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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

HIGHLIGHTS

- For the six months ended 30 June 2020, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK$33.6 million, representing a decrease of approximately 55.7% as compared with the corresponding period of 2019, of which approximately HK$30.8 million was from pre-sales of properties with pre-sold saleable GFA of approximately 2,176 sq.m. and approximately HK$2.8 million was from pre-sales of 22 car park units. The ASP of the Group's pre-sales of properties was approximately HK$14,154.4 per sq.m., representing an increase of approximately 5.8% as compared with the corresponding period of 2019.

- As at 30 June 2020, the Group had 22 projects across 11 cities with a total estimated net saleable/leasable GFA of approximately 516,132 sq.m..

- Revenue for the six months ended 30 June 2020 decreased by approximately 9.5% to approximately HK$254.0 million from approximately HK$280.7 million for the six months ended 30 June 2019.

- For the six months ended 30 June 2020, the Group generated recurring rental income of approximately HK$101.8 million (for the six months ended 30 June 2019: approximately HK$135.3 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 2020, the investment property portfolio (inclusive of investment properties classified as held for sale) had a total leasable GFA of approximately 244,874 sq.m. and a fair value of approximately HK$6,350.9 million, representing approximately 25.9% of the Group's total asset value.

- Gross profit margin for the six months ended 30 June 2020 was approximately 52.1%, as compared with approximately 60.4% for the corresponding period of 2019.

- For the six months ended 30 June 2020, the loss attributable to equity shareholders of the Company and holders of bonus perpetual subordinated convertible securities ("**PCSs**") was approximately HK$211.4 million (for the six months ended 30 June 2019: approximately HK$168.0 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 2020 were approximately HK$0.14 and HK$0.14, respectively (for the six months ended 30 June 2019: HK$0.11 and HK$0.11, respectively).

- Net assets per Share attributable to equity shareholders of the Company and the holders of PCSs as at 30 June 2020 was approximately HK$6.0 (as at 31 December 2019: approximately HK$6.3).

- As at 30 June 2020, the net gearing ratio of the Group was approximately 64.4% (as at 31 December 2019: approximately 50.0%)

- No interim dividend is declared for the six months ended 30 June 2020.

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 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2020 – UNAUDITED

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2020	2019
	Note	***$'000***	*$'000*
Revenue	3	**254,026**	280,717
Direct costs		**(121,697)**	(111,241)
Gross profit		**132,329**	169,476
Valuation (losses)/gains on investment properties		**(114,497)**	58,758
Other revenue	4	**70,492**	88,633
Other net income	5	**12,936**	19,148
Selling and marketing expenses		**(18,658)**	(8,965)
Administrative expenses		**(162,315)**	(208,516)
Impairment loss on trade and other receivables		**(10,006)**	(14,923)
(Loss)/profit from operations		**(89,719)**	103,611
Finance costs	6(a)	**(156,659)**	(180,529)
Share of losses of associates		**(1,012)**	(648)
Share of losses of joint ventures		**(6,767)**	(13,274)
Loss before taxation	6	**(254,157)**	(90,840)
Income tax	7	**19,384**	(68,284)
Loss for the period		**(234,773)**	(159,124)
Attributable to:			
Equity shareholders of the Company and holders of PCSs		**(211,393)**	(168,012)
Non-controlling interests		**(23,380)**	8,888
Loss for the period		**(234,773)**	(159,124)
Loss per share ***(HK$)***	8		
Basic		**(0.14)**	(0.11)
Diluted		**(0.14)**	(0.11)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020 – UNAUDITED
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Loss for the period	**(234,773)**	(159,124)
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	**(192,796)**	(18,113)
– Share of other comprehensive income of associates and joint ventures	**(9,353)**	(4,403)
	(202,149)	(22,516)
Total comprehensive income for the period	**(436,922)**	(181,640)
Attributable to:		
Equity shareholders of the Company and the holders of PCSs	**(410,821)**	(187,606)
Non-controlling interests	**(26,101)**	5,966
Total comprehensive income for the period	**(436,922)**	(181,640)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020 – UNAUDITED
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2020** **$'000**	At 31 December 2019 $'000
Non-current assets			
Investment properties		**6,287,331**	6,297,551
Other property, plant and equipment		**189,740**	199,049
		6,477,071	6,496,600
Intangible assets		**3,769**	3,769
Goodwill		**40,736**	40,736
Interest in associates		**7,577**	8,739
Interest in joint ventures		**416,523**	423,597
Other financial assets	10	**1,345,602**	1,338,322
Other receivables		**225,318**	210,027
Deferred tax assets		**70,594**	75,212
		8,587,190	8,597,002
Current assets			
Inventories and other contract costs	11	**10,147,757**	9,921,176
Trade and other receivables	12	**1,456,728**	1,553,629
Prepaid tax		**20,516**	20,891
Other financial assets	10	**110,954**	130,470
Restricted and pledged deposits		**2,796,331**	2,612,642
Cash and cash equivalents		**1,346,271**	2,115,129
		15,878,557	16,353,937
Investment properties classified as held for sale		**63,522**	64,683
		15,942,079	16,418,620
Current liabilities			
Trade and other payables	13	**3,579,014**	3,646,717
Contract liabilities		**47,538**	58,577
Bank loans and other borrowing		**4,896,983**	3,947,660
Lease liabilities		**24,804**	31,604
Tax payable		**171,855**	716,509
Bonds payable		**502,219**	500,355
		9,222,413	8,901,422

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020 – UNAUDITED (CONTINUED)
(Expressed in Hong Kong dollars)

	At 30 June 2020 *$'000*	At 31 December 2019 *$'000*
Net current assets	**6,719,666**	7,517,198
Total assets less current liabilities	**15,306,856**	16,114,200
Non-current liabilities		
Bank loans and other borrowing	**4,705,841**	5,119,614
Lease liabilities	**43,879**	48,613
Deferred tax liabilities	**1,191,505**	1,105,800
	5,941,225	6,274,027
NET ASSETS	**9,365,631**	9,840,173
CAPITAL AND RESERVES		
Share capital	**141,273**	141,273
Reserves	**9,101,561**	9,542,968
Total equity attributable to equity shareholders of the Company and the holders of PCSs	**9,242,834**	9,684,241
Non-controlling interests	**122,797**	155,932
TOTAL EQUITY	**9,365,631**	9,840,173

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 2020 but are extracted from that financial report.

This interim financial information 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, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 28 August 2020.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial information 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 information 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 2019 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 information 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 the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8, *Definition of material*

None of these 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 except for the amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

3 REVENUE AND 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 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 and geographical location of customers is as follows:

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of properties	**44,140**	14,985
– Property management and related services income	**93,970**	111,119
– Education related services income	**14,155**	19,314
	152,265	145,418
Revenue from other sources		
Rental income	**101,761**	135,299
	254,026	280,717
Disaggregated by geographical location of customers		
– Mainland China	**235,857**	258,513
– Hong Kong	**18,169**	22,204
	254,026	280,717

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	Property development		Property investment		Property management and related services		Education related services		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**44,140**	14,985	**101,761**	135,299	**93,970**	111,119	**14,155**	19,314	**254,026**	280,717
Inter-segment revenue	**–**	–	**22,782**	28,194	**18,853**	32,475	**–**	–	**41,635**	60,669
Reportable segment revenue	**44,140**	14,985	**124,543**	163,493	**112,823**	143,594	**14,155**	19,314	**295,661**	341,386
Reportable segment (loss)/profit (adjusted EBITDA)	**(48,447)**	(80,274)	**72,375**	96,377	**6,546**	9,243	**(2,484)**	(2,570)	**27,990**	22,776
Interest income from bank deposits	**18,255**	32,697	**283**	352	**510**	833	**–**	–	**19,048**	33,882
Other interest income	**28,939**	24,286	**–**	–	**–**	–	**–**	–	**28,939**	24,286
Interest expenses	**(147,995)**	(169,699)	**(8,004)**	(8,893)	**(374)**	(1,584)	**(286)**	(353)	**(156,659)**	(180,529)
Depreciation and amortisation for the period	**(14,594)**	(11,565)	**(2,079)**	(1,529)	**(506)**	(318)	**(348)**	(190)	**(17,527)**	(13,602)
Impairment loss on trade and other receivables	**(4,233)**	(6,808)	**(3,073)**	(2,870)	**(2,700)**	(3,827)	**–**	–	**(10,006)**	(13,505)
Valuation (losses)/gains on investment properties	**–**	–	**(114,497)**	58,758	**–**	–	**–**	–	**(114,497)**	58,758
As at 30 June/31 December										
Reportable segment assets	**16,749,149**	17,135,356	**6,246,105**	6,240,364	**475,039**	481,049	**147,648**	153,594	**23,617,941**	24,010,363
Reportable segment liabilities	**11,575,397**	11,791,688	**955,202**	954,291	**286,440**	290,833	**57,683**	59,297	**12,874,722**	13,096,109

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

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 (losses)/gains on investment properties, impairment loss on trade and other receivables and other head office or corporate expenses.

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

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Revenue		
Reportable segment revenue	**295,661**	341,386
Elimination of inter-segment revenue	**(41,635)**	(60,669)
Consolidated revenue	**254,026**	280,717
Profit or loss		
Reportable segment profit derived from Group's external customers	**27,990**	22,776
Share of losses of associates	**(1,012)**	(648)
Share of losses of joint ventures	**(6,767)**	(13,274)
Other revenue and net income	**83,428**	107,781
Impairment loss on trade and other receivables	**(10,006)**	(14,923)
Depreciation and amortisation	**(20,191)**	(16,517)
Finance costs	**(156,659)**	(180,529)
Valuation (losses)/gains on investment properties	**(114,497)**	58,758
Unallocated head office and corporate expenses	**(56,443)**	(54,264)
Consolidated loss before taxation	**(254,157)**	(90,840)

4 OTHER REVENUE

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Bank interest income	**19,471**	37,826
Other interest income	**28,939**	24,286
Interest income on financial assets measured at amortised cost	**48,410**	62,112
Rental income from operating leases, other than those relating to investment properties	**12,183**	19,880
Other service income	**1,577**	3,881
Others *(Note)*	**8,322**	2,760
	70,492	88,633

Note: During the period ended 30 June 2020, others mainly represent the government grants received by the Group which are mainly related to subsidies for staff retention, interest in bank loans, operation supporting of industrial capital headquarters and compensation for salaries paid to employees received by certain subsidiaries related to Covid-19 pandemic.

5 OTHER NET INCOME

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Fair value gain on financial assets measured at fair value through profit or loss ("**FVTPL**")	**8,117**	15,002
Net exchange gain	**4,879**	3,901
Net gain on sale of investment properties and investment properties classified as held for sale	**–**	1,189
Amortisation of loss arising from the issuance of convertible bonds	**–**	(1,858)
Others	**(60)**	914
	12,936	19,148

6 LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
(a) Finance costs		
Interest on bank loans and other borrowing	**297,275**	281,133
Interest on lease liabilities	**2,045**	2,815
Interest on amounts due to non-controlling interests	**–**	5,181
Interest on bonds payable	**24,207**	45,079
Interest on convertible bonds	**–**	7,610
Other borrowing costs	**6,616**	6,267
	330,143	348,085
Less: Amount capitalised	**(173,484)**	(167,556)
	156,659	180,529
(b) Staff costs		
Salaries, wages and other benefits	**88,675**	118,440
Contributions to defined contribution retirement plans *(Note)*	**4,061**	5,853
Equity settled share-based payment expenses	**–**	1,436
	92,736	125,729

Note: Due to the impact of COVID-19 pandemic, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which contributed to the relief of certain cost of defined contribution scheme during the period ended 30 June 2020.

(c) Other items		
Depreciation and amortisation		
– plant and equipment	**4,873**	2,443
– right-of-use assets	**15,318**	14,074
	20,191	16,517
Cost of properties sold	**24,885**	8,895
Rental income from investment properties	**(101,761)**	(135,299)
Less: Direct outgoings	**9,686**	10,232
	(92,075)	(125,067)

7 INCOME TAX

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Current tax		
Net reversal for PRC Corporate Income Tax ("**CIT**")	**(129,753)**	(120,340)
Net provision for Land Appreciation Tax ("**LAT**")	**875**	7,580
Withholding tax	**519**	1,275
	(128,359)	(111,485)
Deferred tax		
Origination and reversal of temporary differences	**108,975**	179,769
	(19,384)	68,284

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 2020 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 Mainland China within the Group as determined in accordance with the relevant income tax rules and regulations in Mainland China. The applicable CIT rate was 25% for the six months ended 30 June 2020 (six months ended 30 June 2019: 25%).

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

Withholding taxes are levied on rental income and related services income earned from an overseas joint venture by the Company and proceeds from the sale of investment properties in Mainland China by a Hong Kong subsidiary.

During the period, as a result of clearance of LAT settlement of a subsidiary by the respective tax bureau, LAT payment of HK$342,265,000 (six months ended 30 June 2019: HK$570,196,000) made in the period 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 the period ended 30 June 2020 in this respect.

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share during the six months ended 30 June 2020 is based on the loss attributable to equity shareholders and the holders of PCSs of the Company of HK$211,393,000 (six months ended 30 June 2019: HK$168,012,000) and the weighted average number of 1,529,286,000 shares (six months ended 30 June 2019: 1,529,258,000 shares) in issue during the period, calculated as follows:

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Loss attributable to equity shareholders of the Company and the holders of PCSs	**(211,393)**	(168,012)

Weighted average number of shares (thousand shares)

	'000	*'000*
Issued ordinary shares	**1,412,733**	1,385,576
Effect of share options exercised	**–**	129
Effect of PCSs converted	**–**	9,099
Effect of bonus issue of shares (with PCSs as an alternative)	**116,553**	134,454
Weighted average number of shares	**1,529,286**	1,529,258

(b) Diluted loss per share

The diluted loss per share for the six months ended 30 June 2020 and 2019 is the same as the basic loss per share as the outstanding share options during the period have an anti-dilutive effect to the basic loss per share.

9 DIVIDENDS

(i) No interim dividend was declared in respect of the interim period ended 30 June 2020 and 2019.

(ii) Dividends payable to equity shareholders of the Company and holders of PCSs attributable to the previous financial year, approved and paid during the period.

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the period, of 2 cents (2019: 6 cents) per ordinary share	**30,586**	91,757

10 OTHER FINANCIAL ASSETS

	Note	**At 30 June 2020 $'000**	At 31 December 2019 *$'000*
Non-current			
Unlisted equity securities not held for trading		**89,934**	100,701
Units in private security investment funds		**–**	5,931
Trading securities		**41,694**	44,935
Receivables from the third parties	(i)	**1,174,462**	1,152,029
Hybrid financial investments	(ii)	**39,512**	34,726
		1,345,602	1,338,322
Current			
Hybrid financial investments	(ii)	**–**	100,464
Receivables from the third parties	(i)	**12,808**	14,914
Wealth management products		**98,146**	15,092
		110,954	130,470

Notes:

(i) Receivables from the third parties are classified as level 3 financial instruments in the fair value hierarchy. The valuations of these financial assets are derived from valuations 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 loss on financial assets measured at FVTPL amounted to HK$1,676,000 (six months ended 30 June 2019: a gain of HK$2,171,000).

(ii) Hybrid financial investments include debt investments to the investees with interest bearing at 15% per annum plus 45% equity return on the residual value of the investees, which are classified as level 3 financial instruments in the fair value hierarchy. The valuations of these financial assets are derived from valuations 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, partial hybrid financial investments were disposed with gain of HK$1,348,000 (six months ended 30 June 2019: nil) and the fair value gain on remaining hybrid financial investments measured at FVTPL amounted to HK$1,996,000 (six months ended 30 June 2019: nil).

11 INVENTORIES AND OTHER CONTRACT COSTS

	At 30 June 2020 *$'000*	At 31 December 2019 *$'000*
Property development		
Leasehold land held for development for sale	**707,332**	707,332
Properties held for/under development for sale	**7,431,217**	7,073,589
Completed properties for sale	**2,001,852**	2,132,496
	10,140,401	9,913,417
Other operations		
Low value consumables and supplies	**7,356**	7,759
	10,147,757	9,921,176

The Group's certain properties under development for sale and completed properties for sale were pledged to secure bank loans and other borrowing.

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 invoice date and net of loss allowance, is as follows:

	At 30 June 2020 *$'000*	At 31 December 2019 *$'000*
Within 1 month	**48,065**	43,584
1 month to 3 months	**13,569**	16,464
3 months to 6 months	**9,466**	12,349
6 months to 1 year	**6,718**	11,556
Trade debtors, net of loss allowance	**77,818**	83,953
Other debtors, net of loss allowance *(Note (i))*	**573,038**	506,193
Less: amount to be recovered more than one year	**(225,318)**	(210,027)
	347,720	296,166
Financial assets measured at amortised cost	**425,538**	380,119
Deposits and prepayments *(Note (ii))*	**1,031,190**	1,173,510
	1,456,728	1,553,629

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

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

	At 30 June 2020 $'000	At 31 December 2019 $'000
Loans to the third parties *(a)*	**301,647**	302,447
Amount due from a joint venture *(b)*	**28,620**	25,955
Others *(c)*	**242,771**	177,791
	573,038	506,193

(a) As at 30 June 2020, apart from the loans to the third parties of HK$201,647,000 (31 December 2019: HK$202,447,000) 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 30 June 2020, the amount is unsecured, interest-bearing from 18% to 20% (31 December 2019: 18% to 20%) per annum and recoverable on demand.

(c) As at 30 June 2020, apart from the interest receivables related to the above loans to third parties repayable after one year of HK$23,671,000 (31 December 2019: HK$7,580,000), all of the balances were recoverable within one year.

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

	At 30 June 2020 $'000	At 31 December 2019 $'000
Prepayments for acquisition of land use rights	**744,230**	757,677
Prepayments for acquisition of properties *(a)*	**–**	143,426
Others	**286,960**	272,407
	1,031,190	1,173,510

(a) During the period, the property ownership certificate was obtained and the prepayments were transferred to investment properties.

(iii) Certain rental receivables of the Group were pledged to secure bank loans.

13 TRADE AND OTHER PAYABLES

	At **30 June** **2020** ***$'000***	At 31 December 2019 *$'000*
Trade payable *(Note (i))*	**215,376**	163,595
Other creditors and accrued charges *(Note (ii))*	**2,205,272**	2,265,184
Amounts due to non-controlling interests *(Note (iii))*	**1,039,132**	1,092,459
Financial liabilities measured at amortised cost	**3,459,780**	3,521,238
Rental and other deposits	**92,500**	98,062
Receipts in advance	**26,734**	27,417
	3,579,014	3,646,717

Notes:

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

	At **30 June** **2020** ***$'000***	At 31 December 2019 *$'000*
Within 1 month or on demand	**81,515**	69,622
1 month but within 3 months	**62,521**	43,168
3 months but within 6 months	**28,501**	21,872
6 months but within 1 year	**32,385**	22,790
Over 1 year	**10,454**	6,143
	215,376	163,595

(ii) 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$1,764,181,000 (31 December 2019: HK$1,796,425,000), which presents estimated value of future settlement properties to be compensated to residents, which is expected to be settled after more than one year.

(iii) All of the amounts due to non-controlling interests of HK$1,039,132,000 (31 December 2019: HK$1,092,459,000) are unsecured, interest-free and repayable on demand.

14 COMMITMENTS

Capital commitments outstanding not provided for in the interim financial report

	At **30 June** **2020** ***$'000***	At 31 December 2019 *$'000*
Contracted for	**1,792,812**	2,280,818
Authorised but not contracted for	**1,282,172**	1,408,362
	3,074,984	3,689,180

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 2020

(1) Pre-sales

For the six months ended 30 June 2020, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK$33.6 million (of which approximately HK$30.8 million was from pre-sales of properties), representing a decrease of approximately 55.7% over the corresponding period of 2019. The Group's total pre-sold gross floor area ("**GFA**") was approximately 2,176 sq.m., representing a decrease of approximately 57.1% from approximately 5,073 sq.m. for the six months ended 30 June 2019. The average selling price ("**ASP**") of the Group's pre-sales of properties for the six months ended 30 June 2020 was approximately HK$14,154.4 per sq.m. (for the six months ended 30 June 2019: approximately HK$13,384.6 per sq.m.). In addition, the Group recorded pre-sales of car park units of approximately HK$2.8 million from 22 car park units for the six months ended 30 June 2020.

A breakdown of the total pre-sales of the Group during the six months ended 30 June 2020 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.*
Tianjin	Tianjin Le Leman City – residential	2,176	100.0	30.8	100.0	14,154.4

City	Project	Number of pre-sold car park units		Pre-sales		Pre-sales ASP
		unit	*%*	*HK$ million*	*%*	*HK$/unit*
Nanjing	The Sunny Land – Nanjing	14	63.6	1.8	64.3	128,571.4
Nanjing	The Spring Land – Nanjing	8	36.4	1.0	35.7	125,000.0
		22	100.0	2.8	100.0	127,272.7

(2) Projects delivered and booked for the six months ended 30 June 2020

For the six months ended 30 June 2020, the Group's property development business in Tianjin and Changzhou achieved revenue from sale of properties (excluding sale of car park units) of approximately HK$41.9 million with saleable GFA of approximately 3,072 sq.m. being recognised, representing an increase of approximately 466.2% and 200.3%, respectively, as compared with the corresponding period of 2019. The recognised ASP of the Group's sale of properties was approximately HK$13,639.3 per sq.m. for the six months ended 30 June 2020 (for the six months ended 30 June 2019: approximately HK$7,233.6 per sq.m.). The approximately 88.6% increase 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 residential projects in Changzhou and Tianjin, which have a relatively higher ASP as compared with the other projects in the corresponding period of 2019.

For the six months ended 30 June 2020, the Group delivered and recognised sale of car park units of approximately HK$2.2 million from the sale of 20 car park units.

Details of sale of properties recognised by the Group during the six months ended 30 June 2020 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	2,366	31.2	13,186.8
Changzhou	Changzhou Fashion Mark – residential	706	10.7	15,155.8
Total		3,072	41.9	13,639.3

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	11	1.2	109,090.9
Nanjing	The Spring Land – Nanjing	9	1.0	111,111.1
Total		20	2.2	110,000.0

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

In addition to the sale of properties developed by the Group, the Group has also leased out or expects to lease out its investment property portfolio comprising mainly shopping malls, community commercial centres, retail shops, serviced apartments and car park units in The Spring Land – Shenzhen, Changzhou Fashion Mark, Dongguan Landmark, Hangzhou Landmark, Shenzhen Water Flower Garden, Chengdu Fashion Mark, Shanghai Shama Century Park, Shanghai Bay Valley and Kunming Dianchi Lakeside Peninsula in Mainland China and Kowloon Tong Rutland Quadrant Project in Hong Kong. As at 30 June 2020, the total fair value of the investment properties of the Group was approximately HK$6,350.9 million, representing approximately 25.9% of the Group's total asset value. The Group's investment property portfolio had a total leasable GFA of approximately 244,874 sq.m.. The Group recorded loss of approximately HK$114.5 million (for the six months ended 30 June 2019: gain of approximately HK$58.8 million) in fair value of its investment properties for the six months ended 30 June 2020.

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 2020, 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 2019: approximately 35.3%) of the Group's total leasable GFA in its investment properties under operation.

The occupancy rate decreased from approximately 87.4% as at 31 December 2019 to 85.4% as at 30 June 2020. The Group generated rental income of approximately HK$101.8 million for the six months ended 30 June 2020, representing a decrease of approximately 24.8% from approximately HK$135.3 million for the six months ended 30 June 2019. The average monthly rental income of the Group's investment properties under operation for the six months ended 30 June 2020 was approximately HK$81.1

per sq.m. (for the six months ended 30 June 2019: approximately HK$118.5 per sq.m.). The decrease in the average monthly rental income was mainly attributable to a decrease in occupancy rate and rental rate of the Group's existing investment property under operation, in particular, Changzhou Fashion Mark, Dongguan Landmark and Hangzhou Landmark, during the six months ended 30 June 2020.

Details of the Group's investment properties as at 30 June 2020 and the Group's rental income for the six months ended 30 June 2020 are set out as follows:

Investment Properties (inclusive of investment properties classified as held for sale)	**Leasable GFA as at 30 June 2020** *(Note)*	**Fair value as at 30 June 2020**	**Rental income for the six months ended 30 June 2020**	**Average monthly rental income per sq.m. for the six months ended 30 June 2020**	**Occupancy rate as at 30 June 2020**
	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	1,388.1	13.6	40.7	71.6
Dongguan Landmark (Shopping mall and car park units)	20,172	553.8	13.3	121.4	90.5
Hangzhou Landmark (Shopping mall)	26,182	386.4	4.0	27.5	92.6
Shenzhen Water Flower Garden (Retail assets)	4,992	286.7	11.5	400.3	95.9
The Spring Land – Shenzhen Phase 1 – Fashion Walk (Retail assets)	3,356	195.9	6.3	374.3	83.6
The Spring Land – Shenzhen Phase 3 – Fashion Walk (Retail assets and car park units)	22,393	666.5	11.9	105.5	84.0
The Spring Land – Shenzhen Phase 5 – Fashion Walk (Retail assets)	3,521	213.4	6.5	354.3	86.9
The Spring Land – Shenzhen Phase 6A – Fashion Walk (Retail assets)	1,291	69.0	3.1	889.3	45.0
The Spring Land – Shenzhen Phase 6B – Fashion Walk (Retail assets)	2,893	172.9	3.0	180.3	95.9
Chengdu Fashion Mark (Shopping mall and car park units)	38,285	738.8	8.3	37.8	95.5
Shanghai Shama Century Park (Serviced apartments and car park units)	1,029	63.5	–	N/A	N/A
Shanghai Bay Valley	41,045	1,180.9	16.3	66.2	100.0
Hong Kong Kowloon Tong Rutland Quadrant Project	574	331.0	4.0	1,160.9	100.0
Kunming Dianchi Lakeside Peninsula	1,415	104.0	–	N/A	N/A
Total	244,874	6,350.9	101.8	81.1	85.4

Note: The leasable GFA as at 30 June 2020 excluded car park units.

(4) Land bank as at 30 June 2020

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**" or "**China**").

As at 30 June 2020, the Group had a total of 22 projects over 11 cities in various stages of development, including an estimated net saleable/leasable GFA of completed projects of approximately 329,355 sq.m., an estimated net saleable/leasable GFA of projects under development of approximately 126,749 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 516,132 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	33,454	100.0
3	Shenzhen	Shenzhen Water Flower Garden	Commercial	4,992	100.0
4	Changzhou	Changzhou Fashion Mark	Commercial	82,139	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	100.0
9	Tianjin	Tianjin Le Lemen City	Residential/ Commercial	18,527	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
13	Kunming	Kunming Dianchi Lakeside Peninsula	Commercial	1,415	100.0
Sub-total				329,355	
Projects under Development					
9	Tianjin	Tianjin Le Lemen City	Commercial	10,465	58.0
14	Shenzhen	Topspring International Mansion	Commercial	58,294	100.0
15	Shenzhen	Jianshang Commercial Building	Commercial	9,518	100.0
16	Shenzhen	Upper Residence Topspring	Residential	41,676	100.0
17	Hong Kong	Hong Kong Kowloon Tong Waterloo Road Project	Residential	6,796	60.0
Sub-total				126,749	

Project no.	City	Project	Type of project	Estimated net saleable/ leasable GFA *sq.m.*	Interest attributable to the Group *%*
Projects Held For Future Development					
18	Sydney, Australia	Sydney, St. Leonards Project	Residential	30,494	49.0
Projects Contracted to be Acquired or under Application for Change in Land Use					
19	Hong Kong	Hong Kong Yuen Long Shap Pat Heung Road Project	Agricultural	20,050	100.0
20	Hong Kong	Hong Kong Yuen Long Tai Tong Road Project	Agricultural	2,987	100.0
21	Hong Kong	Hong Kong Yuen Long Tong Yan San Tsuen Project *(Note)*	Agricultural	N/A	100.0
22	Hong Kong	Hong Kong Sheung Shui Ma Sik Road Project	Agricultural	6,497	50.0
Sub-total				29,534	
Total				516,132	

Note: Hong Kong Yuen Long Tong Yan San Tsuen 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 surrounding regions (including Dongguan)	172,121
Shanghai	98,883
Nanjing	717
Chengdu	38,285
Hangzhou	26,182
Tianjin	28,992
Changzhou	82,139
Kunming	1,415
Hong Kong	36,904
Sydney, Australia	30,494
Total	516,132

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 in the first half of 2020

In the first half of 2020, the Group commenced construction of two projects with a total estimated net saleable/leasable GFA of approximately 67,812 sq.m..

Details of such projects are set out below:

City	Project	Estimated net saleable/ leasable GFA *sq.m.*
Shenzhen	Topspring International Mansion	58,294
Shenzhen	Jianshang Commercial Building	9,518
		67,812

BUSINESS REVIEW

In the first half of 2020, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK$33.6 million (corresponding period of 2019: HK$76 million), pre-sold saleable GFA of 2,176 sq.m. (corresponding period of 2019: 5,073 sq.m.) and gross profit margin of the recognised sales of 43.6% (corresponding period of 2019: 40.6%).

In the first half of 2020, the Group's rental income from investment properties was approximately HK$101.8 million (corresponding period of 2019: HK$135.3 million), representing a decrease of approximately 24.8%. As at 30 June 2020, the overall occupancy rate of the Group's investment properties was approximately 85.4%. As at 30 June 2020, the total leasable GFA of the operating investment property portfolio was approximately 244,874 sq.m.. As at 30 June 2020, 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 301,683 sq.m.. Its fair value was approximately HK$8.04 billion as at 30 June 2020, representing approximately 32.8% of the Group's total asset value. In addition, as at 30 June 2020, the accumulated total area of properties managed by the Group amounted to approximately 12,870,000 sq.m., of which approximately 7,930,000 sq.m. property area was not developed by the Group and approximately 240,000 sq.m. was commercial property management projects. Currently, one of the property companies of the Group ranked 60th in the "Top 100 Property Service Companies in China" for five consecutive years from 2016 to 2020 with its scale of property management expanding year on year.

As at 30 June 2020, the land bank (i.e. the net saleable/leasable GFA) of 22 projects of the Group was approximately 516,132 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

Consistently focusing on the Guangdong-Hong Kong-Macau Greater Bay Area (the "Greater Bay Area") by grasping development opportunities within core cities in the Greater Bay Area

The Greater Bay Area is one of the most business friendly areas with most economic vitality in China. In 2019, the gross domestic product ("**GDP**") of the Greater Bay Area was in excess of RMB11 trillion with total population of over 70 million. In the first half of 2020, the Central Government of China further introduced policies on different aspects to bolster the development of the Greater Bay Area with an aim to work out the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area". The issuance of the "Opinion on Providing Financial Support for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area" jointly by the People's Bank of China, the China Banking and Insurance Regulatory Commission and the State Administration of Foreign Exchange was intended to offer greater financial support to the development of the Greater Bay Area and enhance the Greater Bay Area's supporting and leading role in China's economic development and opening up. Against the new development backdrop of the macro-circular economy as the fortress flanked by mutual facilitation of dual circular domestic and international models promoted by the Central Government, the Greater Bay Area will also play an important role in positive interaction between internal circular system and external circular system.

The core cities and regions in Greater Bay Area are the leaders of the development of the Greater Bay Area. Guangzhou leads the innovation of digital economy, becoming a pilot city in the Greater Bay Area for circulation of digital elements, a strategic place of digital core technology in China and a benchmark of global digital industrial reform. Shenzhen vigorously unleashes development potential of the strength of the society by supporting the establishment of the Greater Bay Area and the Pioneering Demonstration Zone for Socialism with Chinese Characteristics, allowing market players in all sectors to boost their vitality and their performance. Nansha District in Guangzhou is the geometric center of the Greater Bay Area, it serves as the core engine of the Greater Bay Area to establish itself as a demonstration zone of all-round cooperation among Guangdong, Hong Kong and Macao. Dongguan Binhaiwan Bay Area becomes an investment attraction in such favourable conditions, endeavouring to develop itself as a platform of the Greater Bay Area for synergistic development.

The Group will seize the historic opportunities presented by the development of the Greater Bay Area with intensive effort. By fully taking the advantages of focusing on the core cities, such as Hong Kong, Shenzhen, Guangzhou (particularly Nansha District, Panyu 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 2021.

Maintaining and moderately expanding the portfolio of properties for rent with steady growth

The Group is of the view that it is imperative to maintain rental income with steady growth. The Group looks forward to achieving higher 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 2020, the Group's total revenue and income from sale of properties were approximately HK$254.0 million and HK$44.1 million, respectively, decreased by approximately 9.5% and increased by approximately 196.0%, respectively, as compared with the corresponding period of 2019. The Group recorded a loss attributable to equity shareholders of the Company of approximately HK$211.4 million as compared with a loss of approximately HK$168.0 million recorded in the corresponding period of 2019. For the six months ended 30 June 2020, the Group had a basic loss per ordinary share (the "**Share(s)**") of HK$0.14, compared with a loss of HK$0.11 in the corresponding period of 2019. Net assets per Share attributable to equity shareholders of the Company and holders of PCSs were approximately HK$6.0 as at 30 June 2020 and approximately HK$6.3 as at 31 December 2019.

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 9.5% to approximately HK$254.0 million for the six months ended 30 June 2020 from approximately HK$280.7 million for the six months ended 30 June 2019. This decrease was primarily due to a decrease in the Group's rental income and property management and related services income. The Group recognised property sales of approximately HK$44.1 million, representing approximately 17.4% of the revenue for the six months ended 30 June 2020. The remaining approximately 82.6% represented rental income, property management and related services income and income from education related services and products.

Revenue from the Group's rental income and property management and related services income decreased by approximately 20.6% for the six months ended 30 June 2020 as compared with the corresponding period of 2019 primarily due to the decrease in occupancy rate and rental rate for property leases caused by the outbreak of COVID-19 pandemic in early 2020.

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 increased to approximately HK$121.7 million for the six months ended 30 June 2020 from approximately HK$111.2 million for the six months ended 30 June 2019. Such increase was primarily attributable to an increase in the saleable GFA and the related construction costs of the Group's properties completed and delivered for the six months ended 30 June 2020.

Gross profit

The Group's gross profit decreased by approximately 21.9% to approximately HK$132.3 million for the six months ended 30 June 2020 from approximately HK$169.5 million for the six months ended 30 June 2019. The Group recorded a gross profit margin of approximately 52.1% for the six months ended 30 June 2020 as compared with approximately 60.4% for the six months ended 30 June 2019. The decrease in gross profit margin was primarily driven by the decrease in rental income and property management and related services income with steady fixed costs which contributed lower gross profit margin.

Other revenue

Other revenue decreased by approximately HK$18.1 million, or approximately 20.4%, to approximately HK$70.5 million for the six months ended 30 June 2020 from approximately HK$88.6 million for the six months ended 30 June 2019. The decrease was primarily attributable to the decrease in bank interest income.

Other net income

Other net income decreased significantly by approximately 32.5% to approximately HK$12.9 million for the six months ended 30 June 2020 from approximately HK$19.1 million for the six months ended 30 June 2019, mainly due to the decrease in fair value gain on financial assets measured at fair value through profit or loss.

Selling and marketing expenses

Selling and marketing expenses increased by approximately 107.8% to approximately HK$18.7 million for the six months ended 30 June 2020 from approximately HK$9.0 million for the six months ended 30 June 2019, mainly due to an increase in promotion and commission expenses paid. The selling and marketing expenses accounted for approximately 55.7% of total pre-sales for the six months ended 30 June 2020 (for the six months ended 30 June 2019: approximately 11.9%).

Administrative expenses

Administrative expenses decreased by approximately 22.2% to approximately HK$162.3 million for the six months ended 30 June 2020 from approximately HK$208.5 million for the six months ended 30 June 2019. The decrease was mainly due to the decrease in staff costs incurred for the six months ended 30 June 2020.

Valuation losses on investment properties

Valuation losses on investment properties was approximately HK$114.5 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: valuation gains was approximately HK$58.8 million), representing a decrease of approximately 294.7%. The decrease was mainly due to the outbreak of COVID-19 pandemic in early 2020.

Finance costs

Finance costs decreased by approximately 13.2% to approximately HK$156.7 million for the six months ended 30 June 2020 from approximately HK$180.5 million for the corresponding period of 2019. The decrease was primarily attributable to the repayment of convertible bonds in 2019 and decrease in bonds payable.

Income tax

Income tax expenses of approximately HK$68.3 million for the six months ended 30 June 2019 changed to income tax credit of approximately HK$19.4 million for the six months ended 30 June 2020. The change was primarily attributable to (i) the reversal of CIT provision net off against corresponding deferred tax asset of HK$110.1 million and (ii) reversal of deferred tax liabilities for valuation losses on investment properties.

Non-controlling interests

The loss attributable to non-controlling interests was approximately HK$23.4 million for the six months ended 30 June 2020 as compared with the profit attributable to non-controlling interests of approximately HK$8.9 million in the corresponding period of 2019. The decrease was primarily due to the share of loss of non wholly-owned subsidiaries while share of profit in 2019.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 30 June 2020, the carrying amount of the Group’s cash and bank deposits was approximately HK$4,142.6 million (as at 31 December 2019: approximately HK$4,727.8 million), representing a decrease of approximately 12.4%.

Borrowings and charges on the Group's assets

The Group had an aggregate borrowings (including bank and other borrowings, bonds payable and lease liabilities) as at 30 June 2020 of approximately HK$10,173.7 million, of which approximately HK$5,424.0 million is repayable within one year, approximately HK$3,363.5 million is repayable after one year but within five years and approximately HK$1,386.2 million is repayable after five years.

As at 30 June 2020, the Group's bank loans of approximately HK$8,672.7 million (as at 31 December 2019: approximately HK$8,132.6 million) were secured by certain investment properties, other land and buildings, leasehold land held for development for sale, properties under development for sale, completed properties for sale, pledged deposits and rental receivables of the Group with total carrying values of approximately HK$12,075.1 million (as at 31 December 2019: approximately HK$11,819.3 million) and equity interest in subsidiaries within the Group and certain shareholders' loans lent by the Group to the subsidiaries. As at 30 June 2020, 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$3,927.3 million (as at 31 December 2019: approximately HK$3,840.0 million) and HK$1,432.3 million (as at 31 December 2019: approximately HK$1,435.0 million) as at 30 June 2020 which were denominated in Hong Kong dollars and US dollars, respectively.

As at 30 June 2020, the Group had bank borrowings of approximately HK$550.5 million which bore fixed interest rates ranging from 6.4% to 6.5% per annum.

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 5.8% for the six months ended 30 June 2020 (for the six months ended 30 June 2019: approximately 6.7%).

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 2020 and 31 December 2019 was approximately 64.4% and 50.0%, respectively. The increase in net gearing ratio was mainly due to the settlement of LAT in the PRC and investment in financial products during the six months ended 30 June 2020.

Foreign exchange risk

As at 30 June 2020, the Group had cash balances denominated in RMB of approximately RMB3,316.9 million (equivalent to approximately HK$3,635.8 million), in US dollars of approximately US$15.3 million (equivalent to approximately HK$118.9 million) and in Australian dollars of approximately AUD8.3 million (equivalent to approximately HK$44.1 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 2020 and 31 December 2019 are calculated as follows:

	As at 30 June 2020	As at 31 December 2019
Net assets attributable to equity shareholders of the Company and the holders of PCSs *(HK$'000)*	**9,242,834**	9,684,241
Number of issued ordinary Shares *('000)*	**1,412,733**	1,412,733
Number of outstanding PCSs *('000)*	**116,553**	116,553
Number of Shares for the calculation of net assets per Share *('000)*	**1,529,286**	1,529,286
Net assets per Share attributable to equity shareholders of the Company and the holders of PCSs *(HK$) (Note)*	**6.0**	6.3

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 2020 and 31 December 2019.

CONTINGENT LIABILITIES

As at 30 June 2020, save for the guarantees of approximately HK$389.9 million (as at 31 December 2019: approximately HK$412.2 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 2020 up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group employed a total of approximately 901 employees (as at 31 December 2019: approximately 887 employees) in the mainland China, Hong Kong and Australia, of which, approximately 61 were under the headquarters team, approximately 149 were under the property development division and 687 were under the retail operation and property management division, approximately 4 were under education division. For the six months ended 30 June 2020, the total staff costs incurred was approximately HK$92.7 million (for the six months ended 30 June 2019: approximately HK$125.7 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 on 2 December 2010 under which the Company granted share options to certain eligible employees. During the six months ended 30 June 2020, no (for the six months ended 30 June 2019: 157,000) share options had been exercised by the grantees and no (for the six months ended 30 June 2019: 400) share options had been lapsed. As a result, 1,523,631 (as at 31 December 2019: 1,523,631) share options were outstanding as at 30 June 2020 under the pre-IPO share option scheme.

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

Movement of the outstanding share options under the pre-IPO and post-IPO share option schemes for the six months ended 30 June 2020 is as follows:

	Exercise Price *HK$ per Share*	As at 1 January 2020	Share options granted	Share options exercised	Share options cancelled	Share options lapsed	As at 30 June 2020
Pre-IPO	1.78	1,523,631	–	–	–	–	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	49,318,000	–	–	–	–	49,318,000
Lot 4	3.65	767,500	–	–	–	–	767,500
Lot 5	3.45	10,000,000	–	–	–	–	10,000,000
Lot 6	2.796	27,124,500	–	–	–	–	27,124,500
Sub-total		97,377,500	–	–	–	–	97,377,500
Total		98,901,131	–	–	–	–	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 2020 (2019 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 2020.

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 2020 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 six months ended 30 June 2020, 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 2020.

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 2020. 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 2020. 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, 28 August 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*