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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

HIGHLIGHTS

- For the six months ended 30 June 2021, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK\$1,360.3 million, representing an increase of approximately 3,948.5% as compared with the corresponding period of 2020, of which approximately HK\$1,357.4 million was from pre-sales of properties with pre-sold saleable GFA of approximately 21,610 sq.m. and approximately HK\$2.9 million was from pre-sales of 21 car park units. The ASP of the Group's pre-sales of properties was approximately HK\$62,813.5 per sq.m., representing an increase of approximately 343.8% as compared with the corresponding period of 2020.
- As at 30 June 2021, the Group had 22 projects across 11 cities with a total estimated net saleable/leasable GFA of approximately 511,413 sq.m..
- Revenue for the six months ended 30 June 2021 increased by approximately 15.7% to approximately HK\$293.8 million from approximately HK\$254.0 million for the six months ended 30 June 2020.

- For the six months ended 30 June 2021, the Group generated recurring rental income of approximately HK\$145.4 million (for the six months ended 30 June 2020: approximately HK\$101.8 million) from its investment properties which mainly comprised shopping malls, community commercial centres, retail shops, serviced apartments and car park units. As at 30 June 2021, the investment property portfolio (inclusive of investment properties classified as held for sale) had a total leasable GFA of approximately 279,443 sq.m. and a fair value of approximately HK\$7,679.1 million, representing approximately 27.5% of the Group's total asset value.
- Gross profit margin for the six months ended 30 June 2021 was approximately 56.2%, as compared with approximately 52.1% for the corresponding period of 2020.
- For the six months ended 30 June 2021, the profit attributable to equity shareholders of the Company was approximately HK\$96.6 million (for the six months ended 30 June 2020: loss attributable to equity shareholders of the Company of approximately HK\$211.4 million).
- Basic and diluted earnings per Share attributable to equity shareholders of the Company and the holders of PCSs for the six months ended 30 June 2021 were approximately HK\$0.06 and HK\$0.06, respectively (for the six months ended 30 June 2020: basic and diluted loss per Share attributable to equity shareholders and holders of PCSs of HK\$0.14 and HK\$0.14, respectively).
- Net assets per Share attributable to equity shareholders of the Company and the holders of PCSs as at 30 June 2021 was approximately HK\$6.7 (as at 31 December 2020: approximately HK\$6.6).
- As at 30 June 2021, the net gearing ratio of the Group was approximately 54.4% (as at 31 December 2020: approximately 59.8%)
- The Board declared the payment of an interim dividend of HK3 cents per Share attributable to equity shareholders of the Company and the holders of PCSs for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Top Spring International Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 together with selected explanatory notes and the relevant comparative figures for the corresponding period in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2021 – UNAUDITED

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2021	2020
	Note	\$'000	\$'000
Revenue	3	293,806	254,026
Direct costs		(128,605)	(121,697)
Gross profit		165,201	132,329
Valuation gains/(losses) on investment properties		67,729	(114,497)
Other revenue	4	75,008	70,492
Other net income	5	224,655	12,936
Selling and marketing expenses		(32,995)	(18,658)
Administrative expenses		(163,945)	(162,315)
Impairment loss on trade and other receivables		(7,385)	(10,006)
Profit/(loss) from operations		328,268	(89,719)
Finance costs	6(a)	(146,635)	(156,659)
Share of losses of associates		(981)	(1,012)
Share of losses of joint ventures		(3,238)	(6,767)
Profit/(loss) before taxation	6	177,414	(254,157)
Income tax (charge)/credit	7	(80,854)	19,384
Profit/(loss) for the period		96,560	(234,773)
Attributable to:			
Equity shareholders of the Company and holders of bonus perpetual subordinated convertible securities (“ PCSs ”)		96,647	(211,393)
Non-controlling interests		(87)	(23,380)
Profit/(loss) for the period		96,560	(234,773)
Earnings/(loss) per share (HK\$)	8		
Basic		0.06	(0.14)
Diluted		0.06	(0.14)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021 – UNAUDITED**
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Profit/(loss) for the period	96,560	(234,773)
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign subsidiaries	131,798	(192,796)
– Share of other comprehensive income of associates and joint ventures	(7,653)	(9,353)
	124,145	(202,149)
Total comprehensive income for the period	220,705	(436,922)
Attributable to:		
Equity shareholders of the Company and holders of PCSs	228,359	(410,821)
Non-controlling interests	(7,654)	(26,101)
Total comprehensive income for the period	220,705	(436,922)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021 – UNAUDITED
(Expressed in Hong Kong dollars)

		At 30 June 2021 \$'000	At 31 December 2020 \$'000
	<i>Note</i>		
Non-current assets			
Investment properties		7,633,604	7,238,615
Other property, plant and equipment		190,071	199,281
		7,823,675	7,437,896
Intangible assets		3,769	3,769
Goodwill		40,736	40,736
Interest in associates		6,096	7,072
Interest in joint ventures		555,743	423,328
Financial assets measured at fair value through profit or loss (FVPL)	10	1,459,151	1,488,143
Other receivables		253,516	231,761
Deferred tax assets		73,146	85,540
		10,215,832	9,718,245
Current assets			
Inventories and other contract costs	11	10,528,120	10,884,496
Trade and other receivables	12	2,204,615	1,654,142
Prepaid tax		72,779	38,846
Financial assets measured at fair value through profit or loss (FVPL)	10	141,018	115,657
Restricted and pledged deposits		2,700,872	3,046,639
Cash and cash equivalents		1,971,284	1,653,196
		17,618,688	17,392,976
Investment properties classified as held for sale		45,493	70,657
		17,664,181	17,463,633
Current liabilities			
Trade and other payables	13	4,124,183	4,004,074
Contract liabilities		1,647,077	726,231
Bank loans and other borrowings		6,283,119	5,966,708
Lease liabilities		15,333	21,971
Tax payable		208,000	168,259
Bonds payable		251,222	248,552
		12,528,934	11,135,795

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021 – UNAUDITED (CONTINUED)

(Expressed in Hong Kong dollars)

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Net current assets	<u>5,135,247</u>	<u>6,327,838</u>
Total assets less current liabilities	<u>15,351,079</u>	<u>16,046,083</u>
Non-current liabilities		
Bank loans and other borrowings	3,662,717	4,495,656
Lease liabilities	38,931	40,684
Deferred tax liabilities	<u>1,396,734</u>	<u>1,355,501</u>
	<u>5,098,382</u>	<u>5,891,841</u>
NET ASSETS	<u><u>10,252,697</u></u>	<u><u>10,154,242</u></u>
CAPITAL AND RESERVES		
Share capital	141,273	141,273
Reserves	<u>10,041,148</u>	<u>9,933,656</u>
Total equity attributable to equity shareholders of the Company and holders of PCSs	<u>10,182,421</u>	<u>10,074,929</u>
Non-controlling interests	<u>70,276</u>	<u>79,313</u>
TOTAL EQUITY	<u><u>10,252,697</u></u>	<u><u>10,154,242</u></u>

NOTES:

1 BASIS OF PREPARATION

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2021 but are extracted from that financial report.

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 30 August 2021.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Top Spring International Holdings Limited (“**the Company**”) and its subsidiaries (collectively referred to as “**the Group**”) since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest Rate Benchmark Reform – phase 2*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of properties	1,263	44,140
– Property management and related services income	133,139	93,970
– Education related services income	13,962	14,155
	<u>148,364</u>	<u>152,265</u>
Revenue from other sources		
Rental income	<u>145,442</u>	<u>101,761</u>
	<u>293,806</u>	<u>254,026</u>
Disaggregated by geographical location of customers		
– Mainland China	275,847	235,857
– Hong Kong	<u>17,959</u>	<u>18,169</u>
	<u>293,806</u>	<u>254,026</u>

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

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

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

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

For the six months ended 30 June	Property development		Property investment		Property management and related services		Education related services		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	1,263	44,140	145,442	101,761	133,139	93,970	13,962	14,155	293,806	254,026
Inter-segment revenue	-	-	20,931	22,782	22,961	18,853	-	-	43,892	41,635
Reportable segment revenue	1,263	44,140	166,373	124,543	156,100	112,823	13,962	14,155	337,698	295,661
Reportable segment (loss)/profit (adjusted EBITDA)	(62,824)	(48,447)	110,005	72,375	1,061	6,546	(2,796)	(2,484)	45,446	27,990
Interest income from bank deposits	39,405	18,255	296	283	729	510	-	-	40,430	19,048
Other interest income	19,669	28,939	-	-	-	-	-	-	19,669	28,939
Interest expenses	(140,860)	(147,995)	(5,775)	(8,004)	-	(374)	-	(286)	(146,635)	(156,659)
Depreciation and amortisation for the period	(12,594)	(14,594)	(2,012)	(2,079)	(723)	(506)	(505)	(348)	(15,834)	(17,527)
Impairment loss on trade and other receivables	(1,556)	(4,233)	(2,490)	(3,073)	(2,293)	(2,700)	(1,046)	-	(7,385)	(10,006)
Valuation gains/(losses) on investment properties	-	-	67,729	(114,497)	-	-	-	-	67,729	(114,497)
As at 30 June/31 December										
Reportable segment assets	18,540,580	18,286,464	7,568,330	7,211,424	497,359	494,397	132,390	145,184	26,738,659	26,137,469
Reportable segment liabilities	14,360,678	13,812,341	1,113,074	1,090,473	299,539	293,282	41,199	53,283	15,814,490	15,249,379

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

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Revenue		
Reportable segment revenue	337,698	295,661
Elimination of inter-segment revenue	(43,892)	(41,635)
Consolidated revenue	<u>293,806</u>	<u>254,026</u>
Profit or loss		
Reportable segment profit derived from Group's external customers	45,446	27,990
Share of losses of associates	(981)	(1,012)
Share of losses of joint ventures	(3,238)	(6,767)
Other revenue and net income	299,663	83,428
Impairment loss on trade and other receivables	(7,385)	(10,006)
Depreciation and amortisation	(17,268)	(20,191)
Finance costs	(146,635)	(156,659)
Valuation gains/(losses) on investment properties	67,729	(114,497)
Unallocated head office and corporate expenses	(59,917)	(56,443)
Consolidated profit/(loss) before taxation	<u>177,414</u>	<u>(254,157)</u>

4 OTHER REVENUE

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Bank interest income	40,462	19,471
Other interest income	<u>19,669</u>	<u>28,939</u>
Interest income on financial assets measured at amortised cost	60,131	48,410
Service income from car parks	12,733	12,183
Other service income	–	1,577
Others (<i>Note</i>)	<u>2,144</u>	<u>8,322</u>
	<u>75,008</u>	<u>70,492</u>

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

5 OTHER NET INCOME

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Fair value gain on financial assets measured at FVPL	35,056	8,117
Gain on disposal of subsidiaries		
– Great Billion Corporation Limited (“ Great Billion ”) and Wealth Channel Holdings Limited (“ Wealth Channel ”) (Note (i))	146,575	–
– other subsidiaries (Note (ii))	62,763	–
Gain on remeasurement of previously held subsidiaries upon loss of control (Note (i))	108,834	–
Provision for diminution in value of inventories (Note (iii))	(314,079)	–
Reversal of impairment on other receivables with the related compensation income (Note (iv))	191,847	–
Net exchange (loss)/gain	(6,341)	4,879
Others	–	(60)
	<u>224,655</u>	<u>12,936</u>

Notes:

- (i) During the six months ended 30 June 2021, the Group disposed its 50% interest in each of Great Billion and Wealth Channel, which together hold a property development project in Yuen Long, Hong Kong to Leading Model Limited and Master Best Limited, wholly-owned subsidiaries of Kerry Properties Limited, at a total consideration of HK\$184,076,000. Upon the completion, the equity interest of Great Billion and Wealth Channel was reduced to 50% and they became the joint ventures of the Group. The net gain on disposal of HK\$146,575,000 and gain on remeasurement on retained joint ventures of HK\$108,834,000 are recognised accordingly.
- (ii) During the six months ended 30 June 2021, apart from the disposal mentioned in (i) above, the Group disposed its entire 100% interest in certain subsidiaries which hold certain properties to other third parties at a total consideration of HK\$104,043,000, resulting a gain on disposals of HK\$62,763,000 during the period.
- (iii) In July 2021, the HKSAR government issued a notice for the resumption of certain land parcels in Yuen Long held by the Group. Management estimated the net realisable value of these land parcels by reference to the compensation rates that are expected to be applied by the HKSAR government and recognised a provision for diminution in value of HK\$314,079,000 for the land parcels (six months ended 30 June 2020: Nil).
- (iv) The Group initiated a proceeding against a debtor for a disputed receivable in respect of disposals of certain subsidiaries. In prior year, management considered the unsettled amount was unlikely recoverable and provision for impairment of HK\$119,904,000 was made. During the six months ended 30 June 2021, the court judged that the debtor should pay the unsettled amount to the Group with related interest totally RMB160,000,000 (equivalent to HK\$191,847,000). The amount was settled during the period and recognised as other net income in profit or loss.

6 PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
(a) Finance costs		
Interest on bank loans and other borrowings	269,821	297,275
Interest on lease liabilities	1,718	2,045
Interest on amounts due to non-controlling interests	1,937	–
Interest on bonds payable	11,357	24,207
Other borrowing costs	4,113	6,616
	<u>288,946</u>	<u>330,143</u>
Accrued interest on significant financing component of contract liabilities	<u>27,014</u>	<u>–</u>
	<u>315,960</u>	<u>330,143</u>
Less: Amount capitalised	<u>(169,325)</u>	<u>(173,484)</u>
	<u><u>146,635</u></u>	<u><u>156,659</u></u>
(b) Staff costs		
Salaries, wages and other benefits	106,570	88,675
Contributions to defined contribution retirement plans	5,509	4,061
	<u>112,079</u>	<u>92,736</u>
(c) Other items		
Depreciation and amortisation		
– plant and equipment	3,430	4,873
– right-of-use assets	13,838	15,318
	<u>17,268</u>	<u>20,191</u>
Cost of properties sold	<u>480</u>	<u>24,885</u>
Rental income from investment properties	(145,442)	(101,761)
Less: Direct outgoings	<u>10,488</u>	<u>9,686</u>
	<u><u>(134,954)</u></u>	<u><u>(92,075)</u></u>

7 INCOME TAX

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Current tax		
Net provision/(reversal of provision) for PRC Corporate Income Tax ("CIT")	46,839	(129,753)
Net provision for Land Appreciation Tax ("LAT")	–	875
Withholding tax	733	519
	47,572	(128,359)
Deferred tax		
Origination and reversal of temporary differences	33,282	108,975
	80,854	(19,384)

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

No provision was made for Hong Kong Profits Tax as the Group's Hong Kong subsidiaries did not earn any assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2021 and 2020.

The provision for CIT is based on the respective applicable CIT rates on the estimated assessable profits of the subsidiaries in Mainland China within the Group as determined in accordance with the relevant income tax rules and regulations in Mainland China. The applicable CIT rate was 25% for the six months ended 30 June 2021 and 2020.

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

Withholding taxes are levied on rental income and related services income earned from an overseas joint venture by the Company.

8 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share during the six months ended 30 June 2021 is based on the profit/(loss) attributable to equity shareholders and the holders of PCSs of the Company of HK\$96,647,000 (six months ended 30 June 2020: HK\$211,393,000) and the weighted average number of 1,529,286,000 shares (six months ended 30 June 2020: 1,529,286,000 shares) in issue during the period, calculated as follows:

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Profit/(loss) attributable to equity shareholders of the Company and the holders of PCSs	96,647	(211,393)
Weighted average number of shares (thousand shares)		
	'000	'000
Issued ordinary shares	1,412,733	1,412,733
Effect of bonus issue of shares (with PCSs as an alternative)	116,553	116,553
Weighted average number of shares	1,529,286	1,529,286

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share for the six months ended 30 June 2021 is the same as the basic earnings/(loss) per share as the outstanding share options during the period have an anti-dilutive effect to the basic earnings/(loss) per share.

9 DIVIDENDS

- (i) Dividends payable to equity shareholders of the Company and holders of PCSs attributable to the interim period.

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Interim dividend declared after the interim period of HK3 cents (six months ended 30 June 2020: Nil) per ordinary share	45,879	—

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

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

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the period, of HK4 cents (2020: HK2 cents) per ordinary share	61,171	30,586

10 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVPL”)

		At 30 June 2021 \$'000	At 31 December 2020 \$'000
	Note		
Non-current			
Unlisted equity securities not held for trading		80,163	127,084
Trading securities		40,167	39,683
Receivables from the third parties	(i)	1,338,821	1,274,540
Hybrid financial investments	(ii)	—	46,836
		<u>1,459,151</u>	<u>1,488,143</u>
Current			
Hybrid financial investments	(ii)	46,836	—
Receivables from the third parties	(i)	—	12,432
Unlisted equity securities not held for trading		7,763	—
Units in private securities investment funds		12,349	—
Wealth management products		74,070	103,225
		<u>141,018</u>	<u>115,657</u>

Notes:

- (i) Receivables from the third parties are classified as level 3 financial instruments in the fair value hierarchy. The valuations of these financial assets are derived from valuations models which require a number of inputs and assumptions which are not observable from market data and which are significant to the entire measurement. During the period, the fair value gain on these financial assets measured at FVPL amounted to HK\$15,000 (six months ended 30 June 2020: loss of HK\$1,676,000).
- (ii) Hybrid financial investments include debt investments to the investees with interest bearing at 15% per annum plus 45% equity return on the residual value of the investees, which are classified as level 3 financial instruments in the fair value hierarchy. The valuations of these financial assets are derived from valuations models which require a number of inputs and assumptions which are not observable from market data and which are significant to the entire measurement. During the period, no fair value gain is recognised on remaining hybrid financial investments measured at FVPL (six months ended 30 June 2020: gain of HK\$1,996,000).

11 INVENTORIES AND OTHER CONTRACT COSTS

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Property development		
Leasehold land held for development for sale	231,928	761,520
Properties held for/under development for sale	8,664,050	8,223,359
Completed properties for sale	<u>1,622,846</u>	<u>1,890,788</u>
	10,518,824	10,875,667
Other contract costs	<u>2,542</u>	<u>2,542</u>
	10,521,366	10,878,209
Other operations		
Low value consumables and supplies	<u>6,754</u>	<u>6,287</u>
	<u><u>10,528,120</u></u>	<u><u>10,884,496</u></u>

12 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Within 1 month	49,922	47,384
1 month to 3 months	23,104	22,575
3 months to 6 months	15,997	17,346
6 months to 1 year	12,723	14,003
	<hr/>	<hr/>
Trade debtors, net of loss allowance	101,746	101,308
	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
Other debtors, net of loss allowance (<i>Note (i)</i>)	1,125,662	590,139
Less: amount to be recovered more than one year	(253,516)	(231,761)
	<hr/>	<hr/>
	872,146	358,378
	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
Financial assets measured at amortised cost	973,892	459,686
Deposits and prepayments	1,230,723	1,194,456
	<hr/>	<hr/>
	2,204,615	1,654,142
	<hr style="border-top: 3px double;"/>	<hr style="border-top: 3px double;"/>

Notes:

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

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Loans to the third parties (<i>a</i>)	353,919	305,392
Amounts due from joint ventures (<i>b</i>)	225,894	41,898
Others (<i>c</i>)	545,849	242,849
	<hr/>	<hr/>
	1,125,662	590,139
	<hr style="border-top: 3px double;"/>	<hr style="border-top: 3px double;"/>

- (a) As at 30 June 2021, apart from the loans to the third parties of HK\$205,894,000 (31 December 2020: HK\$201,647,000) which are secured, interest-bearing at 13% per annum and repayable after one year, all of the balances were secured, interest-bearing from 8% to 13% per annum and recoverable within one year.
- (b) As at 30 June 2021, apart from the amount of HK\$182,947,000 (31 December 2020: Nil) which are is unsecured, interest-free and recoverable on demand, the remaining amount is unsecured, interest-bearing from 18% to 20% (31 December 2020: 18% to 20%) per annum and recoverable on demand.
- (c) As at 30 June 2021, the amount includes the receivables from Leading Model Limited and Master Best Limited, wholly-owned subsidiaries of Kerry Properties Limited, of HK\$310,209,000 in total (31 December 2020: Nil) as a result of disposal of Great Billion and Wealth Channel as set out in note 5(i). Apart from the interest receivables related to the above loans to third parties repayable after one year of HK\$47,622,000 (31 December 2020: HK\$23,671,000), all of the balances were recoverable within one year.
- (ii) The details of deposits and prepayments are set out below:

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Prepayments for acquisition of land use rights	817,218	807,893
Prepayments for acquisitions of properties	30,000	30,000
Others	383,505	356,563
	<u>1,230,723</u>	<u>1,194,456</u>

13 TRADE AND OTHER PAYABLES

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Trade payables (<i>Note (i)</i>)	230,554	221,117
Other creditors and accrued charges (<i>Note (ii)</i>)	2,578,863	2,528,132
Amounts due to non-controlling interests (<i>Note (iii)</i>)	1,168,040	1,143,252
	<u>3,977,457</u>	<u>3,892,501</u>
Financial liabilities measured at amortised cost	3,977,457	3,892,501
Rental and other deposits	98,486	86,352
Receipts in advance	48,240	25,221
	<u>4,124,183</u>	<u>4,004,074</u>

Notes:

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

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Within 1 month or on demand	97,077	82,104
1 month but within 3 months	53,825	62,723
3 months but within 6 months	46,392	37,898
6 months but within 1 year	25,774	31,339
Over 1 year	7,486	7,053
	<u>230,554</u>	<u>221,117</u>

- (ii) All of the Group's other creditors and accrued charges are expected to be settled or recognised as income within one year or are repayable on demand except for an amount of HK\$1,767,690,000 (31 December 2020: HK\$1,749,209,000), which represent estimated value of future settlement properties to be compensated to residents, which is expected to be settled after more than one year.
- (iii) Apart from the amounts due to non-controlling interests of HK\$94,801,000 (31 December 2020: HK\$93,810,000) which are interest-bearing at 4.35% per annum, unsecured and repayable on demand, all of the balances are unsecured, interest-free and repayable on demand.

14 COMMITMENTS

Capital commitments outstanding at the end of the reporting period not provided for in the interim financial report were as follows:

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Contracted for	1,863,654	2,113,954
Authorised but not contracted for	1,640,000	1,282,273
	<u>3,503,654</u>	<u>3,396,227</u>

Capital commitments mainly related to development expenditure for the Group's properties under development and the property development project in Yuen Long as mentioned in Note 5(i).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review for the six months ended 30 June 2021

(1) Pre-sales

For the six months ended 30 June 2021, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK\$1,360.3 million (of which approximately HK\$1,357.4 million was from pre-sales of properties), representing an increase of approximately 3,948.5% over the corresponding period of 2020. The Group's total pre-sold gross floor area ("GFA") was approximately 21,610 sq.m., representing an increase of approximately 893.1% from approximately 2,176 sq.m. for the six months ended 30 June 2020. The average selling price ("ASP") of the Group's pre-sales of properties for the six months ended 30 June 2021 was approximately HK\$62,813.5 per sq.m. (for the six months ended 30 June 2020: approximately HK\$14,154.4 per sq.m.). In addition, the Group recorded pre-sales of car park units of approximately HK\$2.9 million from 21 car park units for the six months ended 30 June 2021.

A breakdown of the total pre-sales of the Group during the six months ended 30 June 2021 is set out as follows:

City	Project and type of project	Pre-sold GFA sq.m.	%	Pre-sales HK\$ million	%	Pre-sales ASP HK\$/sq.m.
Tianjin	Tianjin Le Leman City – residential	7,977	36.9	102.7	7.6	12,874.5
Shenzhen	Shenzhen Upper Residence – residential	12,966	60.0	1,051.9	77.5	81,127.6
Hong Kong	Hong Kong 128 WATERLOO – residential	667	3.1	202.8	14.9	304,048.0
		<u>21,610</u>	<u>100.0</u>	<u>1,357.4</u>	<u>100.0</u>	62,813.5

City	Project	Number of pre-sold car park units unit	%	Pre-sales HK\$ million	%	Pre-sales ASP HK\$/unit
Nanjing	The Sunny Land – Nanjing	13	61.9	1.8	62.1	138,461.5
Nanjing	The Spring Land – Nanjing	8	38.1	1.1	37.9	137,500.0
		<u>21</u>	<u>100.0</u>	<u>2.9</u>	<u>100.0</u>	138,095.2

(2) Projects delivered and booked for the six months ended 30 June 2021

For the six months ended 30 June 2021, the Group delivered and recognised sale of car park units of approximately HK\$1.3 million from the sale of 11 car park units.

Details of sale of car park units recognised by the Group during the six months ended 30 June 2021 are listed below:

City	Project	Number of car park units booked <i>unit</i>	Sale of car park units recognised <i>HK\$ million</i>	Recognised ASP <i>HK\$/unit</i>
Nanjing	The Sunny Land – Nanjing	7	0.8	114,285.7
Nanjing	The Spring Land – Nanjing	<u>4</u>	<u>0.5</u>	125,000.0
Total		<u><u>11</u></u>	<u><u>1.3</u></u>	118,181.8

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

In addition to the sale of properties developed by the Group, the Group has also leased out or expects to lease out its investment property portfolio comprising mainly shopping malls, community commercial centres, retail shops, serviced apartments and car park units in The Spring Land – Shenzhen, Changzhou Fashion Mark, Dongguan Landmark, Hangzhou Landmark, Shenzhen Water Flower Garden, Chengdu Fashion Mark, Shanghai Shama Century Park, Shanghai Bay Valley and Kunming Dianchi Lakeside Peninsula in Mainland China and Kowloon Tong Rutland Quadrant Project in Hong Kong. As at 30 June 2021, the total fair value of the investment properties of the Group was approximately HK\$7,679.1 million, representing approximately 27.5% of the Group's total asset value. The Group's investment property portfolio had a total leasable GFA of approximately 279,443 sq.m.. The Group recorded gain of approximately HK\$67.7 million (for the six months ended 30 June 2020: loss of approximately HK\$114.5 million) in fair value of its investment properties for the six months ended 30 June 2021.

The Group carefully plans and selects tenants based on factors such as the project's overall positioning, market demand in surrounding areas, market rent and development needs of tenants. The Group attracts large-scale anchor tenants which assist in enhancing the value of its projects. The Group enters into longer-term and more favourable lease contracts with such anchor and reputable tenants which include well-known brands, chain cinema operators, reputable restaurants and top operators of catering businesses. As at 30 June 2021, 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 32.1% (as at 31 December 2020: approximately 34.9%) of the Group's total leasable GFA in its investment properties under operation.

The Group generated rental income of approximately HK\$145.4 million for the six months ended 30 June 2021, representing an increase of approximately 42.8% from approximately HK\$101.8 million for the six months ended 30 June 2020. The average monthly rental income of the Group's investment properties under operation for the six months ended 30 June 2021 was approximately HK\$92.0 per sq.m. (for the six months ended 30 June 2020: approximately HK\$81.1 per sq.m.). The increase in the average monthly rental income was mainly attributable to an increase in occupancy rate and rental rate of the Group's existing investment properties under operation during the six months ended 30 June 2021.

Details of the Group's major investment properties as at 30 June 2021 and the Group's rental income for the six months ended 30 June 2021 are set out as follows:

Investment Properties (inclusive of investment properties classified as held for sale)	Leasable GFA as at 30 June 2021 (Note) sq.m.	Fair value as at 30 June 2021 HK\$ million	Rental income for the six months ended 30 June 2021 HK\$ million	Average monthly rental income per sq.m. for the six months ended 30 June 2021 HK\$/sq.m.	Occupancy rate as at 30 June 2021 %
<i>Investment properties under operation</i>					
Changzhou Fashion Mark Phases 1 and 2 (Shopping mall and car park units)	77,726	1,531.5	17.2	45.9	80.3
Hangzhou Landmark (Shopping mall)	26,182	423.8	7.7	53.5	91.7
Chengdu Fashion Mark (Shopping mall and car park units)	38,285	818.8	15.2	71.9	92.1
Shanghai Bay Valley	78,059	2,030.2	27.2	48.2	100.0

Note: The leasable GFA as at 30 June 2021 excluded car park units.

(4) *Land bank as at 30 June 2021*



The Group is specialised in the development and operation of urban mixed-use communities and the development and sale of residential properties in the Guangdong-Hong Kong-Macau Greater Bay Area (the “**Greater Bay Area**”), the Yangtze River Delta, the Central China, the Beijing-Tianjin and the Chengdu- Chongqing regions in the People’s Republic of China (the “**PRC**” or “**China**”).

As at 30 June 2021, 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.	City	Project	Type of project	Estimated net saleable/leasable GFA <i>sq.m.</i>	Interest attributable to the Group <i>%</i>
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				<u>336,689</u>	

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				<u>114,696</u>	

Project no.	City	Project	Type of project	Estimated net saleable/ leasable GFA <i>sq.m.</i>	Interest attributable to the Group %
Projects Held For Future Development					
18	Sydney, Australia	Sydney, St. Leonards Project	Residential	30,494	49.0
Projects Contracted to be Acquired or under Application for Change in Land Use					
19	Hong Kong	Hong Kong Yuen Long Shap Pat Heung Road Project	Agricultural	20,050	50.0
20	Hong Kong	Hong Kong Yuen Long Tai Tong Road Project	Agricultural	2,987	50.0
21	Hong Kong	Hong Kong Yuen Long Tong Yan San Tsuen Project	Composite development	N/A	100.0
22	Hong Kong	Hong Kong Sheung Shui Ma Sik Road Project	Residential	6,497	50.0
Sub-total				<u>29,534</u>	
Total				<u>511,413</u>	

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
Total	<u><u>511,413</u></u>

The Group intends to continue leveraging 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 acquiring new land parcels or projects in locations in and/or outside the PRC with vibrant economies and strong growth potential, in particular, the Greater Bay Area (including Hong Kong, Shenzhen and Dongguan), Shanghai and Sydney of Australia.

(5) Projects with commencement in the first half of 2021

In the first half of 2021, the Group commenced construction of two projects with a total estimated net saleable/leasable GFA of approximately 67,812 sq.m..

Details of such projects are set out below:

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

BUSINESS REVIEW

In the first half of 2021, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK\$1,360.3 million (corresponding period of 2020: HK\$33.6 million), pre-sold saleable GFA of 21,610 sq.m. (corresponding period of 2020: 2,176 sq.m.) and gross profit margin of the recognised sales of 61.7% (corresponding period of 2020: 43.6%).

In the first half of 2021, the Group's rental income from investment properties was approximately HK\$145.4 million (corresponding period of 2020: HK\$101.8 million), representing an increase of approximately 42.8%. As at 30 June 2021, the overall occupancy rate of the Group's investment properties was approximately 90.9%. As at 30 June 2021, the total leasable GFA of the operating investment property portfolio was approximately 254,136 sq.m.. As at 30 June 2021, taking into account the projects that have been completed but yet to operate or to be developed/modified in the next one to two years, the estimated total leasable GFA of the Group's investment property portfolio will reach approximately 313,256 sq.m.. Its fair value was approximately HK\$8.81 billion as at 30 June 2021, representing approximately 32.8% of the Group's total asset value. In addition, as at 30 June 2021, the accumulated total area of properties managed by the Group amounted to approximately 15,010,000 sq.m., of which approximately 9,960,000 sq.m. property area was 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 58th in the "Top 100 Property Service Companies in China" for six consecutive years from 2016 to 2021 with its scale of property management expanding year on year.

As at 30 June 2021, the land bank (i.e. 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 the Greater Bay Area by grasping development opportunities within core cities and region therein

As a national strategy, the construction of the Greater Bay Area has been given more historical missions in the new round of national five-year plan. To shoulder the major responsibilities of strengthening the country's strategic scientific and technological strengths and promoting the long-term prosperity and stability in Hong Kong and Macau, the Greater Bay Area will shoulder the mission of leading the Chinese society to perform comprehensive deepening reform through self-exploration and taking the lead in development. At the same time, the Greater Bay Area will lead the 14th Five-Year Plan of Guangdong Province in an all-round manner and become a powerful engine for the whole province to promote high-quality development of the national economy.

The Group will seize the historic opportunities presented by the development of the Greater Bay Area with intensive effort, closely follow national strategy and policy trends and continue to deeply engage in core cities in the Greater Bay Area. By taking full play of our advantages of knowing both regions well and further integrating the core resources such as technological innovation, financial investment and emerging industry in both Guangdong and Hong Kong, setting foothold on serving urban development and industrial upgrading, building an empowerment platform for in-depth cooperation between Guangdong and Hong Kong, providing solutions for the integrated development of industry, city and people in the Greater Bay Area, and contributing to the economic and social development of the Greater Bay Area. At the same time, we will continue to forge ahead the various works in relation to urban renewal and reconstruction projects in Shenzhen and Guangzhou to constantly making new progress.

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

The Group is of the view that it is imperative to maintain rental income with steady growth. The Group looks forward to achieving higher growth in rental income by expanding the portfolio of premium properties held as investment.

Continuously to be optimistic about overseas real estate markets such as Hong Kong and Sydney, and actively expanding quality projects

The Group will continue to invest in and develop projects in Hong Kong, Sydney and other overseas core cities, and explore more quality projects to bring more economic benefits to the Group.

FINANCIAL REVIEW

For the six months ended 30 June 2021, the Group's total revenue and income from sale of properties were approximately HK\$293.8 million and HK\$1.3 million, respectively, increased by approximately 15.7% and decreased by approximately 97.1%, respectively, as compared with the corresponding period of 2020. The Group recorded a profit attributable to equity shareholders of the Company of approximately HK\$96.6 million as compared with a loss of approximately HK\$211.4 million recorded in the corresponding period of 2020. For the six months ended 30 June 2021, the Group had a basic earnings per ordinary share (the "Share(s)") of HK\$0.06, compared with a loss of HK\$0.14 in the corresponding period of 2020. Net assets per Share attributable to equity shareholders of the Company and holders of PCSs were approximately HK\$6.7 as at 30 June 2021 and approximately HK\$6.6 as at 31 December 2020.

The Board declared the payment of an interim dividend of HK3 cents per Share attributable to equity shareholders of the Company and the holders of PCSs for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

Revenue

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

The Group's revenue increased by approximately 15.7% to approximately HK\$293.8 million for the six months ended 30 June 2021 from approximately HK\$254.0 million for the six months ended 30 June 2020. This increase was primarily due to an increase in the Group's rental income and property management and related services income. The Group recognised property sales of approximately HK\$1.3 million, representing approximately 0.4% of the revenue for the six months ended 30 June 2021. The remaining approximately 99.6% represented rental income, property management and related services income and income from education related services and products.

Revenue from the Group's rental income and property management and related services income increased by approximately 42.3% for the six months ended 30 June 2021 as compared with the corresponding period of 2020 primarily due to the increase in occupancy rate and rental rate for property leases.

Direct costs

The principal component of direct costs is the cost of completed properties sold, which consists of land premium, construction and other development costs, capitalised borrowing costs during the construction period, the cost of rental income, the cost of property management and related services and the cost of education related services. The Group recognises the cost of completed properties sold for a given period to the extent that revenue from such properties has been recognised in that period.

The Group's direct costs increased to approximately HK\$128.6 million for the six months ended 30 June 2021 from approximately HK\$121.7 million for the six months ended 30 June 2020. Such increase was primarily attributable to an increase in the revenue of rental income and provision of property management and related services for the six months ended 30 June 2021.

Gross profit

The Group's gross profit increased by approximately 24.9% to approximately HK\$165.2 million for the six months ended 30 June 2021 from approximately HK\$132.3 million for the six months ended 30 June 2020. The Group recorded a gross profit margin of approximately 56.2% for the six months ended 30 June 2021 as compared with approximately 52.1% for the six months ended 30 June 2020. The increase in gross profit margin was primarily driven by the increase in rental income and property management and related services income with steady fixed costs.

Other revenue

Other revenue increased by approximately HK\$4.5 million, or approximately 6.4%, to approximately HK\$75.0 million for the six months ended 30 June 2021 from approximately HK\$70.5 million for the six months ended 30 June 2020. The increase was primarily attributable to the increase in bank interest income.

Other net income

Other net income increased significantly by approximately 1,641.9% to approximately HK\$224.7 million for the six months ended 30 June 2021 from approximately HK\$12.9 million for the six months ended 30 June 2020, mainly due to the reversal of impairment on recovery of certain impaired receivables and the gain on disposal of subsidiaries in Hong Kong, which was partly offset by the provision for diminution in value of inventories as a result of the resumption of certain land parcels in Yuen Long by the HKSAR Government. For details, please refer to the announcement of the Company dated 16 August 2021 and Note 5 to the interim financial information.

Selling and marketing expenses

Selling and marketing expenses increased by approximately 76.5% to approximately HK\$33.0 million for the six months ended 30 June 2021 from approximately HK\$18.7 million for the six months ended 30 June 2020, mainly due to an increase in promotion and commission expenses paid in view of the pre-sales derived from Hong Kong 128 WATERLOO and Shenzhen Upper Residence. The selling and marketing expenses accounted for approximately 2.4% of total pre-sales for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately 55.7%).

Administrative expenses

Administrative expenses increased by approximately 1.0% to approximately HK\$163.9 million for the six months ended 30 June 2021 from approximately HK\$162.3 million for the six months ended 30 June 2020.

Valuation gains/(losses) on investment properties

Valuation gains on investment properties was approximately HK\$67.7 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: valuation losses of approximately HK\$114.5 million), representing an increase of approximately 159.1%. The increase was mainly due to the outbreak of COVID-19 pandemic in 2020.

Finance costs

Finance costs decreased by approximately 6.4% to approximately HK\$146.6 million for the six months ended 30 June 2021 from approximately HK\$156.7 million for the corresponding period of 2020. The decrease was primarily attributable to the partial repayment of U.S. bond.

Income tax

Income tax credit of approximately HK\$19.4 million for the six months ended 30 June 2020 changed to income tax expenses of approximately HK\$80.9 million for the six months ended 30 June 2021. The income tax expenses for the period were the consistent with the increase in profit.

Non-controlling interests

The loss attributable to non-controlling interests was approximately HK\$0.1 million for the six months ended 30 June 2021 as compared with approximately HK\$23.4 million in the corresponding period of 2020. The decrease was primarily due to a reduction in loss recorded by non wholly-owned subsidiaries of the Company.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 30 June 2021, the carrying amount of the Group's cash and bank deposits was approximately HK\$4,672.2 million (as at 31 December 2020: approximately HK\$4,699.8 million), representing a decrease of approximately 0.6%.

Borrowings and charges on the Group's assets

The Group had an aggregate borrowings (including bank and other borrowings, bonds payable and lease liabilities) as at 30 June 2021 of approximately HK\$10,251.3 million, of which approximately HK\$6,549.7 million is repayable within one year, approximately HK\$2,121.4 million is repayable after one year but within five years and approximately HK\$1,580.2 million is repayable after five years.

As at 30 June 2021, the Group's bank loans of approximately HK\$9,014.3 million (as at 31 December 2020: approximately HK\$9,532.0 million) were secured by certain investment properties, other land and buildings, leasehold land held for development for sale, properties under development for sale, completed properties for sale, pledged deposits and rental receivables of the Group with total carrying values of approximately HK\$12,858.2 million (as at 31 December 2020: approximately HK\$13,159.5 million) and equity interest in subsidiaries within the Group and certain shareholders' loans lent by the Group to the subsidiaries. As at 30 June 2021, the Group's bonds payable was secured by issued share capital of a subsidiary of the Company and receivables owned by the Company.

The carrying amounts of all the Group's bank and other borrowings and bonds payable were denominated in RMB except for certain borrowings with an aggregate amount of approximately HK\$3,910.7 million (as at 31 December 2020: approximately HK\$4,028.2 million) and HK\$1,181.5 million (as at 31 December 2020: approximately HK\$1,178.9 million) as at 30 June 2021 which were denominated in Hong Kong dollars and US dollars, respectively.

Cost of borrowings

The Group's annualised average cost of borrowings (calculated by dividing total interest expenses expensed and capitalised by average borrowings, during the period) was approximately 6.0% for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately 5.8%).

Net gearing ratio

The net gearing ratio is calculated by dividing the Group's net borrowings (aggregate borrowings net of cash and cash equivalents and restricted and pledged deposits) by the total equity. The Group's net gearing ratio as at 30 June 2021 and 31 December 2020 was approximately 54.4% and 59.8%, respectively. The decrease in net gearing ratio was mainly due to the repayment of bank loans during the six months ended 30 June 2021.

Foreign exchange risk

As at 30 June 2021, the Group had cash balances denominated in RMB of approximately RMB3,670.5 million (equivalent to approximately HK\$4,406.9 million), in US dollars of approximately US\$6.9 million (equivalent to approximately HK\$53.9 million) and in Australian dollars of approximately AUD0.2 million (equivalent to approximately HK\$1.3 million).

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

NET ASSETS PER SHARE

Net assets per Share of the Company as at 30 June 2021 and 31 December 2020 are calculated as follows:

	As at 30 June 2021	As at 31 December 2020
Net assets attributable to equity shareholders of the Company and the holders of PCSs (HK\$'000)	10,182,421	10,074,929
Number of issued ordinary Shares ('000)	1,412,733	1,412,733
Number of outstanding PCSs ('000)	<u>116,553</u>	<u>116,553</u>
Number of Shares for the calculation of net assets per Share ('000)	1,529,286	1,529,286
Net assets per Share attributable to equity shareholders of the Company and the holders of PCSs (HK\$) (Note)	<u><u>6.7</u></u>	<u><u>6.6</u></u>

Note: The net assets per Share attributable to equity shareholders of the Company and the holders of PCSs is calculated as if the holders of PCSs have converted the PCSs into Shares as at 30 June 2021 and 31 December 2020.

CONTINGENT LIABILITIES

As at 30 June 2021, save for the guarantees of approximately HK\$967.8 million (as at 31 December 2020: approximately HK\$557.9 million) given to financial institutions for mortgage loan facilities granted to purchasers of the Group's properties, the Group had no other material contingent liabilities.

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 5 May 2021, (i) Top Spring International (Hong Kong) Company Limited (a direct wholly-owned subsidiary of the Company) (“**TSIHK**”), Leading Model Limited (“**Leading Model**”) and the Company entered into a sale and purchase agreement, pursuant to which TSIHK agreed to sell, and Leading Model agreed to purchase from TSIHK, 50% of the entire issued share capital of Great Billion Corporation Limited (“**Great Billion**”) and assign 50% of shareholder’s loan owed by Great Billion to TSIHK for the consideration of HK\$265,008,197; and (ii) TSIHK, Master Best Limited (“**Master Best**”) and the Company entered into another sale and purchase agreement, pursuant to which TSIHK agreed to sell, and Master Best agreed to purchase from TSIHK, 50% of the entire issued share capital of Wealth Channel Holdings Limited (“**Wealth Channel**”) and assign 50% of shareholder’s loan owed by Wealth Channel to TSIHK for the consideration of HK\$49,965,061.

In the said sale and purchase agreements, the respective parties agreed upon the key terms of the shareholders’ agreements for each of Great Billion and Wealth Channel upon completion of the sales and purchases. To cater for the funding requirements of Great Billion and Wealth Channel for development of the properties held by Great Billion and Wealth Channel, it was agreed that financial assistance of not more than HK\$1,640 million will be provided by the Group to Great Billion and Wealth Channel in aggregate mainly in the form of shareholder’s loan and/or provision of corporate guarantee for external bank borrowings and in proportion to the Group’s shareholding interests in Great Billion and Wealth Channel. The said disposals of 50% shareholding in each of Great Billion and Wealth Channel as well as the possible financial assistance constituted a discloseable transaction and a major transaction of the Company under Chapter 14 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), respectively.

For details, please refer to the announcement of the Company dated 5 May 2021.

Save as disclosed above, the Group did not have any other material acquisition or disposal of subsidiaries, associates and joint ventures from 1 January 2021 up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group employed a total of approximately 881 employees (as at 31 December 2020: approximately 879 employees) in the mainland China, Hong Kong and Australia, of which, approximately 52 were under the headquarters team, approximately 147 were under the property development division and 682 were under the retail operation and property management division, approximately 2 were under education division. For the six months ended 30 June 2021, the total staff costs incurred was approximately HK\$112.1 million (for the six months ended 30 June 2020: approximately HK\$92.7 million). The remuneration of the employees was based on their performance, work experience, skills, knowledge and the prevailing market wage level. The Group remunerated the employees by means of basic salaries, cash bonus and equity settled share-based payment.

The Company 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. The post-IPO share option scheme expired on 27 February 2021. While no new share option can be granted, all outstanding share options granted prior to the expiration of the scheme shall continue to be valid and exercisable in accordance with the rules of the post-IPO share option scheme.

Movement of the outstanding share options under the post-IPO share option scheme during the six months ended 30 June 2021 is as follows:

	Exercise Price HK\$ per Share	As at 1 January 2021	Share options granted	Share options exercised	Share options cancelled	Share options lapsed	As at 30 June 2021
Post-IPO							
Lot 1	2.264	3,451,500	–	–	–	55,500	3,396,000
Lot 2	4.14	6,716,000	–	–	–	2,370,000	4,346,000
Lot 3	3.3	48,923,000	–	–	–	16,625,000	32,298,000
Lot 4	3.65	420,000	–	–	–	200,000	220,000
Lot 5	3.45	10,000,000	–	–	–	–	10,000,000
Lot 6	2.796	22,700,000	–	–	–	1,700,000	21,000,000
Total		<u>92,210,500</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>20,950,500</u>	<u>71,260,000</u>

IMPORTANT EVENTS AFTER THE END OF THE INTERIM REPORTING PERIOD

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

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK3 cents per Share attributable to the equity shareholders of the Company and the holders of PCSs for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil) to the shareholders and the holders of PCSs whose names appear on the register of members or the register of holders of PCSs of the Company on Friday, 8 October 2021.

It is expected that the interim dividend will be payable on Monday, 25 October 2021.

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

For the purposes of determining the eligibility of the shareholders to entitle the interim dividend, the register of members and the register of holders of the PCSs of the Company will be closed as set out below:

For determining the entitlement of the shareholders and the holders of PCSs to the interim dividend: The register of members and the register of holders of the PCSs of the Company will be closed from Tuesday, 5 October 2021 to Friday, 8 October 2021 (both days inclusive), during which period no transfer of the Shares and PCSs will be effected. In order to qualify for the interim 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, 4 October 2021; and (b) in the case of the PCSs, all transfers of the PCSs accompanied by the relevant certificates 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, 27 September 2021.

The record date for such purposes is Friday, 8 October 2021.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “**CG Code**”) during the six months ended 30 June 2021 and, where appropriate, adopted the recommended best practices set out in the CG Code, except for the following deviation:

Under Code Provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the six months ended 30 June 2021, Mr WONG Chun Hong performed his duties as the chairman and the chief executive officer of the Company. The Board considers that vesting both roles in the same person ensures consistent leadership within the Group and enables more effective and efficient planning of long-term strategies and implementation of business plans. The Board believes that the balance of power and authority is adequately ensured by the operations and governance of the Board which comprises experienced and high calibre individuals, with more than half of the Board members being non-executive or independent non-executive Directors. The Company will review the current structure when and as it becomes appropriate.

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise interests of the shareholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by the Directors. After having made specific enquiries with all the Directors, all the Directors have confirmed that they had complied with the required standards set out in the Model Code and its code of conduct during the six months ended 30 June 2021.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practice adopted by the Group and has reviewed the interim results of the Group for the six months ended 30 June 2021. The audit committee of the Company comprises three independent non-executive Directors, namely Mr CHENG Yuk Wo (Chairman), Professor WU Si Zong and Mr CHAN Yee Herman.

The financial information in this announcement is unaudited and is derived from the interim financial report for the six months ended 30 June 2021. The interim financial report is unaudited, but has been reviewed by KPMG, the Company's auditor, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that they would become aware of all significant matters that might be identified in an audit. Accordingly, KPMG did not express an audit opinion.

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Hong Kong, 30 August 2021

As at the date of this announcement, the executive Directors are Mr WONG Chun Hong, 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.