

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



勒泰集團有限公司
LERTHAI GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 112)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Lerthai Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4	289,507	536,679
Cost of sales		<u>(96,484)</u>	<u>(162,318)</u>
Gross profit		193,023	374,361
Interest revenue		18,130	12,899
Other income and (losses)/gains, net		(1,077)	9,311
Gain on disposal of a subsidiary		–	8,460
(Decrease)/increase in fair value of investment properties		(260,138)	168,017
Selling and marketing expenses		(1,932)	(2,871)
Administrative expenses		<u>(71,689)</u>	<u>(89,954)</u>
(Loss)/profit from operations		(123,683)	480,223
Finance costs		<u>(379,174)</u>	<u>(340,540)</u>
(Loss)/profit before tax		(502,857)	139,683
Income tax credit/(expense)	5	<u>38,793</u>	<u>(79,408)</u>
(Loss)/profit for the period attributable to equity holders of the Company	6	<u><u>(464,064)</u></u>	<u><u>60,275</u></u>
(Loss)/earnings per share (HK dollars)	8		
Basic		<u><u>(0.53)</u></u>	<u><u>0.08</u></u>
Diluted		<u><u>(0.53)</u></u>	<u><u>0.05</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	<u>(464,064)</u>	<u>60,275</u>
Other comprehensive loss:		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value loss on financial liabilities designated at fair value through profit or loss attributable to change in credit risk	–	(10,298)
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(173,673)</u>	<u>(1,339)</u>
Other comprehensive loss for the period, net of tax	<u>(173,673)</u>	<u>(11,637)</u>
Total comprehensive (loss)/income for the period attributable to equity holders of the Company	<u><u>(637,737)</u></u>	<u><u>48,638</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	30 June	31 December
	2020	2019
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Non-current assets		
Investment properties	19,340,366	19,977,883
Property, plant and equipment	19,357	19,954
Right-of-use assets	1,356	2,712
Deposit and prepayment	198,485	202,342
Pledged bank deposits	18,646	21,960
Deferred tax assets	5,969	6,167
Other non-current assets	3,300	3,300
	19,587,479	20,234,318
Current assets		
Properties under development for sales	3,078,174	3,023,091
Properties held for sales	274,532	314,199
Equity investment at fair value through profit or loss	2,209	2,409
Trade and other receivables, deposits and prepayments	397,032	386,384
9		
Restricted bank balances	–	4
Pledged bank deposits	6,493	6,523
Cash and bank balances	53,427	127,828
	3,811,867	3,860,438

		30 June	31 December
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables and accruals	<i>10</i>	3,184,433	3,238,209
Contract liabilities		1,680,741	1,685,661
Tax payable		88,403	92,743
Bank and other borrowings		5,436,581	5,236,123
Convertible bond		453,493	386,117
Senior notes		113,803	109,327
Bonds		44,288	42,485
Lease liabilities		1,570	2,997
		<u>11,003,312</u>	<u>10,793,662</u>
Net current liabilities		<u>(7,191,445)</u>	<u>(6,933,224)</u>
Total assets less current liabilities		<u>12,396,034</u>	<u>13,301,094</u>
Non-current liabilities			
Bank and other borrowings		4,536,254	4,708,209
Convertible securities		40,409	56,667
Deferred tax liabilities		2,887,043	2,986,009
		<u>7,463,706</u>	<u>7,750,885</u>
Net assets		<u><u>4,932,328</u></u>	<u><u>5,550,209</u></u>
Capital and reserves			
Share capital	<i>11</i>	2,924,727	1,548,192
Reserves		<u>1,559,663</u>	<u>3,554,079</u>
Equity attributable to equity holders of the Company			
Perpetual capital instruments	<i>12</i>	4,484,390	5,102,271
		<u>447,938</u>	<u>447,938</u>
Total equity		<u><u>4,932,328</u></u>	<u><u>5,550,209</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. CORPORATE INFORMATION

Lerthai Group Limited was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance. The address of its registered office and principal place of business is Room 3303, Tower Two, Lippo Centre, 89 Queensway, Admiralty, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

These unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"), unless otherwise stated.

The financial information relating to the year ended 31 December 2019 that is included in these unaudited condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements is as follow:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of the Hong Kong Company Ordinance (Cap. 622).

2. BASIS OF PREPARATION – GOING CONCERN

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. These unaudited condensed consolidated financial statements was reviewed by the audit committee of Board. The Board has approved these unaudited condensed consolidated financial statements on 28 August 2020.

As at 30 June 2020, the Group had net current liabilities of HK\$7,191,445,000. The cash and bank balances is decreased from HK\$127,828,000 to HK\$53,427,000. In addition, the Group has capital commitments of HK\$386,504,000 and other commitments of HK\$236,836,000 as at 30 June 2020. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Winding up petitions

On 28 July 2020, Industrial and Commercial Bank of China (Asia) Limited (the "**Petitioner**") filed a winding-up petition ("**Petition**") against the Company in the High Court of the Hong Kong Special Administrative Region (the "**High Court**") under HCCW 233 of 2020. The Petition was filed against the Company for failure to settle the loans provided by the Petitioner to LT Commercial Limited, a subsidiary of the Company in the principal sum of HK\$1,425,000,000; interest and default interest accrued in the total sum of HK\$259,462,000; and daily default interest of HK\$463,523 from 3 July 2020 until payment in full and all other costs and expenses of HK\$9,891,000 in relation to the default of the Loans. The Petition will be heard at the Court of First Instance of the High Court on 28 October 2020.

The Group's ability to continue as a going concern is dependent on the ongoing availability of finance supports to the Group and successful implementation of debt restructuring. If these finance supports were not available, the Group may be unable to meet its financial obligations as and when they fall due. These conditions, indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The Group is in active negotiation with the banks and lenders for further arrangements, including the extension of repayment and renewal of the overdue borrowing. In view of such circumstances, the Directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to the following:

- (i) The Group has been actively negotiating with a number of commercial banks for renewal or extension of repayment of the loans;
- (ii) The Group has been actively negotiating with Industrial and Commercial Bank of China (Asia) Limited for restructuring or extension of repayment of the loans with the hope to withdraw the winding-up petition;
- (iii) The Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments;
- (iv) The Group has accelerated the sales of its properties under development, completed properties and investment properties to solve the liquidity problem; and
- (v) The Group will continue to take active measures to control administrative costs and containment of capital expenditures.

As at the date of this announcement, the implementations of these measures are still in progress. The validity of the going concern assumption on which the unaudited condensed consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the measures taken by the Directors of the Company as described above. The unaudited condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and, therefore, do not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the unaudited condensed consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

3. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared on historical cost basis except for investment properties and certain financial instruments which are carried at their fair values/fair values less costs to sell.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	<i>Interest Rate Benchmark Reform</i>

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and position for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

New and amended standards and interpretations have been published but are not yet effective for the period ended 30 June 2020

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the income from property development, property leasing and provision of comprehensive property management services, net of other sales related taxes and after deduction of any trade discounts.

Revenue represents the aggregate amounts received and receivable, analysed as follows:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sales of properties	34,619	211,308
Revenue from property management services	<u>92,174</u>	<u>127,920</u>
Revenue from contracts with customers	126,793	339,228
Rental income	<u>162,714</u>	<u>197,451</u>
Total revenue	<u><u>289,507</u></u>	<u><u>536,679</u></u>

Disaggregation of revenue from contracts with customers:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
At a point in time	34,619	211,308
Over time	92,174	127,970
Total	126,793	339,228

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Segment revenue		Segment profit/(loss)	
	Six months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Real estate business in				
Tangshan, the People's Republic of China (the "PRC")	73,791	105,698	2,279	40,875
Shijiazhuang, the PRC	215,716	429,229	169,317	287,686
Handan, the PRC	–	–	(5,151)	(9,181)
West Covina, the United States of America	–	1,752	–	1,010
	289,507	536,679	166,445	320,390
Unallocated amounts:				
Other income and (losses)/gains, net			(1,077)	9,311
Gain on disposal of a subsidiary			–	8,460
(Decrease)/increase in fair value of investment properties			(260,138)	168,017
Finance costs			(379,174)	(340,540)
Unallocated corporate expenses, net			(28,913)	(25,955)
(Loss)/profit before tax			(502,857)	139,683

5. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – the PRC		
– PRC Enterprise Income Tax	31	81
– Land Appreciation Tax	3,462	10,565
	<u>3,493</u>	10,646
Deferred tax	<u>(42,286)</u>	68,762
	<u>(38,793)</u>	<u>79,408</u>

6. (LOSS)/PROFIT FOR THE PERIOD

The Group's (loss)/profit for the period is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Employee benefits expenses including Directors' and chief executive's emoluments		
– Salaries, bonuses and allowances	22,453	31,542
– Retirement benefits cost	1,645	3,289
	<u>24,098</u>	34,831
Total employee benefits expenses	24,098	34,831
Less: Amount capitalised to investment properties under construction and properties under development for sales	<u>(1,559)</u>	(3,263)
	<u>22,539</u>	31,568
Cost of properties held for sales recognised as an expense	17,109	86,612
Depreciation	2,542	4,143
Gross rental and management fee income from investment properties	(254,888)	(325,371)
Less: Direct operating expenses incurred for investments properties that generated rental and management fee income	<u>55,222</u>	48,806
	<u>(199,666)</u>	<u>(276,565)</u>

7. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on the loss for the period attributable to equity holders of the Company of HK\$464,064,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: profit for the period attributable to equity holders of the Company of HK\$60,275,000) and the weighted average of 883,738,000 ordinary shares (six months ended 30 June 2019: 716,527,000 ordinary shares) in issue during the interim period.

(b) Diluted (loss)/earnings per share

There was no difference between basic and diluted loss per share for the six months ended 30 June 2020.

For the six months ended 30 June 2019, the calculation of diluted earnings per share is based on the profit for the period attributable to equity holders of the Company of HK\$63,528,000 and the weighted average number of ordinary shares of 1,235,229,000.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables	107,862	106,397
Prepayment of other PRC taxes	148,650	145,802
Prepayment for purchase of construction materials	1,170	2,820
Prepayment for construction costs	36,433	45,324
Other receivables, deposits and prepayments	102,917	86,041
	<u>397,032</u>	<u>386,384</u>

The aging analysis of trade receivables, based on the date of revenue recognition or invoice date of rental and services, is as follows:

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Within 30 days	15,481	18,313
Over 30 days but within 1 year	75,813	52,736
Over 1 year	16,568	35,348
	<u>107,862</u>	<u>106,397</u>

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Construction cost payables	405,085	417,249
Accrued construction costs	2,008,644	2,107,601
Advanced receipts from tenants	74,782	113,435
Deposits received from suppliers/contractors on contracts tendering	98,652	104,919
Due to related companies (<i>Note</i>)	64,057	–
Penalties and penalties interest payables	164,917	168,121
Rental deposits	45,972	50,440
Other tax payables	32,226	35,316
Other payables and accruals	290,098	241,128
	<u>3,184,433</u>	<u>3,238,209</u>

Note: Amounts due to related companies are unsecured, interest free and have no fixed term of repayment.

The aging analysis of construction cost payables, based on the invoice date, is as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 1 year	33,681	90,054
Over 1 year but within 3 years	91,851	234,558
Over 3 years	<u>279,553</u>	<u>92,637</u>
	<u>405,085</u>	<u>417,249</u>

11. SHARE CAPITAL

	Number of ordinary shares	Share capital HK\$'000
Issued and fully paid:		
At 31 December 2018 and 1 January 2019 (Audited)	687,877,084	2,086,958
Issue of shares upon conversion of convertible securities (<i>Note a</i>)	79,777,777	361,234
Capital reduction (<i>Note b</i>)	<u>–</u>	<u>(900,000)</u>
At 31 December 2019 and 1 January 2020 (Audited)	767,654,861	1,548,192
Issue of shares upon conversion of convertible securities (<i>Note c</i>)	<u>304,444,443</u>	<u>1,376,535</u>
At 30 June 2020 (Unaudited)	<u>1,072,099,304</u>	<u>2,924,727</u>

Notes:

- (a) On 26 April 2019, the Company received the conversion notices from 2 securities holders to exercise the conversion rights attached to the convertible securities for the aggregate principal amount of HK\$359,000,000. An aggregate of 79,777,777 conversion shares at the price of HK\$4.50 per conversion share were allotted and issued on 26 April 2019.
- (b) Pursuant to a resolution passed in the extraordinary general meeting held on 26 June 2019, regarding the reduction of the issued share capital of the Company by HK\$900,000,000 (the “**Capital Reduction**”), the credit arising from the Capital Reduction has been applied to a capital reduction reserve account of the Company and such reserve to be used to set off against the accumulated loss of HK\$766,560,000 of the Company as at the effective date (i.e. 12 August 2019).
- (c) On 20 January 2020 and 21 January 2020, the Company received the conversion notices from 4 securities holders to exercise the conversion rights attached to the convertible securities for the principal amount of HK\$788,000,000 and HK\$582,000,000 respectively. An aggregate of 304,444,443 conversion shares at the price of HK\$4.50 per conversion share were allotted and issued.

12. PERPETUAL CAPITAL INSTRUMENTS

Pursuant to the perpetual loan agreements entered on 30 June 2018 between certain wholly-owned subsidiaries of the Company and the related companies controlled by Mr. Yang (the “Perpetual Loan Agreements”), the loans bear interest at 8%-10% per annum. Interest payments on the loans are paid annually on or before 31 December and can be deferred at the discretion of the Group. The related companies could not request for repayment of the principal and accrued interest save and except when the Group elects to repay the principal and accrued interest at its sole discretion, or in the event of liquidation.

Under the Perpetual Loan Agreements, no guarantee of any kind is required to be given by any member of the Group to either the related companies for the loans.

As at 30 June 2020, the perpetual capital instruments holders were entitled to receive interest of HK\$101,487,000 but only payable when the Group elects to pay at its sole discretion or in the event of liquidation. In the opinion of the Directors, the perpetual capital instruments do not contain any contractual obligation to pay cash or other financial assets for the interest pursuant to the terms and conditions, accordingly, the recognition of the interest has been deferred until become payable in the future, if required.

13. CONTINGENT LIABILITIES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Guarantees given to banks in favour of its customers in respect of mortgage loans provided by the banks	448,688	834,335
Financial guarantees given to banks in favour of its related companies	660,335	685,028
Financial guarantees given to banks in favour of its third parties	36,593	37,304
	<u>1,145,616</u>	<u>1,556,667</u>

The guarantees are given to banks with respect to loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the delivery of the properties to the purchasers and completion of the registration of the mortgage with the relevant mortgage registration authorities or settlement of the outstanding mortgage loans. In the opinion of the Directors, the fair values of the financial guarantee contracts are not significant as the possibility of default by the relevant purchasers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in these unaudited condensed consolidated financial statements for these guarantees.

The guarantees are secured by the Group's pledged bank deposits amounting to HK\$25,139,000 (31 December 2019: HK\$28,483,000).

The Group issued financial guarantees to banks in respect of banking facilities granted to related companies and third parties. The amount disclosed above represents the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety. In the opinion of the Directors, the fair values of the financial guarantee contracts are not significant as the possibility of default by the relevant related companies is remote. Accordingly, no provision has been made in these unaudited condensed consolidated financial statements for these guarantees.

14. RELATED PARTY TRANSACTIONS

During the period, the Group had the following material transactions with related parties:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest revenue on promissory note from a Director	–	4,581
Property management fee expense paid to a related company	15,158	15,438

15. OTHER MATTERS

As at 30 June 2020, the Group had disputes with some of the suppliers, as a result the Group received court orders with either freezing the bank deposits or sealing up the properties with equivalent amount. As at the date of this announcement, the Group is still in the course of negotiation with the suppliers for settlement. The relevant disputes have been previously disclosed and such amount has been fully provided for in the unaudited condensed consolidated financial statements of the Group.

16. EVENTS AFTER THE REPORTING PERIOD

On 3 August 2020, the Company was made aware that Petition was filed on 28 July 2020 by Petitioner against the Company in the High Court for an order that the Company be wound up by the High Court. The Petition was filed against the Company for failure to settle the loans provided by the Petitioner to LT Commercial Limited, a subsidiary of the Company in the principal sum of HK\$1,425,000,000; interest and default interest accrued in the total sum of HK\$259,462,000; and daily default interest of HK\$463,523 from 3 July 2020 until payment in full and all other costs and expenses of HK\$9,891,000 in relation to the default of the Loans. Detail of which was disclosed in the announcement of the Company dated 4 August 2020.

The Petition will be heard at the Court of First Instance of the High Court on 28 October 2020.

17. COMPARATIVE AMOUNTS

Certain comparative amounts have been represented to conform to the presentation of current period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operating Results

In the first half of 2020, the net loss of the Group amounted to HK\$464,064,000. As compared to net profit of HK\$60,275,000 in the corresponding period of 2019, the profit decreased HK\$524,339,000. Loss per share amounted to HK\$0.53, representing a decrease of HK\$0.61 as compared to earnings per share of HK\$0.08 in the corresponding period of 2019.

Review by Segment

Real Estate Business in Tangshan, the PRC

Tangshan Lerthai City

Tangshan Lerthai City, a large-scale mixed use complex, situated in the western part of Tangshan which is adjacent to the Tangshan Highspeed Railway station and Beijing Tangshan Intercity Railway station. This project has a gross floor area (“GFA”) of approximately 8,988,000 sq. ft. comprised residential units, regional retail shopping mall, hotels, commercial offices, entertainment facilities and sports facilities within the mega complexes. Tangshan Lerthai City mainly comprises (i) the Lerthai Centre, a regional shopping mall with a total GFA of approximately 4,024,000 sq. ft.; and (ii) the residential area of a total GFA of approximately 2,510,000 sq. ft. with approximately 1,700 residential units. Revenue of HK\$11,976,000 was recorded for the period (six months ended 30 June 2019: HK\$17,188,000).

Tangshan Pelagic Mall

Tangshan Pelagic Mall is a commercial complex with a total GFA of approximately 1,257,000 sq. ft., of which a total GFA of approximately 25,000 sq. ft. have been sold, and the remaining approximately 1,232,000 sq. ft. are held by Tangshan Lerthai Oceancity Corporate Management Company Limited for leasing purpose, as well as for the office uses by the Group. Tangshan Pelagic Mall is located in a popular business and entertainment district of Tangshan, Hebei Province surrounded by high-end residential real estate projects of renowned property developers in the PRC. During the six months ended 30 June 2020, revenue of HK\$61,815,000 (six months ended 30 June 2019: HK\$88,510,000) was generated from Tangshan Pelagic Mall.

Real Estate Business in Handan, the PRC

Lerthai Jiayuan

The residential project “Lerthai Jiayuan” obtained pre-sale permit in the fourth quarter of 2016 and commenced pre-sale in 2017. The Group received accumulated pre-sale deposits of HK\$1,329,308,000 as at 30 June 2020. Deposits were recorded as “Contract liabilities” in the unaudited condensed consolidated financial statements.

Handan Lerthai City on Chuancheng Street

Handan Lerthai City, a large-scale mixed use complex, located at the central business district in Handan City, Chuancheng Street is situated at the north of Renmin Road, south of Congtai Road, east of Lingxi Street and west of Congtai Park. This project has a planned GFA of approximately 3,037,000 sq. ft. with regional shopping mall, hotels, tourism facilities and mega commercial space.

The regional shopping mall of the Handan Lerthai City is expected to have an official opening in the second half of 2020. Currently, most of the shops have been leased out as various quality tenants are attracted to place their retail presences in the shopping mall and Handan Lerthai City will be another key revenue driver to the Group in the future.

Real Estate Business in Shijiazhuang, the PRC

Shijiazhuang Lerthai Centre is a commercial complex with a GFA of approximately 6,425,000 sq. ft.. It comprises a tower phase of approximately 2,308,000 sq. ft. and a shopping mall phase of approximately 4,117,000 sq. ft.. The tower phase is served as both offices and hotel purpose while the shopping mall phase comprise shops and car parking lots. During the six months ended 30 June 2020, revenue of HK\$215,716,000 (six months ended 30 June 2019: HK\$429,229,000) was generated from Shijiazhuang Lerthai Centre.

Financial Services Businesses

Through its wholly owned subsidiaries, LERTHAI Securities (Hong Kong) Limited which holds Type 1 and Type 2 licenses, and LERTHAI Asset Management Limited which, holds Type 4 and Type 9 licenses from the Securities and Futures Commission of Hong Kong, the Company has been developing a vibrant business in securities, futures and asset management.

In August 2017, Lerthai Global Commercial Real Estate Fund SPC, a segregated portfolio company, was incorporated in Cayman Islands. Since its setup, Lerthai Global Commercial Real Estate Fund SPC has established three segregated portfolios to invest in commercial real estates in the mainland China. These three segregated portfolios are: China Handan Lerthai Commercial Real Estate Fund SP, China Shijiazhuang Lerthai Commercial Real Estate Fund SP and China Tangshan Lerthai Oceancity Commercial Real Estate SP. LERTHAI Asset Management Limited was appointed as investment manager for China Handan Lerthai Commercial Real Estate Fund SP.

In May 2018, LERTHAI Asset Management Limited established Lerthai Equity Investment Fund Management (Shenzhen) Co., Limited (勒泰股權投資基金管理(深圳)有限公司) in Qianhai, Shenzhen, under the Qualified Foreign General Partner (合格境外普通合夥人) scheme. Lerthai Equity Investment Fund Management (Shenzhen) Co., Limited aims at providing an efficient channel for overseas investors to invest in commercial real estate assets that benefit from the prosperous new retail and trading-up consumption in mainland China.

PROSPECTS

The COVID-19 epidemic started in the beginning of 2020 has a major impact on the economic industry. From a global perspective, the world economy is facing a major test. Problems such as global economic slowdown, complicated and changeable international pattern, and uneven domestic development will exist for a long time, and there is still high uncertainty of the movement of COVID-19, which made countries to gain a new understanding of the completeness of their own industrial chains and to think about de-globalisation.

Through the effective control of the Chinese government, the domestic epidemic situation has been gradually controlled. The national economic development in 2020 and the near future will continue to be in a period of structural phase transition. The COVID-19 epidemic will bring changes to people's lifestyles and working methods and cause short-term impact on all walks of life. Commercial retail is also affected by the short-term psychological impact of the public on the epidemic.

Looking forward, we are cautiously optimistic about the upcoming macroeconomic environment. It is China's target to build a moderately prosperous society in all respects in 2020. It is also an important year for the satisfactory conclusion of the 13th five-year plan. Economic development is still very much focused on "Stability" and progress should be made within a reasonable range. It is expected that national economic growth will operate in a reasonable space under the new norm of the Chinese economy and will continue to optimise the industrial structure. The way characterised by digitisation will usher in structural favorable changes in the epidemic.

The Group will continue to focus on quality, operation and services, on commitments, on process management and control, and on sustainable development as usual.

FINANCIAL REVIEW

During the period under review, total revenue of the Group was HK\$289,507,000 (six months ended 30 June 2019: HK\$536,679,000). The decrease in revenue for the six months ended 30 June 2020 was mainly due to the outbreak of COVID-19 pandemic and restrict movements policies in the PRC, which lead to the decrease in revenue arising from property development, property leasing and provision of comprehensive property management services.

Other income and (losses)/gains, net decreased to net loss of HK\$1,077,000 for the period (six months ended 30 June 2019: net gain of HK\$9,311,000). The decrease was primarily due to no changes in fair value of convertible bond designated at fair value through profit or loss recognised during the reporting period.

The Group recorded a decrease of fair value of the investment properties of HK\$260,138,000 (six months ended 30 June 2019: increase of fair value of the investment properties of HK\$168,017,000), mainly attributable to the decrease as adversely affected by the outbreak of COVID-19 pandemic.

Selling and marketing expenses decreased to HK\$1,932,000 (six months ended 30 June 2019: HK\$2,871,000). Since most of the pre-sale activities for Tangshan Lerthai City and Handan projects were completed, the promotion scale had been downsized.

Administrative expenses amounted to HK\$71,689,000 (six months ended 30 June 2019: HK\$89,954,000). The decrease was primarily attributable to the decrease of employee benefits expenses as the Company strengthened cost control during the reporting period.

Finance costs recognised as expenses amounted to HK\$379,174,000 (six months ended 30 June 2019: HK\$340,540,000). The increase was mainly attributable to the default interest charged for certain banking facilities during the reporting period.

As a result of the various factors outlined above, the loss for the period attributable to equity holders of the Company was HK\$464,064,000 (six months ended 30 June 2019: profit for the period attributable to equity holders of the Company of HK\$60,275,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group's cash and bank balances maintained at HK\$53,427,000 (31 December 2019: HK\$127,828,000). The current ratio was 0.35 times (31 December 2019: 0.36 times) as at 30 June 2020.

The Group's gearing ratio was 45.4% (31 December 2019: 43.7%), which is calculated based on the Group's total interest-bearing borrowings of HK\$10,624,828,000 (31 December 2019: HK\$10,538,928,000) to total assets of HK\$23,399,346,000 (31 December 2019: HK\$24,094,756,000).

FOREIGN EXCHANGE EXPOSURE

The Group's investment, assets and liabilities are mainly denominated in Hong Kong dollar ("HK\$"), Renminbi ("RMB") and United States dollar ("US\$") and no hedging has been made during the period. The revenue to be generated from the PRC's operations will be denominated in RMB, while the convertible bond, senior notes and bonds of the Group are denominated in HK\$. The Group will continue to monitor closely its exposure to exchange rate and interest rate risks, and may employ derivative financial instruments to hedge against risks when necessary.

CHARGE OF ASSETS

As at 30 June 2020, the Group's facilities and other loans of HK\$7,819,258,000 (31 December 2019: HK\$7,937,618,000) were pledged with investment properties and properties under development for sales with an aggregate carrying amount of HK\$19,786,555,000 (31 December 2019: HK\$20,043,329,000).

CASH FLOW MANAGEMENT AND LIQUIDITY RISK

The objective of liquidity risk management is to ensure that the Group has sufficient cash to repay its maturing debt, perform other payment obligations and meet other funding requirements for normal business development.

The Group's liquidity management involves the regular cash flow forecast and the consideration of its liquid assets level and new financings necessary to meet future cash flow requirements.

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance in order to ensure high transparency and protection of interests of the shareholders and the Company as a whole. The Company has adopted the code provisions and certain recommended best practices (with amendments from time to time) as set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) under Appendix 14 to the Listing Rules.

Upon review of the corporate governance practice of the Company, the Board believed that the Company has applied the principles in the CG Code and complied with the code provisions of the CG Code during the period. None of the Directors was aware of any information that would reasonably indicate that the Company was not during the period in compliance with the code provisions of the CG Code, except for the deviation as follows:

Under code provision A.1.8 of the Corporate Governance Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. With regular, timely and effective communications among the directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the directors of the Company can be handled effectively, and the possibility of actual litigation against the directors of the Company is relatively low. The Company will review and consider to make such arrangement as and when it thinks necessary.

Under Rule 3.10(1) and Rule 3.21 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and the audit and risk management committee of every listed issuer must comprise a minimum of three members. After Mr. Wan Ka Ming’s resignation on 27 December 2019 and before Ms. Chan Lai Ping’s appointment on 27 March 2020, the Board and audit and risk management committee of the Company comprised only two independent non-executive Directors.

Save as the above, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 (the “**Model Code**”) to the Listing Rules as a code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the period.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises all three independent non-executive Directors, namely Mr. Wong Tat Keung (chairman of the Audit Committee), Mr. Wong Hon Kit and Ms. Chan Lai Ping. The Audit Committee has reviewed with management of the accounting policies adopted by the Group, the risk management and internal control systems, the effectiveness of the internal audit function and the unaudited condensed consolidated financial statements for the period.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the shareholders for their continuous support, and my fellow Directors and those who have worked for the Group for their valuable contribution.

By order of the Board
Lerthai Group Limited
Yang Longfei
Chairman and Chief Executive Officer

Hong Kong, 28 August 2020

As at the date of this announcement, the Directors of the Company are:

<i>Executive Directors</i>	<i>Non-executive Directors</i>	<i>Independent non-executive Directors</i>
<i>Mr. Yang Longfei</i>	<i>Mr. Yang Shao Ming</i>	<i>Mr. Wong Hon Kit</i>
<i>Ms. Zhang Yan</i>	<i>Mr. Chan Ho Yin</i>	<i>Mr. Wong Tat Keung</i>
	<i>Ms. Chi Lai Man Jocelyn</i>	<i>Ms. Chan Lai Ping</i>