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 2019

## HIGHLIGHTS

- For the year ended 31 December 2019, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK$104.3 million. The pre-sales of properties was approximately HK$95.2 million with pre-sold GFA of approximately 8,172 sq.m. and ASP of approximately HK$11,649.5 per sq.m., representing a decrease of approximately 89.0%, 92.7% and an increase of approximately 51.1%, respectively, as compared with 2018.

- As at 31 December 2019, the Group had a total of 19 projects over 10 cities in various stages of development with a total estimated net saleable/leasable GFA of approximately 512,588 sq.m..

- Revenue for the year ended 31 December 2019 increased by approximately 16.1% to approximately HK$719.2 million from approximately HK$619.7 million for the year ended 31 December 2018.

- For the year ended 31 December 2019, the Group generated recurring rental income of approximately HK$272.0 million (2018: approximately HK$245.4 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 2019, the investment property portfolio (inclusive of investment properties classified as held for sale) had a total leasable GFA of approximately 240,834 sq.m. and a fair value of approximately HK$6,362.2 million, representing approximately 25.4% of the Group's total asset value.

- Gross profit margin increased to approximately 59.5% for the year ended 31 December 2019 from approximately 54.9% for the year ended 31 December 2018.

- For the year ended 31 December 2019, the loss attributable to equity shareholders of the Company was approximately HK$582.9 million (for the year ended 31 December 2018: profit attributable to equity shareholders of the Company of approximately HK$102.6 million).

- Basic and diluted loss per Share attributable to equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2019 were approximately HK$0.38 and HK$0.38, respectively, representing a decrease of approximately 642.9% and 2,000% respectively as compared with 2018.

- Net assets per Share attributable to equity shareholders of the Company and the holders of PCSs as at 31 December 2019 was approximately HK$6.3 (as at 31 December 2018: approximately HK$6.9).

- As at 31 December 2019, the net gearing ratio of the Group increased to approximately 50.0% from approximately 29.5% as at 31 December 2018.

- The Board has recommended the payment of a final dividend of HK2 cents per Share to equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2019 (for the year ended 31 December 2018: HK6 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 2019 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*FOR THE YEAR ENDED 31 DECEMBER 2019*

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | | *(Note)* |
| | | ***HK$'000*** | *HK$'000* |
| **Revenue** | 3 | **719,246** | 619,712 |
| Direct costs | | **(291,238)** | (279,768) |
| **Gross profit** | | **428,008** | 339,944 |
| Valuation gains on investment properties and investment properties classified as held for sale | | **197,409** | 292,344 |
| Other revenue | 4 | **153,819** | 710,087 |
| Other net (loss)/income | 5 | **(380,640)** | 256,948 |
| Selling and marketing expenses | | **(51,619)** | (30,373) |
| Administrative expenses | | **(421,149)** | (320,462) |
| Impairment loss on trade and other receivables | | **(28,462)** | (104,078) |
| Loss arising from the derecognition of financial assets measured at amortised cost | | **–** | (116,529) |
| **(Loss)/profit from operations** | | **(102,634)** | 1,027,881 |
| Finance costs | 6(a) | **(323,353)** | (533,574) |
| Share of losses of associates | | **(2,621)** | (76,317) |
| Share of losses of joint ventures | | **(15,781)** | (7,839) |
| **(Loss)/profit before taxation** | 6 | **(444,389)** | 410,151 |
| Income tax | 7 | **(85,539)** | (282,352) |
| **(Loss)/profit for the year** | | **(529,928)** | 127,799 |

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | | *(Note)* |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **(582,939)** | 102,610 |
| Non-controlling interests | | **53,011** | 25,189 |
| **(Loss)/profit for the year** | | **(529,928)** | 127,799 |
| **(Loss)/earnings per share (HK$)** | 8 | | |
| Basic | | **(0.38)** | 0.07 |
| Diluted | | **(0.38)** | 0.02 |

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2019*

| | **2019** | 2018 |
|---|---|---|
| | | *(Note)* |
| | ***HK$'000*** | *HK$'000* |
| **(Loss)/profit for the year** | **(529,928)** | 127,799 |
| **Other comprehensive income for the year (after tax and reclassification adjustments)** | | |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences on translation of: | | |
| – financial statements of foreign subsidiaries | **(236,178)** | (530,189) |
| – reclassified to profit or loss upon disposal of subsidiaries | **(6)** | (2,450) |
| | **(236,184)** | (532,639) |
| Share of other comprehensive income of associates and joint ventures | **(6,851)** | (48,071) |
| | **(243,035)** | (580,710) |
| **Total comprehensive income for the year** | **(772,963)** | (452,911) |
| **Attributable to:** | | |
| Equity shareholders of the Company | **(815,551)** | (470,179) |
| Non-controlling interests | **42,588** | 17,268 |
| **Total comprehensive income for the year** | **(772,963)** | (452,911) |

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 DECEMBER 2019*

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | | *(Note)* |
| | | ***HK$'000*** | *HK$'000* |
| **Non-current assets** | | | |
| Investment properties | | **6,297,551** | 5,704,379 |
| Other property, plant and equipment | | **199,049** | 154,094 |
| | | **6,496,600** | 5,858,473 |
| Intangible assets | | **3,769** | 3,769 |
| Goodwill | | **40,736** | 40,736 |
| Interest in associates | | **8,739** | 11,558 |
| Interest in joint ventures | | **423,597** | 479,290 |
| Other financial assets | | **1,338,322** | 1,487,235 |
| Other receivables | 10 | **210,027** | – |
| Deferred tax assets | | **75,212** | 224,170 |
| | | **8,597,002** | 8,105,231 |
| **Current assets** | | | |
| Inventories and other contract costs | | **9,921,176** | 10,040,990 |
| Other financial assets | | **130,470** | 341,497 |
| Trade and other receivables | 10 | **1,553,629** | 1,849,598 |
| Prepaid tax | | **20,891** | 23,171 |
| Restricted and pledged deposits | | **2,612,642** | 2,565,681 |
| Cash and cash equivalents | | **2,115,129** | 5,488,739 |
| | | **16,353,937** | 20,309,676 |
| Investment properties classified as held for sale | | **64,683** | 104,539 |
| | | **16,418,620** | 20,414,215 |

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | | *(Note)* |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Current liabilities** | | | |
| Trade and other payables | 11 | **3,646,717** | 4,117,258 |
| Contract liabilities | | **58,577** | 155,479 |
| Bank and other borrowings | | **3,947,660** | 3,322,635 |
| Lease liabilities | | **31,604** | – |
| Convertible bonds | | **–** | 1,461,691 |
| Bonds payable | | **500,355** | 783,150 |
| Tax payable | | **716,509** | 1,516,734 |
| Provision | | **–** | 24,408 |
| | | **8,901,422** | 11,381,355 |
| **Net current assets** | | **7,517,198** | 9,032,860 |
| **Total assets less current liabilities** | | **16,114,200** | 17,138,091 |
| **Non-current liabilities** | | | |
| Bank and other borrowings | | **5,119,614** | 5,403,679 |
| Lease liabilities | | **48,613** | – |
| Deferred tax liabilities | | **1,105,800** | 1,023,450 |
| Provision | | **–** | 14,906 |
| | | **6,274,027** | 6,442,035 |
| **NET ASSETS** | | **9,840,173** | 10,696,056 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **141,273** | 138,558 |
| Reserves | | **9,542,968** | 10,443,721 |
| **Total equity attributable to equity shareholders of the Company** | | **9,684,241** | 10,582,279 |
| **Non-controlling interests** | | **155,932** | 113,777 |
| **TOTAL EQUITY** | | **9,840,173** | 10,696,056 |

*Note:* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the 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**" or "**China**").

The consolidated annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2019 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 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 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

### (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:

| | **2019** | 2018 |
|---|---|---|
| | | *(Note)* |
| | ***HK$'000*** | *HK$'000* |
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| – Sales of properties | **162,348** | 97,782 |
| – Property management and related services income | **237,217** | 231,024 |
| – Education related services income | **47,696** | 45,458 |
| | **447,261** | 374,264 |
| **Revenue from other sources** | | |
| Gross rentals from investment properties | | |
| – Lease payments that are fixed or depend on a rate | **255,846** | 229,964 |
| – Variable lease payments that do not depend on an index or a rate | **16,139** | 15,484 |
| | **271,985** | 245,448 |
| | **719,246** | 619,712 |

### (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 four 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 Mainland China and Hong Kong.

- 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.

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

*(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, intangible assets, non-current and current assets with the exception of interests in associates and joint ventures, other financial assets other than receivables from the third parties, prepaid tax, deferred tax assets and other corporate assets. Segment liabilities include trade and other payables and lease liabilities 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, 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.

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 2019 and 2018 is set out below.

**2019**

| | Property development 2019 *HK$'000* | Property investment 2019 *HK$'000* | Property management and related services 2019 *HK$'000* | Education related services 2019 *HK$'000* | Total 2019 *HK$'000* |
|---|---|---|---|---|---|
| **Revenue from external customers** | 162,348 | 271,985 | 237,217 | 47,696 | 719,246 |
| Inter-segment revenue | – | 63,660 | 80,293 | – | 143,953 |
| **Reportable segment revenue** | 162,348 | 335,645 | 317,510 | 47,696 | 863,199 |
| **Reportable segment (loss)/profit (adjusted EBITDA)** | (126,863) | 187,639 | 24,015 | 2,574 | 87,365 |
| Interest income from bank deposits | 48,424 | 984 | 1,275 | – | 50,683 |
| Interest expense | (288,971) | (31,035) | (2,994) | (353) | (323,353) |
| Depreciation and amortisation | (15,642) | (3,637) | (1,295) | (854) | (21,428) |
| Impairment loss on trade and other receivables | (7,117) | (6,864) | (5,062) | (580) | (19,623) |
| Fair value loss on financial assets measured at fair value through profit or loss ("FVPL") | (418,281) | – | – | (19,507) | (437,788) |
| Valuation gains on investment properties and investment properties classified as held for sale | – | 197,409 | – | – | 197,409 |
| **Reportable segment assets** | 17,135,356 | 6,240,364 | 481,049 | 153,594 | 24,010,363 |
| Additions to non-current segment assets during the year | 857 | 971 | 2,117 | 2,111 | 6,056 |
| **Reportable segment liabilities** | (11,791,688) | (954,291) | (290,833) | (59,297) | (13,096,109) |

**2018**

| | Property development 2018 *HK$'000* | Property investment 2018 *HK$'000* | Property management and related services 2018 *HK$'000* | Education related services 2018 *HK$'000* | Total 2018 *(Note)* *HK$'000* |
|---|---|---|---|---|---|
| **Revenue from external customers** | 97,782 | 245,448 | 231,024 | 45,458 | 619,712 |
| Inter-segment revenue | – | 55,976 | 89,764 | – | 145,740 |
| **Reportable segment revenue** | 97,782 | 301,424 | 320,788 | 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) |
| Fair value loss on financial assets measured at FVPL | (169,649) | – | – | – | (169,649) |
| 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) |

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

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

| | **2019** | 2018 |
|---|---|---|
| | | *(Note)* |
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Reportable segment revenue | **863,199** | 765,452 |
| Elimination of inter-segment revenue | **(143,953)** | (145,740) |
| Consolidated revenue | **719,246** | 619,712 |
| **Profit** | | |
| Reportable segment profit derived from Group's external customers | **87,365** | 99,270 |
| Share of losses of associates | **(2,621)** | (76,317) |
| Share of losses of joint ventures | **(15,781)** | (7,839) |
| Other revenue and net income | **(226,821)** | 967,035 |
| Impairment loss on trade and other receivables | **(28,462)** | (104,078) |
| Loss arising from the derecognition of financial assets measured at amortised cost | **–** | (116,529) |
| Depreciation and amortisation | **(38,447)** | (12,563) |
| Finance costs | **(323,353)** | (533,574) |
| Valuation gains on investment properties and investment properties classified as held for sale | **197,409** | 292,344 |
| Unallocated head office and corporate expenses | **(93,678)** | (97,598) |
| Consolidated (loss)/profit before taxation | **(444,389)** | 410,151 |
| **Assets** | | |
| Reportable segment assets | **24,010,363** | 27,345,803 |
| Interest in associates | **8,739** | 11,558 |
| Interest in joint ventures | **423,597** | 479,290 |
| Other financial assets | **301,849** | 188,768 |
| Prepaid tax | **20,891** | 23,171 |
| Deferred tax assets | **75,212** | 224,170 |
| Unallocated head office and corporate assets | **174,971** | 246,686 |
| Consolidated total assets | **25,015,622** | 28,519,446 |
| **Liabilities** | | |
| Reportable segment liabilities | **13,096,109** | 15,035,163 |
| Tax payable | **716,509** | 1,516,734 |
| Deferred tax liabilities | **1,105,800** | 1,023,450 |
| Unallocated head office and corporate liabilities | **257,031** | 248,043 |
| Consolidated total liabilities | **15,175,449** | 17,823,390 |

*Note :*

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

### *(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 the third parties and other receivables ("**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** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 *(Note)* |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Mainland China (place of domicile) | **664,369** | 567,083 | **7,532,118** | 6,882,137 |
| Hong Kong | **54,877** | 52,629 | **448,146** | 401,581 |
| Australia | **–** | – | **355,233** | 409,714 |
| | **719,246** | 619,712 | **8,335,497** | 7,693,432 |

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

## 4 OTHER REVENUE

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **56,083** | 62,263 |
| Other interest income | **55,206** | 603,411 |
| Interest income on financial assets measured at amortised cost | **111,289** | 665,674 |
| Rental income from operating leases, other than those relating to investment properties | **30,403** | 36,558 |
| Construction management service income | **1,208** | 3,241 |
| Other service income | **3,341** | 2,093 |
| Others | **7,578** | 2,521 |
| | **153,819** | 710,087 |

## 5 OTHER NET (LOSS)/INCOME

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Net gain on disposal of subsidiaries | **565** | 20,030 |
| Fair value loss on financial assets measured at FVPL | **(390,904)** | (179,304) |
| Net exchange gain | **8,287** | 5,963 |
| Net gain/(loss) on sale of investment properties classified as held for sale | **1,611** | (450) |
| Net gain on disposal of property, plant and equipment | **487** | 730 |
| Amortisation of loss arising from the issuance of convertible bonds | **(1,858)** | (62,898) |
| Fair value change on conversion option embedded in convertible bonds | **–** | 243,220 |
| Compensation income for return of prepaid investment cost | **–** | 229,657 |
| Others | **1,172** | – |
| | **(380,640)** | 256,948 |

## 6 LOSS/(PROFIT) BEFORE TAXATION

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

| | **2019** | 2018 |
|---|---|---|
| | | *(Note (i))* |
| | ***HK$'000*** | *HK$'000* |
| **(a) Finance costs** | | |
| Interest on bank and other borrowings | **568,841** | 349,779 |
| Interest on lease liabilities | **5,237** | – |
| Interest on amounts due to non-controlling interests | **1,976** | 14,697 |
| Interest on convertible bonds | **7,610** | 169,671 |
| Interest on bonds payable | **68,054** | 81,272 |
| Interest on note payable | **–** | 62,185 |
| Other borrowing costs | **9,849** | 23,622 |
| | **661,567** | 701,226 |
| Accrued interest on significant financing component of contract liabilities | **6,961** | 1,038 |
| | **668,528** | 702,264 |
| Less: Amount capitalised (*Note (ii)*) | **(345,175)** | (168,690) |
| | **323,353** | 533,574 |

*Note:*

(i) The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2.

(ii) The borrowing costs have been capitalised at rates ranging from 2.79% to 16.6% (2018: 1.56% to 16.6%) per annum for the year ended 31 December 2019.

| | | 2019 | 2018 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **(b)** | **Staff costs** | | |
| | Salaries, wages and other benefits | **244,493** | 116,379 |
| | Contributions to defined contribution retirement plans | **10,256** | 11,353 |
| | Equity settled share-based payment expenses | **2,559** | 9,163 |
| | | **257,308** | 136,895 |

| | | 2019 | 2018 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **(c)** | **Other items** | | |
| | Depreciation and amortisation | | |
| | – furniture, fixtures and other fixed assets *(Note)* | **8,183** | 9,009 |
| | – right-of-use assets *(Note)* | **30,264** | 3,554 |
| | | **38,447** | 12,563 |
| | Total minimum lease payments for leases previously classified as operating leases under HKAS 17 *(Note)* | **–** | 25,267 |
| | Cost of properties sold | **82,362** | 69,266 |
| | Rental income from investment properties | **271,985** | 245,448 |
| | Less: Direct outgoings | **(14,600)** | (24,884) |
| | | **257,385** | 220,564 |

*Note:* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 2.

## 7 INCOME TAX

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

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Current tax** | | |
| Net (reversal)/provision for PRC Corporate Income Tax ("**CIT**") | **(157,108)** | 203,384 |
| Net (reversal)/provision for Land Appreciation Tax ("**LAT**") | **(7,447)** | 3,748 |
| (Reversal)/provision for withholding tax | **(2,015)** | 853 |
| | **(166,570)** | 207,985 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **252,109** | 74,367 |
| | **85,539** | 282,352 |

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 2018 and 2019, except for the Hong Kong subsidiaries in principal activities of education related services, 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 subsidiaries in the Mainland China 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 2019 (2018: 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 in 2019 are levied on interest income and related services income earned from an overseas joint venture by the Company and proceeds from the sale of investment properties in the Mainland China by a Hong Kong subsidiary.

During the year, as a result of clearance of LAT settlement of a subsidiary by the respective tax bureau, LAT payment of HK$570,196,000 made in this year is considered CIT deductible. Accordingly, a provision of CIT in prior years and the corresponding deferred tax assets with same amount were adjusted. There is no net impact to the consolidated statement of profit or loss in 2019 in this respect.

## 8 (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders and the holder of PCSs of the Company of HK$582,939,000 (2018: profit of HK$102,610,000) and the weighted average number of 1,529,272,000 shares (2018: 1,528,652,000 shares) in issue during the year, calculated as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***'000*** | *'000* |
| **Weighted average number of shares** | | |
| Issued ordinary shares | **1,385,575** | 1,383,439 |
| Effect of share options exercised | **144** | 1,660 |
| Effect of PCSs converted | **18,123** | – |
| Effect of bonus issue of shares (with PCSs as an alternative) | **125,430** | 143,553 |
| Weighted average number of shares at 31 December | **1,529,272** | 1,528,652 |

### (b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share is based on the adjusted (loss)/profit attributable to equity shareholders and the weighted average number of ordinary shares (diluted), calculated as follows:

***(i) (Loss)/profit attributable to equity shareholders of the Company (diluted)***

| | **2019** | 2018 |
|---|---|---|
| | ***'000*** | *'000* |
| (Loss)/profit attributable to equity shareholders of the Company | **(582,939)** | 102,610 |
| Interest on convertible bonds | **–** | 169,671 |
| Fair value change on conversion option embedded in convertible bonds | **–** | (243,220) |
| Unamortised loss arising from the issuance of convertible bonds | **–** | (62,898) |
| Amortisation of loss arising from the issuance of convertible bonds | **–** | 62,898 |
| (Loss)/profit attributable to equity shareholders (diluted) | **(582,939)** | 29,061 |

*(ii) Weighted average number of shares (diluted)*

| | **2019** | 2018 |
|---|---|---|
| | ***'000*** | *'000* |
| Weighted average number of shares | **1,529,272** | 1,528,652 |
| Effect of deemed issue of shares under the Company's share option schemes for nil consideration | **–** | 5,516 |
| Effect of deemed conversion of convertible bonds | **–** | 366,051 |
| **Weighted average number of shares (diluted) at 31 December** | **1,529,272** | 1,900,219 |

## 9 DIVIDENDS

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Final dividend proposed after the end of the reporting period of HK2 cents (2018: HK6 cents) per ordinary share and unit of PCSs | **30,586** | 91,757 |
| | **30,586** | 91,757 |

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade debtors, net of loss allowance | **83,953** | 82,120 |
| Other debtors, net of loss allowance *(i)* | **506,193** | 647,073 |
| Less: amount to be recovered more than one year | **(210,027)** | – |
| | **296,166** | 647,073 |
| Financial assets measured at amortised cost | **380,119** | 729,193 |
| Deposits and prepayments *(ii)* | **1,173,510** | 1,120,405 |
| | **1,553,629** | 1,849,598 |

*Notes:*

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loans to the third parties (a) | **302,447** | 252,567 |
| Amount due from a joint venture (b) | **25,955** | – |
| Others | **177,791** | 394,506 |
| | **506,193** | 647,073 |

(a) Apart from the loans to the third parties of HK$210,027,000 (2018: nil) which are secured, interest-bearing at 13% per annum and repayable after one year, all of the balances were secured, interest-bearing from 3.45% to 13% per annum and recoverable within one year.

(b) As at 31 December 2019, the amount is unsecured, interest-bearing from 18% to 20% per annum and recoverable on demand.

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Prepayments for acquisition of land use rights | **757,677** | 715,148 |
| Prepayments for acquisition of properties (a) | **143,426** | 146,422 |
| Others | **272,407** | 258,835 |
| | **1,173,510** | 1,120,405 |

(a) As at 31 December 2018 and 2019, the balance mainly represented the repayment made to a shareholder of the Group for properties acquisition.

(iii) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade debtors (net of loss allowance) based on invoice date was as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **43,584** | 40,253 |
| 1 to 3 months | **16,464** | 16,266 |
| 3 to 6 months | **12,349** | 15,084 |
| 6 months to 1 year | **11,556** | 10,517 |
| | **83,953** | 82,120 |

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

## 11 TRADE AND OTHER PAYABLES

| | *Note* | **2019** | 2018 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Trade payables | | **163,595** | 184,408 |
| Other creditors and accrued charges | (i) | **2,265,184** | 2,667,301 |
| Amounts due to non-controlling interests | (ii) | **1,092,459** | 1,157,996 |
| Financial liabilities measured at amortised cost | | **3,521,238** | 4,009,705 |
| Rental and other deposits | | **98,062** | 79,150 |
| Receipts in advance | | **27,417** | 28,403 |
| | | **3,646,717** | 4,117,258 |

*Notes:*

(i) All of the Group's other creditors and accrued charges are expected to be settled or recognised as income within one year or are repayable on demand except for an amount of HK$1,796,425,000 (2018: HK$2,134,391,000), which presents estimated value of future settlement properties to be compensated to residents, which is expected to be settled after more than one year.

(ii) As at 31 December 2019, all of the amounts due to non-controlling interests of HK$1,092,459,000 are unsecured, interest-free and repayable on demand.

As at 31 December 2018, apart from the amounts due to non-controlling interests of HK$924,554,000 which are interest-free, all of the balances are unsecured, interest-bearing at 4.35% and repayable within one year or on demand.

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

| | **2019** | 2018 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Within 1 month | **69,622** | 67,462 |
| 1 to 3 months | **43,168** | 37,526 |
| 3 to 6 months | **21,872** | 31,262 |
| 6 months to 1 year | **22,790** | 16,937 |
| Over 1 year | **6,143** | 31,221 |
| | **163,595** | 184,408 |

## 12 CAPITAL COMMITMENTS

| | **2019** | 2018 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Contracted for | **2,280,818** | 3,331,063 |
| Authorised but not contracted for | **1,408,362** | 1,188,948 |
| | **3,689,180** | 4,520,011 |

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 2019

### *(1) Pre-sales*

In 2019, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK$104.3 million (of which approximately HK$95.2 million was from pre-sales of properties), representing a decrease of approximately 89.0% as compared with 2018. The Group's total pre-sold gross floor area ("**GFA**") was approximately 8,172 square metres ("**sq.m.**"), representing a decrease of approximately 92.7% as compared with 2018. The average selling price ("**ASP**") of the Group's pre-sales of properties in 2019 was approximately HK$11,649.5 per sq.m. (2018: approximately HK$7,710.6 per sq.m.), representing an increase of approximately 51.1% as compared with 2018. The increase in the Group's overall ASP was mainly due to the pre-sales of properties of Tianjin Le Leman City, which has a relatively higher ASP as compared to projects in other cities. In addition, the Group's pre-sales of car park units in 2019 was approximately HK$9.1 million from the sale of 65 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 2019 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 | 43 | 0.5 | 0.4 | 0.4 | 9,302.3 |
| Tianjin | Tianjin Le Leman City – residential | 8,129 | 99.5 | 94.8 | 99.6 | 11,662.0 |
| Total | | 8,172 | 100 | 95.2 | 100 | 11,649.5 |

*(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 | 4 | 6.2 | 0.6 | 6.6 | 150,000.0 |
| Nanjing | The Sunny Land – Nanjing | 61 | 93.8 | 8.5 | 93.4 | 139,344.3 |
| | | 65 | 100 | 9.1 | 100 | 140,000.0 |

### *(2) Projects delivered and booked in 2019*

For the year ended 31 December 2019, the Group's property development business in Nanjing and Tianjin achieved revenue from sale of properties (excluding sale of car park units) of approximately HK$153.2 million with saleable GFA of approximately 12,704 sq.m. being recognised, representing an increase of approximately 100.8% and 71.2%, respectively, as compared with the year ended 31 December 2018. The recognised ASP of the Group's sale of properties was approximately HK$12,059.2 per sq.m. for the year ended 31 December 2019. The approximate 17.3% increase 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 higher ASP as compared with the ASP of other projects sold during the year ended 31 December 2018.

For the year ended 31 December 2019, the Group delivered and recognised the sale of car park units of approximately HK$9.1 million from the sale of 70 car park units.

Details of sale of properties and car park units of the Group recognised in 2019 are listed below:

| **City** | **Project – 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 | 11,775 | 144.5 | 12,271.8 |
| | – retail | 929 | 8.7 | 9,364.9 |
| Total | | 12,704 | 153.2 | 12,059.2 |

| **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 | 66 | 8.4 | 127,272.7 |
| Nanjing | The Spring Land – Nanjing | 4 | 0.7 | 175,000.0 |
| Total | | 70 | 9.1 | 130,000.0 |

### *(3) Investment properties*

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 Mainland China and Kowloon Tong Rutland Quadrant Project in Hong Kong. As at 31 December 2019, the total fair value of the investment properties of the Group was approximately HK$6,362.2 million, representing approximately 25.4% of the Group's total asset value. The Group's investment property portfolio had a total leasable GFA of approximately 240,834 sq.m.. The Group recorded approximately HK$149.7 million (net of deferred tax) (for the year ended 31 December 2018: approximately HK$230.6 million) as gain in fair value of its investment properties for the year ended 31 December 2019.

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 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 35.3% (as at 31 December 2018: approximately 46.4%) of the Group's total leasable area in its investment properties under operation.

For the year ended 31 December 2019, the occupancy rate of the Group's investment properties decreased from approximately 89.0% as at 31 December 2018 to approximately 87.4% as at 31 December 2019. Due to the rental of Shanghai Bay Valley, resulting in an increase in the Group's leasable GFA, the Group generated rental income of approximately HK$272.0 million for the year ended 31 December 2019, representing an increase of approximately 10.8% from approximately HK$245.4 million for the year ended 31 December 2018. The average monthly rental income of the Group's investment properties under operation for the year ended 31 December 2019 was approximately HK$107.9 per sq.m. (for the year ended 31 December 2018: approximately HK$104.0 per sq.m.).

Details of the Group's investment properties as at 31 December 2019 and the Group's rental income for the year ended 31 December 2019 are set out as follows:

| Investment properties (inclusive of investment properties classified as held for sale) | Leasable GFA as at 31 December 2019 *(Note)* | Fair value as at 31 December 2019 | Rental income for the year ended 31 December 2019 | Average monthly rental income per sq.m. for the year ended 31 December 2019 | Occupancy rate as at 31 December 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) | 77,726 | 1,418.0 | 41.7 | 62.7 | 70.7 |
| Dongguan Landmark (Shopping mall and car park units) | 20,172 | 573.9 | 36.8 | 152.0 | 100.0 |
| Hangzhou Landmark (Shopping mall) | 26,182 | 414.6 | 26.9 | 92.8 | 92.2 |
| Shenzhen Water Flower Garden (Retail assets) | 4,992 | 294.2 | 26.2 | 451.7 | 96.8 |
| The Spring Land – Shenzhen Phase 1 – Fashion Walk (Retail assets) | 3,356 | 200.6 | 17.7 | 439.5 | 100.0 |
| The Spring Land – Shenzhen Phase 3 – Fashion Walk (Retail assets and car park units) | 22,393 | 680.9 | 29.0 | 123.3 | 87.5 |
| The Spring Land – Shenzhen Phase 5 – Fashion Walk (Retail assets) | 3,521 | 219.5 | 16.3 | 399.3 | 96.6 |
| The Spring Land – Shenzhen Phase 6A – Fashion Walk (Retail assets) | 1,291 | 71.3 | 8.1 | 532.8 | 98.1 |
| The Spring Land – Shenzhen Phase 6B – Fashion Walk (Retail assets) | 2,893 | 177.2 | 9.0 | 259.3 | 100.0 |
| Chengdu Fashion Mark (Shopping mall and car park units) | 38,285 | 761.2 | 25.1 | 58.2 | 93.9 |
| Shanghai Shama Century Park (Serviced apartments and car park units) | 1,029 | 64.7 | – | N/A | N/A |
| Shanghai Bay Valley | 38,420 | 1,150.1 | 28.0 | 60.7 | 100.0 |
| Hong Kong Kowloon Tong Rutland Quadrant Project | 574 | 336.0 | 7.2 | 1,044.8 | 100.0 |
| Total | 240,834 | 6,362.2 | 272.0 | 107.9 | 87.4 |

*Note:* The leasable GFA as at 31 December 2019 excluded car park units.

### (4) *Land bank as at 31 December 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 People's Republic of China (the "**PRC**").

As at 31 December 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 331,012 sq.m., an estimated net saleable/leasable GFA of projects under development of approximately 121,548 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 29,534 sq.m., totalling an estimated net saleable/leasable GFA of approximately 512,588 sq.m., the details of which are as follows:

| Project no. | Region/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 | 33,454 | 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 | 26,182 | 100.0 |
| 7 | Chengdu | Chengdu Fashion Mark | Commercial | 38,285 | 100.0 |
| 8 | Shanghai | Shanghai Shama Century Park | Serviced apartments | 1,029 | 70.0 |
| 9 | Tianjin | Tianjin Le Lemen City | Residential/ Commercial | 20,893 | 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 Rutland Quadrant Project | Campus | 574 | 100.0 |
| **Sub-total** | | | | **331,012** | |
| **Projects under Development** | | | | | |
| 9 | Tianjin | Tianjin Le Lemen City | Residential/ Commercial | 10,465 | 58.0 |
| 13 | Shenzhen | Shenzhen Longhua Shangtang Metro Station Project | Residential/ Commercial | 104,287 | 100.0 |
| 14 | Hong Kong | Hong Kong Kowloon Tong Waterloo Road Project | Residential | 6,796 | 60.0 |
| **Sub-total** | | | | **121,548** | |

| Project no. | Region/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 | Residential | 20,050 | 100.0 |
| 17 | Hong Kong | Hong Kong Yuen Long Tai Tong Road Project | Residential | 2,987 | 100.0 |
| 18 | Hong Kong | Hong Kong Yuen Long Tong Yan San Tsuen Road Project(Note) | Composite development | N/A | 100.0 |
| 19 | Hong Kong | Hong Kong Sheung Shui Ma Sik Road Project | Residential | 6,497 | 50.0 |
| **Sub-total** | | | | **29,534** | |
| **Total** | | | | **512,588** | |

*Note:* Hong Kong Yuen Long Tong Yan San Tsuen Road Project is currently under scheme development. The site area is approximately 11,123 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 | 166,920 |
| Shanghai | 98,883 |
| Nanjing | 717 |
| Chengdu | 38,285 |
| Hangzhou | 26,182 |
| Tianjin | 31,358 |
| Changzhou | 82,845 |
| Hong Kong | 36,904 |
| Sydney, Australia | 30,494 |
| Total | 512,588 |

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 commencement of construction in 2019*

In 2019, the Group commenced construction of two projects with a total estimated net saleable/leasable GFA of approximately 43,271 sq.m..

Details of such projects are set out below:

| **Region/City** | **Project** | **Estimated net saleable/leasable GFA** *sq.m.* |
|---|---|---|
| Shenzhen | Shenzhen Longhua Shangtang Metro Station Project | 36,475 |
| Hong Kong | Hong Kong Kowloon Tong Waterloo Road Project | 6,796 |
| | | 43,271 |

### *(6) Projects with expected commencement in 2020*

In 2020, the Group intends to commence construction of three projects with a total estimated net saleable/leasable GFA of approximately 90,849 sq.m..

Details of such projects are set out below:

| **Region/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 | 67,812 |
| | | 90,849 |

**BUSINESS REVIEW**

In 2019, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK$104.3 million (2018: HK$895.4 million), pre-sold saleable GFA of 8,172 sq.m. (2018: 112,715 sq.m.) and gross profit margin of recognised sales of 49.3% (2018: 29.2%).

In 2019, the Group's rental income from investment properties was approximately HK$272.0 million (2018: HK$245.4 million), representing an increase of approximately 10.8%. As at 31 December 2019, the overall occupancy rate of the Group's investment properties was approximately 87.4%. As at 31 December 2019, the total leasable GFA of the Group's operating investment property portfolio increased to approximately 240,834 sq.m. from approximately 220,970 sq.m. as at 31 December 2018. 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 300,268 sq.m.. Its fair value was approximately HK$8.22 billion as at 31 December 2019, representing approximately 32.9% of the Group's total asset value. In addition, as at 31 December 2019, the accumulated total area of properties managed by the Group amounted to approximately 14,310,000 sq.m., of which approximately 9,440,000 sq.m. was properties not developed by the Group and approximately 550,000 sq.m. was commercial property management projects. Currently, one of the property companies of the Group ranked 67th in the "Top 100 Property Service Companies in China" for four consecutive years from 2016 to 2019 with its scale of property management expanding year on year.

As at 31 December 2019, the land bank (that is, the net saleable/leasable GFA) of 19 projects of the Group was approximately 512,588 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 OUTLOOK

### Consistent focus on opportunities in the Greater Bay Area, particularly core cities in such area

As one of the regions with the strongest economic vitality in China and the world, the Greater Bay Area reported GDP of over RMB10,000 billion in 2018 with a total population of over 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 ("**CPC Central Committee**") 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 Province 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 development progress of Greater Bay Area is gaining pace.

Core cities in the Greater Bay Area were fuelled by various favourable news. In August 2019, according to the Opinions of the CPC Central Committee and the State Council on Supporting Shenzhen in Building a Pioneering Demonstration Zone for Socialism with Chinese Characteristics promulgated by the State, Shenzhen will be built into an international benchmark city full of competitiveness, creativity and effectiveness. In the following October, CPC Central Committee published four action plans to be introduced by Guangzhou Province, and proposed to connect the revitalization of Guangzhou and the building of the pilot demonstration area of Shenzhen and support the implementation of the projects at full steam with equal strength and force. Nansha District of Guangzhou City is facing a development breakthrough. It is located in central part of Guangdong-Hong Kong-Macao Greater Bay Area, which has the advantages of the overlap of the three zones including the State-Level New Area, Pilot Free Trade Zone and the Demonstration Zone for Comprehensive Cooperation among Guangdong, Hong Kong and Macao. In 2019, an infrastructure investment project over RMB570 billion was introduced (according to the press release). At present, a "half-hour transport circle" is initially developed in the Guangdong-Hong Kong-Macao Greater Bay Area.

The Group will seize the historic opportunities presented by the development of the Greater Bay Area with intensive effort. With a strong focus on core cities such as Hong Kong, Shenzhen, Guangzhou (particularly Nansha District) and Dongguan, the Group will endeavour to explore opportunities for urban industrial community projects and premium land parcels on a highly selective basis as well as planning and creating large-scale urban industrial community projects integrating industry, commerce and residence with all-round resources. On the other hand, we make key concerns on opportunities of urban renewal and reform projects in Shenzhen and Guangzhou. It is expected that favourable outcomes are coming on stream in 2020.

**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

In 2019, the Group's consolidated revenue reached approximately HK$719.2 million, increased by approximately 16.1% as compared with 2018. The loss attributable to equity shareholders of the Company for the year ended 31 December 2019 was approximately HK$582.9 million, as compared to a profit attributable to the equity shareholders of the Company of approximately HK$102.6 million recorded in the previous year. For the year ended 31 December 2019, the Group's basic and diluted loss per share of the Company (the "**Share(s)**") decreased by approximately 642.9% and 2,000% as compared with 2018 to approximately HK$0.38 and HK$0.38 respectively. Net assets per Share attributable to equity shareholders of the Company and the holders of perpetual subordinated convertible securities ("**PCSs**") decreased by approximately 8.7% from approximately HK$6.9 as at 31 December 2018 to approximately HK$6.3 as at 31 December 2019.

In order to maintain a stable dividend policy, the Board has recommended the payment of a final dividend of HK2 cents per Share attributable to the equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2019 (for the year ended 31 December 2018: HK6 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 2019 increased by approximately 16.1% to approximately HK$719.2 million from approximately HK$619.7 million for the year ended 31 December 2018. This increase was primarily due to an increase in the Group's income from sale of properties. During the year ended 31 December 2019, the Group recognised property sales of approximately HK$162.3 million, representing approximately 22.6% of the total revenue. The Group recognised rental income of approximately HK$272.0 million, representing approximately 37.8% of the total revenue. The Group recognised property management and related services income of approximately HK$237.2 million, representing approximately 33.0% of the total revenue. The remaining approximately 6.6% of the total revenue of approximately HK$47.7 million was income from education related services.

Revenue from the Group's sale of properties increased by approximately 66.0% in 2019 as compared with 2018, primarily due to an increase of approximately 71.2% in the Group's total saleable GFA sold and delivered (excluding sale of car park units), after deduction of sales return, from approximately 7,420 sq.m. in 2018, to approximately 12,704 sq.m. in 2019. 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 increased to approximately HK$291.2 million for the year ended 31 December 2019 from approximately HK$279.8 million for the year ended 31 December 2018. This increase was primarily attributable to the increase in the saleable GFA and the related construction costs of the Group's properties completed and delivered for the year ended 31 December 2019.

**Gross profit**

The Group's gross profit increased by approximately 25.9% to approximately HK$428.0 million for the year ended 31 December 2019 from approximately HK$339.9 million for the year ended 31 December 2018. The Group reported a gross profit margin of approximately 59.5% for the year ended 31 December 2019 as compared with approximately 54.9% for the year ended 31 December 2018. The increase in gross profit margin was primarily driven by a higher proportion of properties sold and delivered from Tianjin Le Leman City in 2019 which contributed higher gross profit margin.

**Other revenue**

Other revenue decreased by approximately HK$556.3 million, or approximately 78.3%, to approximately HK$153.8 million in 2019 from approximately HK$710.1 million in 2018. The decrease was primarily attributable to a decrease in other interest income.

**Other net (loss)/income**

The Group recorded net loss of approximately HK$380.6 million in 2019 as compared to other net income of approximately HK$256.9 million recorded in 2018. The turnaround was mainly due to the overall impact incurred by the absence of fair value change on conversion option embedded in convertible bonds and compensation income for return of prepaid investment cost recorded in 2018 and the increase in fair value loss on financial assets measured at FVPL which was mainly due to adjustments of certain assumptions on project-related indicators.

**Selling and marketing expenses**

Selling and marketing expenses increased by approximately 69.7% to approximately HK$51.6 million for the year ended 31 December 2019 from approximately HK$30.4 million for the year ended 31 December 2018. The increase was primarily attributable to the increase in advertising and promotion expenses incurred in 2019 as compared with 2018. Selling and marketing expenses accounted for approximately 49.5% of total pre-sales amount in 2019 (2018: approximately 3.4%).

**Administrative expenses**

Administrative expenses increased by approximately 31.4% to approximately HK$421.1 million for the year ended 31 December 2019 from approximately HK$320.5 million for the year ended 31 December 2018. The increase was due to the absence of reversal of staff cost, which was recorded in 2018.

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

Valuation gains on investment properties and investment properties classified as held for sale decreased by approximately 32.5% to approximately HK$197.4 million for the year ended 31 December 2019 from approximately HK$292.3 million for the year ended 31 December 2018. The decrease was due to the slow growth in average market rents in 2019.

**Finance costs**

Finance costs decreased by approximately 39.4% to approximately HK$323.4 million for the year ended 31 December 2019 from approximately HK$533.6 million for the year ended 31 December 2018. The decrease was primarily attributable to the increase in the percentage of interest expenses being qualified for capitalization from approximately 24.0% to 51.6%.

**Income tax**

Income tax expense decreased by approximately 69.7% to approximately HK$85.5 million for the year ended 31 December 2019 from approximately HK$282.4 million for the year ended 31 December 2018. The decrease was primarily attributable to (i) the reversal of CIT provision net off against corresponding deferred tax assets of HK$77.6 million and (ii) the absence of CIT provision for compensation income of approximately HK$123.0 million incurred in 2018.

**Non-controlling interests**

The profit attributable to non-controlling interests was approximately HK$53.0 million for the year ended 31 December 2019 (for the year ended 31 December 2018: approximately HK$25.2 million).

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

**Cash position**

As at 31 December 2019, the carrying amount of the Group's cash and bank deposits was approximately HK$4,727.8 million (as at 31 December 2018: approximately HK$8,054.4 million), representing a decrease of approximately 41.3% as compared with that as at 31 December 2018.

**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 31 December 2019 of approximately HK$9,647.8 million, of which approximately HK$4,479.6 million is repayable within one year, approximately HK$3,703.5 million is repayable after one year but within five years and approximately HK$1,464.7 million is repayable after five years.

As at 31 December 2019, the Group's bank loans of approximately HK$8,132.6 million (as at 31 December 2018: approximately HK$7,114.5 million) 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$11,819.3 million (as at 31 December 2018: approximately HK$9,345.4 million). As at 31 December 2019, the Group's bonds payable was secured by issued share capital of a subsidiary of the Company and receivables owned by the Company.

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$3,840.0 million (as at 31 December 2018: approximately HK$3,400.4 million) and HK$1,435.0 million (as at 31 December 2018: approximately HK$3,262.9 million) as at 31 December 2019 which were denominated in Hong Kong dollars and US dollars, respectively.

As at 31 December 2019, the Group had bank borrowings of approximately HK$187.2 million which bore fixed interest rates at 6.35% per annum.

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

On 28 December 2015, the Company entered into 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 were issued to the respective Investors in two tranches 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 average cost of borrowings (calculated by dividing total interest expenses expensed and capitalised by average borrowings during the year) was approximately 6.4% in 2019 (2018: approximately 6.8%).

As at 31 December 2019, the weighted average borrowing cost for the Group's existing borrowings was approximately 6.3% (2018: approximately 7.6%).

## Net gearing ratio

The net gearing ratio is calculated by dividing the Group's net borrowings (total borrowings net of cash and cash equivalents, and restricted and pledged deposits) by the total equity. The Group's net gearing ratio increased from approximately 29.5% as at 31 December 2018 to approximately 50.0% as at 31 December 2019. The increase in net gearing ratio was mainly due to the settlement of land premium and project cost in respect of the land reserves in Mainland China and Hong Kong.

## Foreign exchange risk

As at 31 December 2019, the Group had cash balances denominated in RMB of approximately RMB3,779.8 million (equivalent to approximately HK$4,212.4 million), in US dollars of approximately US$18.5 million (equivalent to approximately HK$144.0 million) and in Australian dollars of approximately AUD$7.8 million (equivalent to approximately HK$41.8 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 Mainland China and the settlement of certain general and administrative expenses and other borrowings in Hong Kong 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 31 December 2019 and 31 December 2018 are calculated as follows:

| | **As at 31 December 2019** | As at 31 December 2018 |
|---|---|---|
| Net assets attributable to equity shareholders of the Company *(HK$'000)* | 9,684,241 | 10,582,279 |
| Number of issued ordinary Shares *('000)* | 1,412,733 | 1,385,575 |
| Number of outstanding PCSs *('000)* | 116,553 | 143,553 |
| Number of Shares for the calculation of net assets per Share *('000)* | 1,529,286 | 1,529,128 |
| Net assets per Share attributable to equity shareholders of the Company and the holders of PCSs *(HK$) (Note)* | 6.3 | 6.9 |

*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 2019 and 31 December 2018.

## CONTINGENT LIABILITIES

As at 31 December 2019, save for the guarantees of approximately HK$412.2 million (as at 31 December 2018: approximately HK$592.1 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, 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 during 2019 and after the end of the reporting period.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group employed a total of approximately 887 employees (as at 31 December 2018: 930 employees) in Mainland China, Hong Kong and Australia, of which, approximately 177 were under the headquarters team, approximately 20 were under the property development division, approximately 675 were under the retail operation and property management division, approximately 4 were under education division and approximately 11 were under funds division. For the year ended 31 December 2019, the total staff and related costs incurred was approximately HK$257.3 million (for the year ended 31 December 2018: approximately HK$136.9 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 on 2 December 2010 under which the Company granted share options to certain eligible employees. During the year ended 31 December 2019, 157,000 (for the year ended 31 December 2018: 455,000) share options were exercised by the grantees and 400 (for the year ended 31 December 2018: 166) share options were lapsed. As a result, 1,523,631(as at 31 December 2018: 1,681,031) share options were outstanding as at 31 December 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 schemes during the year ended 31 December 2019 is as follows:

| | Exercise price<br>*HK$ per Share* | As at 1 January 2019 | Share options granted | Share options exercised | Share options cancelled | Share options lapsed | As at 31 December 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 |

## ANNUAL GENERAL MEETING

An annual general meeting (the "**AGM**") of the Company is scheduled to be held on Thursday, 28 May 2020, 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 HK2 cents per Share attributable to the equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2019 (for the year ended 31 December 2018: HK6 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 Friday, 5 June 2020. Upon approval by the shareholders of the Company at the AGM, it is expected that the final dividend will be payable on Friday, 19 June 2020.

## 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, 25 May 2020 to Thursday, 28 May 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Friday, 22 May 2020; 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, 15 May 2020.

The record date for such purposes is Thursday, 28 May 2020.

(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 Wednesday, 3 June 2020 to Friday, 5 June 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Tuesday, 2 June 2020; 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 Tuesday, 26 May 2020.

The record date for such purposes is Friday, 5 June 2020.

## 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 2019.

## 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 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. During the year ended 31 December 2019, 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.

Details of the Company's corporate governance practices will be set out in the Company's 2019 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 2019.

## 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 2019. 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 2019 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 2019 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, 31 March 2020

*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. YIP Hoong Mun and Mr. KUI Qiang; 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*