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TOP SPRING INTERNATIONAL HOLDINGS LIMITED

萊蒙國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03688)

ANNOUNCEMENT OF CONSOLIDATED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

HIGHLIGHTS

- For the year ended 31 December 2020, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK\$1,125.2 million. The pre-sales of properties was approximately HK\$1,118.4 million with pre-sold GFA of approximately 16,839 sq.m. and ASP of approximately HK\$66,417.2 per sq.m., representing an increase of approximately 1,074.8%, 106.1% and 470.1%, respectively, as compared with 2019.
- As at 31 December 2020, the Group had a total of 22 projects over 11 cities in various stages of development with a total estimated net saleable/leasable GFA of approximately 511,413 sq.m..
- Revenue for the year ended 31 December 2020 decreased by approximately 20.0% to approximately HK\$575.1 million from approximately HK\$719.2 million for the year ended 31 December 2019.
- For the year ended 31 December 2020, the Group generated recurring rental income of approximately HK\$231.1 million (2019: approximately HK\$272.0 million) from its investment properties which mainly comprised shopping malls, community commercial centres, retail shops, serviced apartments, offices and car park units. As at 31 December 2020, the investment property portfolio (inclusive of investment properties classified as held for sale) had a total leasable GFA of approximately 259,914 sq.m. and a fair value of approximately HK\$7,309.3 million, representing approximately 26.9% of the Group's total asset value.

- Gross profit margin decreased to approximately 45.4% for the year ended 31 December 2020 from approximately 59.5% for the year ended 31 December 2019.
- For the year ended 31 December 2020, the loss attributable to equity shareholders of the Company was approximately HK\$283.3 million (for the year ended 31 December 2019: approximately HK\$582.9 million).
- Basic and diluted loss per Share attributable to equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2020 were approximately HK\$0.19 and HK\$0.19, respectively, representing a decrease of approximately 50.0% and 50.0% respectively as compared with 2019.
- Net assets per Share attributable to equity shareholders of the Company and the holders of PCSs as at 31 December 2020 was approximately HK\$6.6 (as at 31 December 2019: approximately HK\$6.3).
- As at 31 December 2020, the net gearing ratio of the Group increased to approximately 59.8% from approximately 50.0% as at 31 December 2019.
- The Board has recommended the payment of a final dividend of HK4 cents per Share to equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2020 (for the year ended 31 December 2019: HK2 cents per Share).

CONSOLIDATED ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Top Spring International Holdings Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Note	HK\$'000	HK\$'000
Revenue	3	575,051	719,246
Direct costs		<u>(313,922)</u>	<u>(291,238)</u>
Gross profit		261,129	428,008
Valuation (losses)/gains on investment properties and investment properties classified as held for sale		(77,944)	197,409
Other revenue	4	139,945	153,819
Other net income/(loss)	5	48,742	(380,640)
Selling and marketing expenses		(76,898)	(51,619)
Administrative expenses		(310,126)	(421,149)
Impairment loss on trade and other receivables		<u>(18,527)</u>	<u>(28,462)</u>
Loss from operations		(33,679)	(102,634)
Finance costs	6(a)	(301,811)	(323,353)
Share of losses of associates		(2,122)	(2,621)
Share of losses of joint ventures		<u>(8,992)</u>	<u>(15,781)</u>
Loss before taxation	6	(346,604)	(444,389)
Income tax	7	<u>(20,932)</u>	<u>(85,539)</u>
Loss for the year		<u>(367,536)</u>	<u>(529,928)</u>

		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
Equity shareholders of the Company and holders of bonus perpetual subordinated convertible securities ("PCSs")		(283,258)	(582,939)
Non-controlling interests		<u>(84,278)</u>	<u>53,011</u>
Loss for the year		<u>(367,536)</u>	<u>(529,928)</u>
Loss per share (HK\$)	8		
Basic and diluted		<u>(0.19)</u>	<u>(0.38)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year	(367,536)	(529,928)
Other comprehensive income for the year (after tax and reclassification adjustments)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of:		
– financial statements of foreign subsidiaries	685,152	(236,178)
– reclassified to profit or loss upon disposal of subsidiaries	26	(6)
	685,178	(236,184)
Share of other comprehensive income of associates and joint ventures	34,047	(6,851)
	719,225	(243,035)
Total comprehensive income for the year	351,689	(772,963)
Attributable to:		
Equity shareholders of the Company and holder of PCSs	421,274	(815,551)
Non-controlling interests	(69,585)	42,588
Total comprehensive income for the year	351,689	(772,963)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Investment properties		7,238,615	6,297,551
Other property, plant and equipment		199,281	199,049
		7,437,896	6,496,600
Intangible assets		3,769	3,769
Goodwill		40,736	40,736
Interest in associates		7,072	8,739
Interest in joint ventures		423,328	423,597
Other financial assets		1,488,143	1,338,322
Other receivables	10	231,761	210,027
Deferred tax assets		85,540	75,212
		9,718,245	8,597,002
Current assets			
Inventories and other contract costs		10,884,496	9,921,176
Other financial assets		115,657	130,470
Trade and other receivables	10	1,654,142	1,553,629
Prepaid tax		38,846	20,891
Restricted and pledged deposits		3,046,639	2,612,642
Cash and cash equivalents		1,653,196	2,115,129
		17,392,976	16,353,937
Investment properties classified as held for sale		70,657	64,683
		17,463,633	16,418,620

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Current liabilities			
Trade and other payables	11	4,004,074	3,646,717
Contract liabilities		726,231	58,577
Bank loans and other borrowing		5,966,708	3,947,660
Lease liabilities		21,971	31,604
Bonds payable		248,552	500,355
Tax payable		168,259	716,509
		11,135,795	8,901,422
Net current assets		6,327,838	7,517,198
Total assets less current liabilities		16,046,083	16,114,200
Non-current liabilities			
Bank loans and other borrowing		4,495,656	5,119,614
Lease liabilities		40,684	48,613
Deferred tax liabilities		1,355,501	1,105,800
		5,891,841	6,274,027
NET ASSETS		10,154,242	9,840,173
CAPITAL AND RESERVES			
Share capital		141,273	141,273
Reserves		9,933,656	9,542,968
Total equity attributable to equity shareholders of the Company and holders of PCSs		10,074,929	9,684,241
Non-controlling interests		79,313	155,932
TOTAL EQUITY		10,154,242	9,840,173

NOTES:

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 August 2009 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company (the “**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 23 March 2011 (“**Listing Date**”).

The principal activity of the Company is investment holding and the principal activities of the Group are property development, property investment, property management and related services and education related services in the People’s Republic of China (the “**PRC**” or “**China**”).

The consolidated annual results set out in this announcement do not constitute the Group’s consolidated financial statements for the year ended 31 December 2020 but are extracted from those financial statements.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

2 CHANGES IN ACCOUNTING POLICIES

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 report. 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. There is no material impact by adoption of the amendment to the Group.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Disaggregation of revenue

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

	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of properties	79,211	162,348
– Property management and related services income	228,176	237,217
– Education related services income	36,536	47,696
	<u>343,923</u>	<u>447,261</u>
Revenue from other sources		
Gross rentals from investment properties		
– Lease payments that are fixed or depend on a rate	218,104	255,846
– Variable lease payments that do not depend on an index or a rate	13,024	16,139
	<u>231,128</u>	<u>271,985</u>
	<u>575,051</u>	<u>719,246</u>

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments:

- Property development: this segment develops and sells residential and retail properties.
- Property investment: this segment leases shopping arcades, club houses, serviced apartments and car park units to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently, the Group's investment property portfolio is located entirely in the Mainland China and Hong Kong.

- Property management and related services: this segment mainly provides property management and related services to purchasers and tenants of the Group’s self-developed residential and retail properties and decoration services to group companies.
- Education related services: this segment mainly provides education related services and products to students.

(i) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group’s senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets, non-current and current assets with the exception of interests in associates and joint ventures, other financial assets other than receivables from the third parties, prepaid tax, deferred tax assets and other corporate assets. Segment liabilities include trade and other payables and lease liabilities attributable to the operating activities of the individual segments and bank and other borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is “adjusted EBITDA” i.e. “adjusted earnings before interest, taxes, depreciation and amortisation”, where “depreciation and amortisation” is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group’s earnings are further adjusted for items which are non-recurring or not specifically attributed to individual segments, such as share of profits less losses of associates and joint ventures, other revenue and net income, valuation change on investment properties and investment properties classified as held for sale, impairment loss on trade and other receivables and other head office or corporate expenses.

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

Disaggregation of revenue from contracts with customers, revenue from other sources as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

	Property development		Property investment		Property management and related services		Education related services		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	79,211	162,348	231,128	271,985	228,176	237,217	36,536	47,696	575,051	719,246
Inter-segment revenue	–	–	49,319	63,660	117,854	80,293	–	–	167,173	143,953
Reportable segment revenue	79,211	162,348	280,447	335,645	346,030	317,510	36,536	47,696	742,224	863,199
Reportable segment (loss)/profit (adjusted EBITDA)	(178,293)	(126,863)	163,846	187,639	12,933	24,015	(1,508)	2,574	(3,022)	87,365
Interest income from bank deposits	33,889	48,424	4,005	984	910	1,275	–	–	38,804	50,683
Other interest income	39,134	55,206	–	–	–	–	–	–	39,134	55,206
Interest expense	(235,516)	(288,971)	(57,699)	(31,035)	(8,596)	(2,994)	–	(353)	(301,811)	(323,353)
Depreciation and amortisation	(14,471)	(15,642)	(3,217)	(3,637)	(1,011)	(1,295)	(890)	(854)	(19,589)	(21,428)
Impairment loss on trade and other receivables	(1,795)	(7,117)	(1,593)	(6,864)	(2,246)	(5,062)	(8,576)	(580)	(14,210)	(19,623)
Fair value gain/(loss) on financial assets measured at FVTPL	71	(418,281)	–	–	–	–	(2,482)	(19,507)	(2,411)	(437,788)
Valuation (losses)/gains on investment properties and investment properties classified as held for sale	–	–	(77,944)	197,409	–	–	–	–	(77,944)	197,409
Additions to non-current segment assets during the year	2,350	857	1,947	971	1,120	2,117	331	2,111	5,748	6,056
Reportable segment assets	18,286,464	17,135,356	7,211,424	6,240,364	494,397	481,049	145,184	153,594	26,137,469	24,010,363
Reportable segment liabilities	13,812,341	11,791,688	1,090,473	954,291	293,282	290,833	53,283	59,297	15,249,379	13,096,109

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

	2020 HK\$'000	2019 HK\$'000
Revenue		
Reportable segment revenue	742,224	863,199
Elimination of inter-segment revenue	(167,173)	(143,953)
Consolidated revenue	<u>575,051</u>	<u>719,246</u>
Loss		
Reportable segment (loss)/profit derived from Group's external customers	(3,022)	87,365
Share of losses of associates	(2,122)	(2,621)
Share of losses of joint ventures	(8,992)	(15,781)
Other revenue and net income/(loss)	188,687	(226,821)
Impairment loss on trade and other receivables	(18,527)	(28,462)
Depreciation and amortisation	(39,261)	(38,447)
Finance costs	(301,811)	(323,353)
Valuation (losses)/gains on investment properties and investment properties classified as held for sale	(77,944)	197,409
Unallocated head office and corporate expenses	(83,612)	(93,678)
Consolidated loss before taxation	<u>(346,604)</u>	<u>(444,389)</u>
	2020 HK\$'000	2019 HK\$'000
Assets		
Reportable segment assets	26,137,469	24,010,363
Interest in associates	7,072	8,739
Interest in joint ventures	423,328	423,597
Other financial assets	316,828	301,849
Prepaid tax	38,846	20,891
Deferred tax assets	85,540	75,212
Unallocated head office and corporate assets	<u>172,795</u>	<u>174,971</u>
Consolidated total assets	<u>27,181,878</u>	<u>25,015,622</u>
Liabilities		
Reportable segment liabilities	15,249,379	13,096,109
Tax payable	168,259	716,509
Deferred tax liabilities	1,355,501	1,105,800
Unallocated head office and corporate liabilities	<u>254,497</u>	<u>257,031</u>
Consolidated total liabilities	<u>17,027,636</u>	<u>15,175,449</u>

(iii) *Geographic information*

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, other property, plant and equipment, intangible assets, goodwill and interests in associates and joint ventures, receivables from the third parties and other receivables ("**specified non-current assets**"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of investment properties and other property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets, goodwill and other non-current receivables, and the location of operations, in the case of interests in associates and joint ventures.

	Revenue from external customers		Specified non-current assets	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China	530,486	664,369	8,451,905	7,532,118
Hong Kong	44,565	54,877	576,608	448,146
Australia	—	—	390,589	355,233
	<u>575,051</u>	<u>719,246</u>	<u>9,419,102</u>	<u>8,335,497</u>

4 OTHER REVENUE

	2020	2019
	HK\$'000	HK\$'000
Bank interest income	39,605	56,083
Other interest income	<u>39,435</u>	<u>55,206</u>
Interest income on financial assets measured at amortised cost	79,040	111,289
Rental income from operating leases, other than those relating to investment properties	35,842	30,403
Income for fund usage	10,331	—
Construction management service income	—	1,208
Other service income	1,826	3,341
Others (Note)	<u>12,906</u>	<u>7,578</u>
	<u>139,945</u>	<u>153,819</u>

Note: This mainly represents 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/(LOSS)

	2020 HK\$'000	2019 HK\$'000
Net (loss)/gain on disposal of subsidiaries	(269)	565
Net loss on disposal of a joint venture	(5,456)	–
Fair value gain/(loss) on financial assets measured at fair value through profit or loss (“FVTPL”)	49,943	(390,904)
Net exchange gain	4,576	8,287
Net gain on sale of investment properties classified as held for sale	–	1,611
Net (loss)/gain on disposal of property, plant and equipment	(138)	487
Amortisation of loss arising from the issuance of convertible bonds	–	(1,858)
Others	86	1,172
	<u>48,742</u>	<u>(380,640)</u>

6 LOSS BEFORE TAXATION

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

	2020 HK\$'000	2019 HK\$'000
(a) Finance costs		
Interest on bank and other borrowings	558,233	568,841
Interest on lease liabilities	4,022	5,237
Interest on bonds payable	41,330	68,054
Interest on amounts due to non-controlling interests	14,552	1,976
Interest on convertible bonds	–	7,610
Other borrowing costs	15,915	9,849
	<u>634,052</u>	<u>661,567</u>
Accrued interest on significant financing component of contract liabilities	6,098	6,961
	<u>640,150</u>	<u>668,528</u>
Less: amount capitalised	<u>(338,339)</u>	<u>(345,175)</u>
	<u>301,811</u>	<u>323,353</u>

Note: The borrowing costs have been capitalised at rates ranging from 1.77% to 14.0% (2019: 2.79% to 16.6%) per annum.

	2020 HK\$'000	2019 HK\$'000
(b) Staff costs		
Salaries, wages and other benefits	209,214	244,493
Contributions to defined contribution retirement plans (<i>Note</i>)	4,916	10,256
Equity settled share-based payment expenses	—	2,559
	<u>214,130</u>	<u>257,308</u>

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 year.

(c) Other items		
Depreciation and amortisation		
– furniture, fixtures and other fixed assets	9,873	8,183
– right-of-use assets	29,388	30,264
	<u>39,261</u>	<u>38,447</u>
Cost of properties sold	98,623	82,362
Rental income from investment properties	231,128	271,985
Less: Direct outgoings	(19,996)	(14,600)
	<u>211,132</u>	<u>257,385</u>
Auditors' remuneration		
– audit services	4,784	4,784
– other services	3,047	3,674
	<u>7,831</u>	<u>8,458</u>

7 INCOME TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
Net reversal for PRC Corporate Income Tax ("CIT")	(135,050)	(157,108)
Net reversal for Land Appreciation Tax ("LAT")	(5,463)	(7,447)
Reversal for withholding tax	(4,257)	(2,015)
	<hr/>	<hr/>
Deferred tax	(144,770)	(166,570)
Origination and reversal of temporary differences	165,702	252,109
	<hr/>	<hr/>
	20,932	85,539
	<hr/> <hr/>	<hr/> <hr/>

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 years ended 31 December 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 the Mainland China within the Group as determined in accordance with the relevant income tax rules and regulations of the PRC. The applicable CIT rate was 25% for the year ended 31 December 2020 (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 interest income and related services income earned from an overseas joint venture by the Company and proceeds from the sale of investment properties in the Mainland China by a Hong Kong subsidiary.

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

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders and the holder of PCSs of the Company of HK\$283,258,000 (2019: HK\$582,939,000) and the weighted average number of 1,529,286,000 (2019: 1,529,272,000) shares in issue during the year, calculated as follows:

	2020 '000	2019 '000
Weighted average number of shares		
Issued ordinary shares	1,412,733	1,385,575
Effect of share options exercised	–	144
Effect of PCSs converted	–	18,123
Effect of bonus issue of shares (with PCSs as an alternative)	116,553	125,430
	<u>1,529,286</u>	<u>1,529,272</u>
Weighted average number of shares at 31 December	<u>1,529,286</u>	<u>1,529,272</u>

(b) Diluted loss per share

During 2020 and 2019, the effect of deemed issue of shares under the Company's share option schemes for nil consideration was anti-diluted.

9 DIVIDENDS

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

	2020 HK\$'000	2019 HK\$'000
Final dividend proposed after the end of the reporting period of HK4 cents (2019: HK2 cents) per ordinary share and unit of PCSs	<u>61,171</u>	<u>30,586</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

10 TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Trade debtors, net of loss allowance		101,308	83,953
Other debtors, net of loss allowance	(i)	590,139	506,193
Less: amount to be recovered more than one year		(231,761)	(210,027)
		358,378	296,166
Financial assets measured at amortised cost		459,686	380,119
Deposits and prepayments	(ii)	1,194,456	1,173,510
		1,654,142	1,553,629

Notes:

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

	2020 HK\$'000	2019 HK\$'000
Loans to third parties (a)	305,392	302,447
Amounts due from joint ventures (b)	41,898	25,955
Others	242,849	177,791
	590,139	506,193

(a) As at 31 December 2020, apart from the loans to the third parties of HK\$231,761,000 (2019: HK\$210,027,000) which were secured, interest-bearing at 13% (2019:13%) per annum and repayable after one year, all of the balances were secured, interest-bearing from 3% to 13% (2019: 3.45% to 13%) per annum and recoverable within one year.

(b) As at 31 December 2020, apart from the consideration receivables for disposal of subsidiaries of HK\$12,000,000 (2019: nil) which were unsecured and interest-free, all of the balance were unsecured, interest-bearing from 18% to 20% (2019: 18% to 20%) per annum and recoverable on demand.

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

	2020 HK\$'000	2019 HK\$'000
Prepayments for acquisition of land use rights	807,893	757,677
Prepayments for acquisition of properties (a)	30,000	143,426
Others	356,563	272,407
	1,194,456	1,173,510

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

(iii) Ageing analysis

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	47,384	43,584
1 to 3 months	22,575	16,464
3 to 6 months	17,346	12,349
6 months to 1 year	14,003	11,556
	<u>101,308</u>	<u>83,953</u>

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

11 TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
	<i>Notes</i>	
Trade payables	(i) 221,117	163,595
Other creditors and accrued charges	(ii) 2,528,132	2,265,184
Amounts due to non-controlling interests	(iii) 1,143,252	1,092,459
	<u>3,892,501</u>	<u>3,521,238</u>
Financial liabilities measured at amortised cost		
Rental and other deposits	86,352	98,062
Receipts in advance	25,221	27,417
	<u>4,004,074</u>	<u>3,646,717</u>

Notes:

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	82,104	69,622
1 to 3 months	62,723	43,168
3 to 6 months	37,898	21,872
6 months to 1 year	31,339	22,790
Over 1 year	7,053	6,143
	<u>221,117</u>	<u>163,595</u>

- (ii) All of the Group's other creditors and accrued charges are expected to be settled within one year or are repayable on demand except for an amount of HK\$1,749,209,000 (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) As at 31 December 2020, apart from the amounts due to non-controlling interests of HK\$93,810,000 (2019: Nil) which are interest-bearing at 4.35%, unsecured and repayable on demand, all of the balances are unsecured, interest-free and repayable on demand.

12 CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December not provided for in the Group's financial statements were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contracted for	2,113,954	2,280,818
Authorised but not contracted for	1,282,273	1,408,362
	<u>3,396,227</u>	<u>3,689,180</u>

Capital commitments mainly related to development expenditure for the Group's properties under development and acquisition cost of the Group's projects.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Business in 2020

(1) Pre-sales

In 2020, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK\$1,125.2 million (of which approximately HK\$1,118.4 million was from pre-sales of properties), representing an increase of approximately 1,074.8% as compared with 2019. The Group's total pre-sold gross floor area ("GFA") was approximately 16,839 square metres ("sq.m."), representing an increase of approximately 106.1% as compared with 2019. The average selling price ("ASP") of the Group's pre-sales of properties in 2020 was approximately HK\$66,417.2 per sq.m. (2019: approximately HK\$11,649.5 per sq.m.), representing an increase of approximately 470.1% as compared with 2019. The increase in the Group's overall ASP was mainly due to the pre-sales of properties in Shenzhen and Hong Kong, which has a relatively higher ASP as compared to projects in other cities. In addition, the Group's pre-sales of car park units in 2020 was approximately HK\$6.8 million from the sale of 55 car park units.

A breakdown of the total pre-sales of the properties and car park units of the Group during the year ended 31 December 2020 is set out as follows:

(a) Pre-sales of properties

City	Project – type of project	Pre-sold GFA		Pre-sales		Pre-sales
		sq.m.	%	HK\$ million	%	ASP HK\$/sq.m.
Changzhou	Changzhou Fashion Mark – residential	95	0.6	2.6	0.2	27,368.4
Tianjin	Tianjin Le Leman City – residential	3,767	22.4	46.1	4.1	12,237.9
Shenzhen	Shenzhen Upper Residence – residential	12,699	75.4	989.6	88.5	77,927.4
Hong Kong	Hong Kong 128 WATERLOO – residential	278	1.6	80.1	7.2	288,129.5
Total		<u>16,839</u>	<u>100</u>	<u>1,118.4</u>	<u>100</u>	66,417.2

(b) *Pre-sales of car park units*

City	Project	Number of pre-sold car park units		Pre-sales HK\$		Pre-sales ASP
		unit	%	million	%	HK\$/unit
Nanjing	The Spring Land – Nanjing	12	21.8	1.5	22.1	125,000.0
Nanjing	The Sunny Land – Nanjing	43	78.2	5.3	77.9	123,255.8
		<u>55</u>	<u>100</u>	<u>6.8</u>	<u>100</u>	123,636.4

(2) *Projects delivered and booked in 2020*

For the year ended 31 December 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\$72.8 million with saleable GFA of approximately 6,202 sq.m. being recognised, representing a decrease of approximately 52.5% and 49.2%, respectively, as compared with the year ended 31 December 2019. The recognised ASP of the Group's sale of properties was approximately HK\$11,738.1 per sq.m. for the year ended 31 December 2020. The approximate 2.7% decrease in recognised ASP was primarily attributable to a significant proportion of the recognised sale of properties (excluding sale of car park units) being contributed by the Group's residential project in Tianjin, which has a relatively lower ASP as compared with the ASP of other projects sold during the year ended 31 December 2019.

For the year ended 31 December 2020, the Group delivered and recognised the sale of car park units of approximately HK\$6.4 million from the sale of 55 car park units.

Details of sale of properties and car park units of the Group recognised in 2020 are listed below:

City	Project – type of project	Saleable GFA booked sq.m.	Sale of properties recognised	Recognised ASP HK\$/sq.m.
			HK\$ million	
Tianjin	Tianjin Le Leman City – residential	5,400	59.5	11,018.5
Changzhou	Changzhou Fashion Mark – residential	<u>802</u>	<u>13.3</u>	16,583.5
Total		<u>6,202</u>	<u>72.8</u>	11,738.1

City	Project	Number of car park units booked unit	Sale of car park units recognised HK\$ million	Recognised ASP HK\$/unit
Nanjing	The Sunny Land – Nanjing	44	5.1	115,909.1
Nanjing	The Spring Land – Nanjing	11	1.3	118,181.8
Total		55	6.4	116,363.6

(3) *Investment properties*

In addition to the sale of properties developed by the Group, the Group has also leased out or expects to lease out its investment property portfolio comprising mainly shopping malls, community commercial centres, retail shops, serviced apartments and car park units in The Spring Land – Shenzhen, Changzhou Fashion Mark, Dongguan Landmark, Hangzhou Landmark, Shenzhen Water Flower Garden, Chengdu Fashion Mark, Shanghai Shama Century Park, Shanghai Bay Valley and Kunming Dianchi Lakeside Peninsula in Mainland China and Kowloon Tong Rutland Quadrant Project in Hong Kong. As at 31 December 2020, the total fair value of the investment properties of the Group was approximately HK\$7,309.3 million, representing approximately 26.9% of the Group's total asset value. The Group's investment property portfolio had a total leasable GFA of approximately 259,914 sq.m.. The Group recorded approximately HK\$58.9 million (net of deferred tax) as loss in fair value of its investment properties for the year ended 31 December 2020 (for the year ended 31 December 2019: approximately HK\$149.7 million (net of deferred tax) as gain in fair value of its investment properties).

The Group carefully plans and selects tenants based on factors such as a project's overall positioning, market demand in surrounding areas, market levels of rent and development needs of tenants. The presence of large-scale anchor tenants which the Group has attracted enhances the value of its projects. The Group enters into longer-term and more favourable lease contracts with such anchor and reputable tenants which include well-known brands, chain cinema operators, reputable restaurants and top operators of catering businesses. As at 31 December 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 34.9% (as at 31 December 2019: approximately 35.3%) of the Group's total leasable area in its investment properties under operation.

For the year ended 31 December 2020, the occupancy rate of the Group's investment properties increased from approximately 87.4% as at 31 December 2019 to approximately 90.9% as at 31 December 2020. The Group generated rental income of approximately HK\$231.1 million for the year ended 31 December 2020, representing a decrease of approximately 15.0% from approximately HK\$272.0 million for the year ended 31 December 2019. The average monthly rental income of the Group's investment properties under operation for the year ended 31 December 2020 was approximately HK\$82.3 per sq.m. (for the year ended 31 December 2019: approximately HK\$107.9 per sq.m.).

Details of the Group's major investment properties as at 31 December 2020 and their respective rental income for the year ended 31 December 2020 are set out as follows:

			Rental income	Average monthly rental income per sq.m.	Occupancy rate
	Leasable GFA as	Fair value as at	for the year	for the year	as at
	at 31 December	31 December	ended	ended	31 December
Investment properties	2020	2020	31 December	31 December	2020
	(Note)		2020	2020	2020
	sq.m.	HK\$ million	HK\$ million	HK\$/sq.m.	%
<i>Investment properties under operation</i>					
Changzhou Fashion Mark Phases 1 and 2 (Shopping mall and car park units)	78,615	1,504.5	36.2	47.2	81.3
Hangzhou Landmark (Shopping mall)	26,182	419.4	17.4	59.9	92.4
Chengdu Fashion Mark (Shopping mall and car park units)	38,285	807.9	22.1	48.9	98.4
Shanghai Bay Valley	55,196	1,718.9	33.5	48.2	100.0

Note: The leasable GFA as at 31 December 2020 excluded car park units.

(4) Land bank as at 31 December 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").

As at 31 December 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 336,689 sq.m., an estimated net saleable/leasable GFA of projects under development of approximately 114,696 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 511,413 sq.m., the details of which are as follows:

Project no.	Region/City	Project	Type of project	Estimated net saleable/leasable GFA sq.m.	Interest attributable to the Group %
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	82,043	100.0
5	Dongguan	Dongguan Landmark	Commercial	20,172	100.0
6	Hangzhou	Hangzhou Landmark	Commercial	26,182	100.0
7	Chengdu	Chengdu Fashion Mark	Commercial	38,285	100.0
8	Shanghai	Shanghai Shama Century Park	Serviced apartments	1,029	70.0
9	Tianjin	Tianjin Le Lemen City	Residential/ Commercial	25,957	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				336,689	
Projects under Development					
14	Shenzhen	Shenzhen Topspring International Mansion	Commercial	58,294	100.0
15	Shenzhen	Shenzhen Jianshang Commercial Building	Commercial	9,518	100.0
16	Shenzhen	Shenzhen Upper Residence	Residential	40,088	100.0
17	Hong Kong	Hong Kong 128 WATERLOO	Residential	6,796	60.0
Sub-total				114,696	

Project no.	Region/City	Project	Type of project	Estimated net saleable/leasable GFA sq.m.	Interest attributable to the Group %
Projects Held for Future Development					
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	Residential	20,050	100.0
20	Hong Kong	Hong Kong Yuen Long Tai Tong Road Project	Residential	2,987	100.0
21	Hong Kong	Hong Kong Yuen Long Tong Yan San Tsuen Road Project ^(Note)	Composite development	N/A	100.0
22	Hong Kong	Hong Kong Sheung Shui Ma Sik Road Project	Residential	6,497	50.0
Sub-total				29,534	
Total				511,413	

Note: Hong Kong Yuen Long Tong Yan San Tsuen Road Project is currently under scheme development. The site area is approximately 11,123 sq.m..

Details of land bank in major cities are set out below:

Region/City	Estimated net saleable/leasable GFA sq.m.
Shenzhen and surrounding regions (including Dongguan)	170,533
Shanghai	98,883
Nanjing	717
Chengdu	38,285
Hangzhou	26,182
Tianjin	25,957
Changzhou	82,043
Kunming	1,415
Hong Kong	36,904
Sydney, Australia	30,494
	<hr/>
Total	511,413
	<hr/> <hr/>

The Group intends to continue to leverage its experience in identifying land parcels in and/or outside the PRC with investment potential at advantageous times and acquiring land reserves which are or will be well connected with transportation and infrastructure developments. Moreover, the Group intends to continue to acquire new land parcels or projects in locations in and/or outside the PRC with vibrant economies and strong growth potential, in particular, the Greater Bay Area (including Hong Kong, Shenzhen and Dongguan), Shanghai and Sydney of Australia.

(5) Projects with commencement of construction in 2020

In 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:

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

(6) Projects with expected commencement in 2021

In 2021, the Group intends to commence construction of two projects with a total estimated net saleable/leasable GFA of approximately 23,037 sq.m..

Details of such projects are set out below:

Region/City	Project	Estimated net saleable/leasable GFA sq.m.
Hong Kong	Hong Kong Yuen Long Shap Pat Heung Road Project	20,050
Hong Kong	Hong Kong Yuen Long Tai Tong Road Project	2,987
		<u>23,037</u>

BUSINESS REVIEW

In 2020, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK\$1,125.2 million (2019: HK\$104.3 million), pre-sold saleable GFA of 16,839 sq.m. (2019: 8,172 sq.m.).

In 2020, the Group's rental income from investment properties was approximately HK\$231.1 million (2019: HK\$272.0 million), representing a decrease of approximately 15.0%. As at 31 December 2020, the overall occupancy rate of the Group's investment properties was approximately 90.9%. As at 31 December 2020, the total leasable GFA of the Group's operating investment property portfolio increased to approximately 259,914 sq.m. from approximately 240,834 sq.m. as at 31 December 2019. Taking into account the projects that have been completed but yet to operate in the next one to two years, the estimated total leasable GFA of the Group's investment property portfolio will reach approximately 302,572 sq.m.. Its fair value was approximately HK\$8.69 billion as at 31 December 2020, representing approximately 32.0% of the Group's total asset value. In addition, as at 31 December 2020, the accumulated total area of properties managed by the Group amounted to approximately 17,340,000 sq.m., of which approximately 12,280,000 sq.m. was properties not developed by the Group and approximately 460,000 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 31 December 2020, the land bank (that is, the net saleable/leasable GFA) of 22 projects of the Group was approximately 511,413 sq.m.. In terms of land bank strategy, the Group will primarily focus on the Greater Bay Area and the first-tier cities in China, such as Shenzhen, Shanghai and Hong Kong.

FUTURE OUTLOOK

Continuously and consistently focusing on opportunities in the Greater Bay Area, and logging on to the growth opportunities of core cities and core areas

The Guangdong-Hong Kong-Macao Greater Bay Area (“**Greater Bay Area**”) is the highest openness and strongest economic vitality in China and the world. In 2020, in the context of the global pandemic, the economy of the core cities in the Greater Bay Area recovered rapidly. The gross domestic product (“**GDP**”) of seven out of the nine cities in the Pearl River Delta in the Greater Bay Area took the lead in returning to positive growth in the third quarter, demonstrating an economically strong resilience and vitality in the Greater Bay Area. The central government further promotes the construction of the Guangdong-Hong Kong-Macao Greater Bay Area by formulating and promulgating suggestions, plans, schemes including Opinions Concerning Financial Support for the Establishment of the Guangdong-Hong Kong-Macao Greater Bay Area (《關於金融支援粵港澳大灣區建設的意見》), Development Plan for Inter-city Railway Links in the Guangdong-Hong Kong-Macao Greater Bay Area (《粵港澳大灣區城際鐵路建設規劃》), The Culture and Tourism Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (《粵港澳大灣區文化和旅遊發展規劃》), Implementation Plan for Comprehensive Reform of the Pilot Demonstration Zone for Building Socialism with Chinese Characteristics in Shenzhen (2020–2025) (《深圳建設中國特色社會主義先行示範區綜合改革試點實施方案(2020–2025)》). During the “14th Five-Year Plan” period, the Greater Bay Area will continue to usher in new opportunities. In the Recommendations of the CPC Central Committee for Formulating the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives Through the year 2035《中共中央關於制定國民經濟和社會發展第十四個五年規劃和二〇三五年遠景目標的建議》, the government mentioned the Guangdong-Hong Kong-Macao Greater Bay Area three times, and that the government would promote the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and create an innovation platform and new growth pole by supporting the Guangdong-Hong Kong-Macao Greater Bay Area turning to be an international technological innovation centre. The Group will continue to focus on the opportunities in the Greater Bay Area and closely grasp the historic development opportunities brought about by the construction and development of the Greater Bay Area.

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

The Group is of the view that it is imperative to maintain a steadily growing rental income. The Group looks forward to achieving greater growth in rental income by expanding the portfolio of premium properties held as investment.

FINANCIAL REVIEW

In 2020, the Group's consolidated revenue reached approximately HK\$575.1 million, decreased by approximately 20.0% as compared with 2019. The loss attributable to equity shareholders of the Company for the year ended 31 December 2020 was approximately HK\$283.3 million, as compared to a loss attributable to the equity shareholders of the Company of approximately HK\$582.9 million recorded in the previous year. For the year ended 31 December 2020, the Group's basic and diluted loss per share of the Company (the "Share(s)") decreased by approximately 50.0% and 50.0% as compared with 2019 to approximately HK\$0.19 and HK\$0.19 respectively. Net assets per Share attributable to equity shareholders of the Company and the holders of perpetual subordinated convertible securities ("PCSs") increased by approximately 4.8% from approximately HK\$6.3 as at 31 December 2019 to approximately HK\$6.6 as at 31 December 2020.

In order to maintain a stable dividend policy, the Board has recommended the payment of a final dividend of HK4 cents per Share attributable to the equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2020 (for the year ended 31 December 2019: HK2 cents per Share), subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

Revenue

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

Revenue for the year ended 31 December 2020 decreased by approximately 20.0% to approximately HK\$575.1 million from approximately HK\$719.2 million for the year ended 31 December 2019. This decrease was primarily due to the decrease in the Group's income from sale of properties. During the year ended 31 December 2020, the Group recognised property sales of approximately HK\$79.2 million, representing approximately 13.8% of the total revenue. The Group recognised rental income of approximately HK\$231.1 million, representing approximately 40.2% of the total revenue. The Group recognised property management and related services income of approximately HK\$228.2 million, representing approximately 39.7% of the total revenue. The remaining approximately 6.3% of the total revenue of approximately HK\$36.5 million was income from education related services.

Revenue from the Group's rental income decreased by 15.0% in 2020 as compared with 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 such period.

The Group's direct costs increased to approximately HK\$313.9 million for the year ended 31 December 2020 from approximately HK\$291.2 million for the year ended 31 December 2019. This increase was primarily attributable to the increase in the saleable GFA and the related construction costs of the Group's properties completed and delivered for the year ended 31 December 2020.

Gross profit

The Group's gross profit decreased by approximately 39.0% to approximately HK\$261.1 million for the year ended 31 December 2020 from approximately HK\$428.0 million for the year ended 31 December 2019. The Group reported a gross profit margin of approximately 45.4% for the year ended 31 December 2020 as compared with approximately 59.5% for the year ended 31 December 2019. The decrease in gross profit margin was primarily driven by the decrease in rental income with steady fixed costs which contributed lower gross profit margin.

Other revenue

Other revenue decreased by approximately HK\$13.9 million, or approximately 9.0%, to approximately HK\$139.9 million in 2020 from approximately HK\$153.8 million in 2019. The decrease was primarily attributable to a decrease in bank and other interest income.

Other net income/(loss)

The Group recorded other net income of approximately HK\$48.7 million in 2020 as compared to other net loss of approximately HK\$380.6 million recorded in 2019. The turnaround was mainly due to the overall impact incurred by the absence of fair value loss on financial assets measured at FVTPL in current year.

Selling and marketing expenses

Selling and marketing expenses increased by approximately 49.0% to approximately HK\$76.9 million for the year ended 31 December 2020 (accounting for approximately 6.8% of total pre-sales amount in 2020) from approximately HK\$51.6 million for the year ended 31 December 2019 (accounting for approximately 49.5% of total pre-sales amount in 2019).

The increase in selling and marketing expense was primarily attributable to the increase in advertising and promotion expenses incurred in 2020 as compared with 2019.

Administrative expenses

Administrative expenses decreased by approximately 26.4% to approximately HK\$310.1 million for the year ended 31 December 2020 from approximately HK\$421.1 million for the year ended 31 December 2019. The decrease was due to the decrease in staff costs incurred and other taxes.

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

Valuation losses on investment properties and investment properties classified as held for sale decreased by approximately 139.5% to approximately HK\$77.9 million for the year ended 31 December 2020 from valuation gains of approximately HK\$197.4 million for the year ended 31 December 2019. The decrease was due to the outbreak of COVID-19 pandemic in early 2020.

Finance costs

Finance costs decreased by approximately 6.7% to approximately HK\$301.8 million for the year ended 31 December 2020 from approximately HK\$323.4 million for the year ended 31 December 2019. The decrease was primarily attributable to the partial repayment of U.S. bond.

Income tax

Income tax expense decreased by approximately 75.6% to approximately HK\$20.9 million for the year ended 31 December 2020 from approximately HK\$85.5 million for the year ended 31 December 2019. The decrease was primarily attributable to the reversal of CIT provision net off against corresponding deferred tax assets of HK\$116.5 million.

Non-controlling interests

The loss attributable to non-controlling interests was approximately HK\$84.3 million for the year ended 31 December 2020 (for the year ended 31 December 2019: profit of approximately HK\$53.0 million).

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 31 December 2020, the carrying amount of the Group's cash and bank deposits was approximately HK\$4,699.8 million (as at 31 December 2019: approximately HK\$4,727.8 million), representing a decrease of approximately 0.6% as compared with that as at 31 December 2019.

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 31 December 2020 of approximately HK\$10,773.6 million, of which approximately HK\$6,237.2 million is repayable within one year, approximately HK\$2,919.1 million is repayable after one year but within five years and approximately HK\$1,616.6 million is repayable after five years.

As at 31 December 2020, the Group's bank loans of approximately HK\$9,532.0 million (as at 31 December 2019: approximately HK\$8,132.6 million) were secured by certain investment properties (inclusive of investment properties classified as held for sale), other land and buildings, leasehold land held for development for sale, properties under development for sale, completed properties for sale, pledged deposits and rental receivables of the Group with total carrying values of approximately HK\$13,159.5 million (as at 31 December 2019: approximately HK\$11,819.3 million). As at 31 December 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\$4,028.2 million (as at 31 December 2019: approximately HK\$3,840.0 million) and HK\$1,178.9 million (as at 31 December 2019: approximately HK\$1,435.0 million) as at 31 December 2020 which were denominated in Hong Kong dollars and US dollars, respectively.

Cost of borrowings

The Group's average cost of borrowings (calculated by dividing total interest expenses expensed and capitalised by average borrowings during the year) was approximately 6.1% in 2020 (2019: approximately 6.4%).

As at 31 December 2020, the weighted average borrowing cost for the Group's existing borrowings was approximately 5.4% (2019: approximately 6.3%).

Net gearing ratio

The net gearing ratio is calculated by dividing the Group's net borrowings (total borrowings net of cash and cash equivalents, and restricted and pledged deposits) by the total equity. The Group's net gearing ratio increased from approximately 50.0% as at 31 December 2019 to approximately 59.8% as at 31 December 2020. The increase in net gearing ratio was mainly due to the settlement of land premium and project cost in respect of the land reserves in Mainland China and Hong Kong.

Foreign exchange risk

As at 31 December 2020, the Group had cash balances denominated in RMB of approximately RMB3,541.2 million (equivalent to approximately HK\$4,304.2 million), in US dollars of approximately US\$6.5 million (equivalent to approximately HK\$50.4 million) and in Australian dollars of approximately AUD\$0.2 million (equivalent to approximately HK\$1.4 million).

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. The Group is exposed to foreign currency risk arising from the exposure of RMB against Hong Kong dollars or Australian dollars as a result of its investment in Mainland China and the settlement of certain general and administrative expenses and other borrowings in Hong Kong dollars or Australian dollars. In addition, RMB is not freely convertible into foreign currencies and the conversion of RMB into foreign currencies is subject to rules and regulations of the foreign exchange control promulgated by the PRC Government. The Group does not have a foreign currency hedging policy. However, the Directors monitor the Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currency, consider adopting significant foreign currency hedging policy in the future.

NET ASSETS PER SHARE

Net assets per Share of the Company as at 31 December 2020 and 2019 are calculated as follows:

	As at 31 December 2020	As at 31 December 2019
Net assets attributable to equity shareholders of the Company (<i>HK\$'000</i>)	10,074,929	9,684,241
Number of issued ordinary Shares (<i>'000</i>)	1,412,733	1,412,733
Number of outstanding PCSs (<i>'000</i>)	116,553	116,553
Number of Shares for the calculation of net assets per Share (<i>'000</i>)	1,529,286	1,529,286
Net assets per Share attributable to equity shareholders of the Company and the holders of PCSs (<i>HK\$</i>) (<i>Note</i>)	6.6	6.3

Note: The net assets per Share attributable to the equity shareholders of the Company and the holders of PCSs is calculated as if the holders of PCSs have converted the PCSs into Shares as at 31 December 2020 and 31 December 2019.

CONTINGENT LIABILITIES

As at 31 December 2020, save for the guarantees of approximately HK\$557.9 million (as at 31 December 2019: approximately HK\$412.2 million) given to the financial institutions for the mortgage loan facilities granted to the purchasers of the Group's properties, the Group had no other material contingent liabilities.

Pursuant to the mortgage contracts, the Group is required by the relevant banks to guarantee its purchasers' mortgage loans until it completes the relevant properties and the property ownership certificates and certificates of other interests with respect to the relevant properties are delivered to its purchasers. If a purchaser defaults on a mortgage loan, the Group may have to repurchase the underlying property by paying off the mortgage. If the Group fails to do so, the mortgagee bank may auction the underlying property and recover any shortfall from the Group as the guarantor of the mortgage loan.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this announcement, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during 2020 and after the end of the reporting period.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group employed a total of approximately 879 employees (as at 31 December 2019: 887 employees) in Mainland China, Hong Kong and Australia, of which, approximately 61 were under the headquarters team, approximately 148 were under the property development division, approximately 664 were under the retail operation and property management division and approximately 7 were under the education division. For the year ended 31 December 2020, the total staff and related costs incurred was approximately HK\$214.1 million (for the year ended 31 December 2019: approximately HK\$257.3 million). The remuneration of the employees was based on their performance, work experience, skills, knowledge and the prevailing market wage level. The Group remunerated the employees by means of basic salaries, fringe benefits, cash bonus and equity settled share-based payment.

The Company adopted a pre-IPO share option scheme on 2 December 2010 under which the Company granted share options to certain eligible employees. The said pre-IPO share option scheme was terminated upon expiry of exercise period of the share options granted thereunder. The 1,523,631 outstanding share options granted thereunder lapsed on 2 December 2020.

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

Movement of the outstanding share options under the pre-IPO and post-IPO share option schemes during the year ended 31 December 2020 is as follows:

	Exercise price <i>HK\$ per Share</i>	As at 1 January 2020	Share options granted	Share options exercised	Share options cancelled	Share options lapsed	As at 31 December 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	–	–	–	395,000	48,923,000
Lot 4	3.65	767,500	–	–	–	347,500	420,000
Lot 5	3.45	10,000,000	–	–	–	–	10,000,000
Lot 6	2.796	27,124,500	–	–	–	4,424,500	22,700,000
Sub-total		97,377,500	–	–	–	5,167,000	92,210,500
Total		98,901,131	–	–	–	6,690,631	92,210,500

ANNUAL GENERAL MEETING

An annual general meeting (the “AGM”) of the Company is scheduled to be held on Tuesday, 25 May 2021, the notice of which will be published and despatched to the shareholders of the Company as soon as practicable in accordance with the Company’s articles of association and the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK4 cents per Share attributable to the equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2020 (for the year ended 31 December 2019: HK2 cents) to the shareholders and the holders of PCSs whose names appear on the register of members or the register of holders of PCSs of the Company on Thursday, 3 June 2021. Upon approval by the shareholders of the Company at the AGM, it is expected that the final dividend will be payable on Friday, 18 June 2021.

CLOSURE OF REGISTER OF MEMBERS AND REGISTER OF HOLDERS OF THE PCSs

For the purposes of determining the eligibility of the shareholders to attend and vote at the AGM and their entitlements to the proposed final dividend, the register of members and the register of holders of the PCSs of the Company will be closed as set out below:

- (i) For determining the eligibility of the shareholders of the Company to attend and vote at the AGM or any adjournment of such meeting:

The register of members and the register of holders of the PCSs of the Company will be closed from Thursday, 20 May 2021 to Tuesday, 25 May 2021 (both days inclusive), during which period no transfer of the Shares and PCSs will be effected.

In order to qualify for attending and voting at the AGM or any adjournment of such meeting, (a) in the case of the Shares, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong (the "**Hong Kong Share Registrar**"), Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Tuesday, 18 May 2021; and (b) in the case of the PCSs, the notice of conversion in prescribed form, together with the relevant certificate of the PCSs and confirmation that any amounts required to be paid by the holder of the PCSs have been so paid, must be duly completed, executed and deposited with the Company at Rooms 04–08, 26th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 11 May 2021.

The record date for such purposes is Tuesday, 25 May 2021.

- (ii) For determining the entitlement of the shareholders and the holders of PCSs to the proposed final dividend:

The register of members and the register of holders of the PCSs of the Company will be closed from Tuesday, 1 June 2021 to Thursday, 3 June 2021 (both days inclusive), during which period no transfer of the Shares and PCSs will be effected.

In order to qualify for the proposed final dividend, (a) in the case of the Shares, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Hong Kong Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Monday, 31 May 2021; and (b) in the case of the PCSs, all transfers of the PCSs accompanied by the relevant certificate of the PCSs must be lodged with the Company at Rooms 04–08, 26th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 24 May 2021.

The record date for such purposes is Thursday, 3 June 2021.

PURCHASE, SALE OR REDEMPTION OF COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with all the Code Provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “**CG Code**”) during the year ended 31 December 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 year ended 31 December 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.

Details of the Company’s corporate governance practices will be set out in the Company’s 2020 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct for securities transactions by the Directors. After having made specific enquiries with all Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2020.

REVIEW OF CONSOLIDATED ANNUAL RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”) has reviewed the accounting principles and practice adopted by the Group and has reviewed the consolidated annual results of the Group for the year ended 31 December 2020. The Audit Committee comprises three independent non-executive Directors, namely Mr. CHENG Yuk Wo (Chairman), Professor WU Si Zong and Mr. CHAN Yee Herman.

The financial figures in this announcement have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2020 and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and at the website of the Company at www.topspring.com. The 2020 annual report will be despatched to the shareholders and available on the above websites in due course.

By order of the Board
Top Spring International Holdings Limited
WONG Chun Hong
Chairman

Hong Kong, 31 March 2021

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*