
				sq.m.	*%*
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	20,050	100.0
17	Hong Kong	Hong Kong Yuen Long Tai Tong Road Project	Agricultural	2,987	100.0
18	Hong Kong	Hong Kong Yuen Long Tong Yan San Tsuen Project [(1)]	Agricultural	N/A	100.0
19	Hong Kong	Hong Kong Sheung Shui Ma Sik Road Project [(2)]	Agricultural	N/A	50.0
Sub-total				23,037	
Total				504,534	

Notes:

(1) Hong Kong Yuen Long Tong Yan San Tsuen 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 surrounding regions (including Dongguan)	153,882
Shanghai	99,380
Nanjing	717
Chengdu	38,285
Hangzhou	26,264
Tianjin	42,129
Changzhou	82,845
Hong Kong	30,538
Sydney, Australia	30,494
Total	504,534

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.

(5) Projects with Expected Commencement in the second half of 2019

In the second half of 2019, the Group intends to commence construction of three 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	20,050
Hong Kong	Hong Kong Yuen Long Tai Tong Road Project	2,987
Shenzhen	Shenzhen Longhua Shangtang Metro Station Project	58,264
		81,301

BUSINESS REVIEW

In the first half of 2019, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK$76 million (corresponding period of 2018: HK$732 million), pre-sold saleable GFA of 5,073 sq.m. (corresponding period of 2018: 100,397 sq.m.) and gross profit margin of the recognised sales of 40.6% (corresponding period of 2018: 27.3%).

In the first half of 2019, the Group's rental income from investment properties was approximately HK$135 million (corresponding period of 2018: HK$132 million), representing an increase of approximately 3.1%. As at 30 June 2019, the overall occupancy rate of the Group's investment properties was approximately 86.2%. As at 30 June 2019, the total leasable GFA of the operating investment property portfolio was approximately 220,780 sq.m.. As at 30 June 2019, taking into account the projects that have been completed but yet to operate or to be developed/modified in the next one to two years, the estimated total leasable GFA of the Group's investment property portfolio will reach approximately 299,591 sq.m.. Its fair value was approximately HK$8.31 billion as at 30 June 2019, representing approximately 31.6% of the Group's total asset value. In addition, as at 30 June 2019, the accumulated total area of properties managed by the Group amounted to approximately 12,980,000 sq.m., of which approximately 8,170,000 sq.m. property area was not developed by the Group and approximately 550,000 sq.m. was commercial property management projects.

As at 30 June 2019, the land bank (i.e. the net saleable/leasable GFA) of 19 projects of the Group was approximately 504,534 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.

FUTURE OUTLOOOK

Consistent focus on opportunities in the Greater Bay Area

As one of the most vibrant regional economies in China and the world, the Greater Bay Area reported GDP of over RMB10,000 billion in 2018 with a total population of approximately 70 million. With the successive announcements of important documents, such as the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area promulgated by the Central Committee of the Communist Party of China and the State Council, Opinion on the Implementation of the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area promulgated by the Guangdong Provincial Government and the Three Year Action Plan of Guangdong Province for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area (2018–2020), during the first half of 2019, the progress of Greater Bay Area development is gaining pace. According to published statistics, the population of the Greater Bay Area sustained continuous growth with an addition of approximately 1.50 million residents in 2018, as the three Greater Bay Area cities of Shenzhen, Guangzhou and Foshan ranked the first, the second and the eighth, respectively, among the top ten Chinese cities of net population growth. The combined effect of advantages in terms of policy, economic activities and population means the Greater Bay Area has enormous potential to grow into a first-class international bay region and a world-class cluster of cities.

The Group will seize the historic opportunities presented by the development of the Greater Bay Area with intensive effort. With a strong focus on key cities in the Greater Bay Area, especially core cities such as Hong Kong, Shenzhen and Guangzhou, the Group will be engaged in the development, sales or operation of premium sites lands and projects acquired on a highly selective basis. Meanwhile, the Group will also endeavour to participate in premium real estate projects relating to strategic new industries and scientific and innovative sectors, in order to enjoy the benefits brought about the development of the Greater Bay Area on all fronts.

Maintaining and moderately expanding the portfolio of rental properties promising steady growth

The Group is of the view that it is imperative to maintain a steadily growing rental income. The Group looks forward to achieving greater growth in rental income by expanding the portfolio of premium properties held as investment. In the meantime, the Group will also actively develop the light-asset business model of sub-leasing, namely, to rent entire blocks of selected quality properties with good potential at lower fixed prices and then sub-lease their units at a premium after upgrading such properties with the Group's superior resources for commercial operations, with the aim of unleashing higher profit returns through the model of light-asset operation coupled with value-added management.

FINANCIAL REVIEW

For the six months ended 30 June 2019, the Group's total revenue and income from sale of properties were approximately HK$280.7 million and HK$14.9 million, respectively, decreased by approximately 9.1% and 76.3%, respectively, as compared with the corresponding period of 2018. The Group recorded a loss attributable to equity shareholders of the Company of approximately HK$168.0 million as compared with a loss of HK$30.3 million recorded in the corresponding period of 2018. For the six months ended 30 June 2019, the Group had a basic loss per ordinary share (the "**Share(s)**") of HK$0.11, compared with a loss of HK$0.02 in the corresponding period of 2018. Net assets per Share attributable to equity shareholders of the Company and holders of perpetual subordinated convertible securities ("**PCSs**") were approximately HK$6.7 as at 30 June 2019 and approximately HK$6.9 as at 31 December 2018.

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 current period, net of value-added tax and other sales related taxes and discounts allowed.

The Group's revenue decreased by approximately 9.1% to approximately HK$280.7 million for the six months ended 30 June 2019 from approximately HK$308.9 million for the six months ended 30 June 2018. This decrease was primarily due to a decrease in the Group's income from sale of properties. The Group recognised property sales of approximately HK$14.9 million, representing approximately 5.3% of the revenue for the six months ended 30 June 2019. The remaining approximately 94.7% represented rental income, property management and related services income and income from education related services and products.

Revenue from the Group's sale of properties decreased by approximately 76.3% for the six months ended 30 June 2019 as compared with the corresponding period of 2018 primarily due to a decrease in the Group's total saleable GFA sold and delivered (excluding sale of car park units) from approximately 3,793 sq.m. in the first half of 2018 to approximately 1,023 sq.m. in the first half of 2019. As a result of an increase in the 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 that period.

The Group's direct costs decreased to approximately HK$111.2 million for the six months ended 30 June 2019 from approximately HK$160.0 million for the six months ended 30 June 2018. Such decrease was primarily attributable to a decrease in the saleable GFA and the related construction costs of the Group's properties completed and delivered for the six months ended 30 June 2019.

Gross profit

The Group's gross profit increased by approximately 13.8% to approximately HK$169.5 million for the six months ended 30 June 2019 from approximately HK$148.9 million for the six months ended 30 June 2018. The Group recorded a gross profit margin of approximately 60.4% for the six months ended 30 June 2019 as compared with approximately 48.2% for the six months ended 30 June 2018. The increase in gross profit margin was primarily driven by the increase in overall proportion of rental income and income from education related services and products which contributed higher gross profit margin.

Other revenue

Other revenue decreased by approximately HK$252.3 million, or approximately 74.0%, to approximately HK$88.6 million for the six months ended 30 June 2019 from approximately HK$340.9 million for the six months ended 30 June 2018. The decrease was primarily attributable to the absence of interest income on financial assets measured at amortised cost in the current period.

Other net income

Other net income decreased significantly by approximately 92.3% to approximately HK$19.1 million for the six months ended 30 June 2019 from approximately HK$247.7 million for the six months ended 30 June 2018, mainly due to the absence of fair value change on conversion option embedded in convertible bonds.

Selling and marketing expenses

Selling and marketing expenses decreased by approximately 45.1% to approximately HK$9.0 million for the six months ended 30 June 2018 from approximately HK$16.4 million for the six months ended 30 June 2018, mainly due to a decrease in promotion and commission expenses paid. The selling and marketing expenses accounted for approximately 11.9% of total contracted sales for the six months ended 30 June 2019 (for the six months ended 30 June 2018: approximately 2.2%).

Administrative expenses

Administrative expenses decreased by approximately 17.6% to approximately HK$208.5 million for the six months ended 30 June 2019 from approximately HK$253.0 million for the six months ended 30 June 2018. The decrease was mainly due to the decrease in professional fees and staff costs incurred for the six months ended 30 June 2019.

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

Valuation gains on investment properties and investment properties classified as held for sale decreased significantly by approximately 67.7% to approximately HK$58.8 million for the six months ended 30 June 2019 from approximately HK$182.0 million for the six months ended 30 June 2018. The decrease was mainly due to the slow growth in average market rents in the first half of 2019.

Finance costs

Finance costs decreased by approximately 33.5% to approximately HK$180.5 million for the six months ended 30 June 2019 from approximately HK$271.4 million for the corresponding period of 2018. The decrease was primarily attributable to the increase in the percentage of interest expenses being qualified for capitalisation from approximately 19.6% to 48.1%.

Income tax

Income tax expenses increased by approximately 142.2% to approximately HK$68.3 million for the six months ended 30 June 2019 from approximately HK$28.2 million for the six months ended 30 June 2018. The increase was mainly attributable to the timing difference of capitalisation of interest expenses in the current period.

Non-controlling interests

The profit attributable to non-controlling interests was approximately HK$8.9 million for the six months ended 30 June 2019 as compared with the loss attributable to non-controlling interests of approximately HK$5.4 million in the corresponding period of 2018. The increase was primarily due to the increased share of profit of a non wholly-owned subsidiary (which holds property management services) shared by the non-controlling interests approximately HK$9.1 million in the current period.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 30 June 2019, the carrying amount of the Group's cash and bank deposits was approximately HK$4,317.5 million (as at 31 December 2018: approximately HK$8,054.4 million), representing a decrease of approximately 46.4%.

Borrowings and charges on the Group's assets

The Group had an aggregate borrowings (including bank and other borrowings, bonds payable, lease liabilities and amounts due to non-controlling shareholders) as at 30 June 2019 of approximately HK$9,459.6 million, of which approximately HK$4,358.3 million is repayable within one year, approximately HK$3,808.2 million is repayable after one year but within five years and approximately HK$1,293.1 million is repayable after five years.

As at 30 June 2019, the Group's bank loans of approximately HK$7,309.9 million (as at 31 December 2018: approximately HK$7,114.5 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$10,708.3 million (as at 31 December 2018: approximately HK$11,093.7 million).

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$3,326.5 million (as at 31 December 2018: approximately HK$3,400.4 million) and HK$1,719.0 million (as at 31 December 2018: approximately HK$3,262.9 million) as at 30 June 2019 which were denominated in Hong Kong dollars and US dollars, respectively.

As at 30 June 2019, the Group had bank borrowings of approximately HK$665.5 million which bore fixed interest rates ranging from 6.4% to 7.0% per annum.

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 agreed to issue, and the Investors 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 were fully redeemed by the Company on 7 January 2019.

Cost of borrowings

The Group's annualised average cost of borrowings (calculated by dividing total interest expenses expensed and capitalised by average borrowings, during the period) was approximately 6.7% for the six months ended 30 June 2019 (for the six months ended 30 June 2018: approximately 7.2%).

Net gearing ratio

The net gearing ratio is calculated by dividing the Group's net borrowings (aggregate borrowings net of cash and cash equivalents and restricted and pledged deposits) by the total equity. The Group's net gearing ratio as at 30 June 2019 and 31 December 2018 was approximately 49.3% and 29.5%, respectively. The increase in net gearing ratio was mainly due to the settlement of LAT in the PRC and investement in financial products during the six months ended 30 June 2019.

Foreign exchange risk

As at 30 June 2019, the Group had cash balances denominated in RMB of approximately RMB3,500.2 million (equivalent to approximately HK$3,982.0 million), in US dollars of approximately US$1.0 million (equivalent to approximately HK$7.8 million) and in Australian dollars of approximately AUD9.8 million (equivalent to approximately HK$54.0 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, US dollars or Australian dollars as a result of its investment in the PRC and the settlement of certain administrative expenses and borrowings in Hong Kong dollars, US dollars or Australian 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 30 June 2019 and 31 December 2018 are calculated as follows:

	As at 30 June 2019	As at 31 December 2018
Net assets attributable to equity shareholders of the Company *(HK$'000)*	**10,311,064**	10,582,279
Number of issued ordinary Shares *('000)*	**1,412,733**	1,385,576
Number of outstanding PCSs *('000)*	**116,553**	143,553
Number of Shares for the calculation of net assets per Share *('000)*	**1,529,286**	1,529,129
Net assets per Share attributable to equity shareholders of the Company and the holders of PCSs *(HK$) (Note)*	**6.7**	6.9

Note: The net assets per Share attributable to 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 30 June 2019 and 31 December 2018.

CONTINGENT LIABILITIES

As at 30 June 2019, save for the guarantees of approximately HK$559.7 million (as at 31 December 2018: approximately HK$592.1 million) given to financial institutions for mortgage loan facilities granted to purchasers of the Group's properties, the Group had no other material contingent liabilities.

Pursuant to the mortgage contracts, the Group is required by the relevant banks 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 AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this announcement, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures from 1 January 2019 up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group employed a total of approximately 879 employees (as at 31 December 2018: approximately 930 employees) in the mainland China, Hong Kong and Australia, of which, approximately 163 were under the headquarters team, approximately 13 were under the property development division and 684 were under the retail operation and property management division, approximately 6 were under education and approximately 13 were under funds. For the six months ended 30 June 2019, the total staff costs incurred was approximately HK$125.7 million (for the six months ended 30 June 2018: approximately HK$144.7 million). The remuneration of the employees was based on their performance, work experience, skills, knowledge and the prevailing market wage level. The Group remunerated the employees by means of basic salaries, cash bonus and equity settled share-based payment.

The Company adopted a pre-IPO share option scheme and a share award scheme (the "**Share Award Scheme**") on 2 December 2010 under which the Company granted share options and awarded Shares to certain eligible employees. The Share Award Scheme was terminated following the passing of a resolution by the shareholders of the Company at the annual general meeting of the Company held on 23 May 2019. During the six months ended 30 June 2019, 157,000 (for the six months ended 30 June 2018: 455,000) share options had been exercised by the grantees and 400 (for the six months ended 30 June 2018: nil) share options had been lapsed. As a result, 1,523,631 (as at 31 December 2018: 1,681,031) share options were outstanding as at 30 June 2019 under the pre-IPO share option scheme.

The Company also adopted a post-IPO share option scheme on 28 February 2011 for the purpose of recognising and acknowledging the contribution that eligible employees have made or may make to the Group. On 26 June 2012, 20 June 2013, 28 April 2015, 8 September 2015 and 23 October 2015, the Group granted 15,720,000 share options (Lot 1), 14,000,000 share options (Lot 2), 82,650,000 share options (Lot 3), 3,000,000 share options (Lot 4), 10,000,000 share options (Lot 5) and 31,000,000 share options (Lot 6), respectively, under the post-IPO share option scheme at the exercise prices of HK$2.264 per Share (adjusted), HK$4.14 per Share, HK$3.3 per Share, HK$3.65 per Share, HK$3.45 per Share and HK$2.796 per Share, respectively, to certain Directors, senior management and selected employees of the Group.

Movement of the outstanding share options under the pre-IPO and post-IPO share option scheme for the six months ended 30 June 2019 is as follows:

	Exercise Price *HK$ per Share*	As at 1 January 2019	Share options granted	Share options exercised	Share options cancelled	Share options lapsed	As at 30 June 2019
Pre-IPO	1.78	1,681,031	–	157,000	–	400	1,523,631
Post-IPO							
Lot 1	2.264	3,451,500	–	–	–	–	3,451,500
Lot 2	4.14	6,716,000	–	–	–	–	6,716,000
Lot 3	3.3	49,698,000	–	–	–	380,000	49,318,000
Lot 4	3.65	1,067,500	–	–	–	300,000	767,500
Lot 5	3.45	10,000,000	–	–	–	–	10,000,000
Lot 6	2.796	30,124,500	–	–	–	3,000,000	27,124,500
Sub-total		101,057,500	–	–	–	3,680,000	97,377,500
Total		102,738,531	–	157,000	–	3,680,400	98,901,131

IMPORTANT EVENTS AFTER THE END OF THE INTERIM REPORTING PERIOD

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

INTERIM DIVIDEND

The Board will only consider the declaration of dividend at its meeting for the approval of final results. As a result, the Board has resolved not to declare an interim dividend for the six months ended 30 June 2019 (2018 interim dividend: Nil).

PURCHASE, SALE OR REDEMPTION OF THE 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 six months ended 30 June 2019.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**CG Code**") during the six months ended 30 June 2019 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. With effect from 1 March 2018, Mr WONG Chun Hong performed his duties as the chairman and the chief executive officer of the Company. The Board considers that vesting both roles in the same person ensures consistent leadership within the Group and enables more effective and efficient planning of long-term strategies and implementation of business plans. The Board believes that the balance of power and authority is adequately ensured by the operations and governance of the Board which comprises experienced and high calibre individuals, with more than half of the Board members being non-executive or independent non-executive Directors. The Company will review the current structure when and as it becomes appropriate.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by the Directors. After having made specific enquiries with all the Directors, all the Directors have confirmed that they had complied with the required standards set out in the Model Code and its code of conduct during the six months ended 30 June 2019.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practice adopted by the Group and has reviewed the interim results of the Group for the six months ended 30 June 2019. The audit committee of the Company comprises three independent non-executive Directors, namely Mr CHENG Yuk Wo (Chairman), Professor WU Si Zong and Mr CHAN Yee Herman.

The financial information in this announcement is unaudited and is derived from the interim financial report for the six months ended 30 June 2019. The interim financial report is unaudited, but has been reviewed by KPMG, the Company's auditor, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that they would become aware of all significant matters that might be identified in an audit. Accordingly, KPMG did not express an audit opinion.

As such, the figures disclosed are for investors' reference only. Investors are advised to exercise caution and not to place undue reliance on such information when dealing in the securities of the Company. If in doubt, investors are advised to seek professional advice from professional or financial advisers.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Hong Kong, 29 August 2019

As at the date of this announcement, the executive Directors are Mr WONG Chun Hong, Mr YUAN Zhi Wei, Ms LAM Mei Ka, Shirley and Mr LIANG Rui Chi; 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*