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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 2021

HIGHLIGHTS

- For the year ended 31 December 2021, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK\$1,709.6 million. The pre-sales of properties was approximately HK\$1,701.3 million with pre-sold GFA of approximately 25,527 sq.m. and ASP of approximately HK\$66,647.1 per sq.m., representing an increase of approximately 51.9%, 52.1% and 0.3%, respectively, as compared with 2020.
- Revenue for the year ended 31 December 2021 increased by approximately 11.1% to approximately HK\$639.0 million from approximately HK\$575.1 million for the year ended 31 December 2020.
- For the year ended 31 December 2021, the Group generated recurring rental income of approximately HK\$247.0 million (2020: approximately HK\$231.1 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 2021, the investment property portfolio (inclusive of investment properties classified as held for sale) had a total leasable GFA of approximately 305,502 sq.m. and a fair value of approximately HK\$9,016.6 million, representing approximately 31.8% of the Group's total asset value.
- Gross profit margin increased to approximately 50.1% for the year ended 31 December 2021 from approximately 45.4% for the year ended 31 December 2020.

- For the year ended 31 December 2021, the profit attributable to equity shareholders of the Company was approximately HK\$33.4 million (for the year ended 31 December 2020: loss of approximately HK\$283.3 million).
- Basic and diluted earnings per Share attributable to equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2021 were approximately HK\$0.02 and HK\$0.02, respectively (for the year ended 31 December 2020: basic and diluted loss per Share of approximately HK\$0.19 and HK\$0.19, respectively).
- Net assets per Share attributable to equity shareholders of the Company and the holders of PCSs as at 31 December 2021 was approximately HK\$6.7 (as at 31 December 2020: approximately HK\$6.6).
- The Group's net gearing ratio was approximately 59.8% and 59.8% as at 31 December 2020 and 2021, respectively.
- The Board has recommended the payment of a final dividend of HK1 cent per Share to equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2021; and together with the interim dividend of HK3 cents per Share, the Company would distribute a combined total of HK4 cents for the year ended 31 December 2021 (for the year ended 31 December 2020: HK4 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 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	638,957	575,051
Direct costs		<u>(318,788)</u>	<u>(313,922)</u>
Gross profit		320,169	261,129
Valuation gains/(losses) on investment properties and investment properties classified as held for sale		202,341	(77,944)
Other revenue	4	175,544	139,945
Other net income	5	218,551	48,742
Selling and marketing expenses		(82,825)	(76,898)
Administrative expenses		(332,774)	(310,126)
Impairment loss on trade and other receivables		<u>(9,477)</u>	<u>(18,527)</u>
Profit/(loss) from operations		491,529	(33,679)
Finance costs	6(a)	(294,547)	(301,811)
Share of losses of associates		(1,997)	(2,122)
Share of profits less losses of joint ventures		<u>(7,397)</u>	<u>(8,992)</u>
Profit/(loss) before taxation	6	187,588	(346,604)
Income tax	7	<u>(140,874)</u>	<u>(20,932)</u>
Profit/(loss) for the year		<u>46,714</u>	<u>(367,536)</u>

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Attributable to:			
Equity shareholders of the Company and holders of bonus perpetual subordinated convertible securities ("PCSs")		33,432	(283,258)
Non-controlling interests		13,282	(84,278)
		<u>46,714</u>	<u>(367,536)</u>
Profit/(loss) for the year		<u>46,714</u>	<u>(367,536)</u>
Basic and diluted earnings/(loss) per share (HK\$)	8	<u>0.02</u>	<u>(0.19)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) for the year	46,714	(367,536)
Other comprehensive income for the year (after tax and reclassification adjustments)		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Surplus on revaluation of property, plant and equipment upon change of use to investment properties	5,619	–
Deferred tax liability arising on revaluation gain on change of use to investment properties	(1,405)	–
	4,214	–
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of:		
– financial statements of foreign subsidiaries	379,050	685,152
– reclassified to profit or loss upon disposal of subsidiaries	624	26
	379,674	685,178
Share of other comprehensive income of associates and joint ventures	(18,461)	34,047
	361,213	719,225
Other comprehensive income for the year, net of income tax	365,427	719,225
Total comprehensive income for the year	412,141	351,689
Attributable to:		
Equity shareholders of the Company and holder of PCSs	394,643	421,274
Non-controlling interests	17,498	(69,585)
Total comprehensive income for the year	412,141	351,689

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Investment properties		8,970,030	7,238,615
Other property, plant and equipment		192,006	199,281
		9,162,036	7,437,896
Intangible assets		3,769	3,769
Goodwill		40,736	40,736
Interest in associates		5,257	7,072
Interest in joint ventures		1,069,950	423,328
Financial assets measured at fair value through profit or loss (“ FVPL ”)		1,443,808	1,488,143
Other receivables	10	268,023	231,761
Deferred tax assets		87,451	85,540
		12,081,030	9,718,245
Current assets			
Inventories and other contract costs		9,951,592	10,884,496
Financial assets measured at FVPL		130,858	115,657
Trade and other receivables	10	2,152,059	1,654,142
Prepaid tax		72,320	38,846
Restricted and pledged deposits		2,862,004	3,046,639
Cash and cash equivalents		1,077,346	1,653,196
		16,246,179	17,392,976
Investment properties classified as held for sale		46,600	70,657
		16,292,779	17,463,633

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current liabilities			
Trade and other payables	11	4,252,279	4,004,074
Contract liabilities		1,927,173	726,231
Bank loans and other borrowings		6,196,768	5,966,708
Lease liabilities		7,581	21,971
Bonds payable		249,665	248,552
Tax payable		217,567	168,259
		<u>12,851,033</u>	<u>11,135,795</u>
Net current assets		<u>3,441,746</u>	<u>6,327,838</u>
Total assets less current liabilities		<u>15,522,776</u>	<u>16,046,083</u>
Non-current liabilities			
Bank loans and other borrowings		3,649,180	4,495,656
Lease liabilities		39,204	40,684
Deferred tax liabilities		1,464,559	1,355,501
		<u>5,152,943</u>	<u>5,891,841</u>
NET ASSETS		<u>10,369,833</u>	<u>10,154,242</u>
CAPITAL AND RESERVES			
Share capital		141,273	141,273
Reserves		10,161,553	9,933,656
Total equity attributable to equity shareholders of the Company and holders of PCSs		10,302,826	10,074,929
Non-controlling interests		67,007	79,313
TOTAL EQUITY		<u>10,369,833</u>	<u>10,154,242</u>

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 2021 but are extracted from those financial statements.

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

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued 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 report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of properties	75,980	79,211
– Property management and related services income	271,446	228,176
– Education related services income	44,520	36,536
	<u>391,946</u>	<u>343,923</u>
Revenue from other sources		
Gross rentals from investment properties		
– Lease payments that are fixed or depend on a rate	230,577	218,104
– Variable lease payments that do not depend on an index or a rate	16,434	13,024
	<u>247,011</u>	<u>231,128</u>
	<u>638,957</u>	<u>575,051</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 2021 and 2020 is set out below.

	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	75,980	79,211	247,011	231,128	271,446	228,176	44,520	36,536	638,957	575,051
Inter-segment revenue	-	-	61,828	49,319	69,600	117,854	-	-	131,428	167,173
Reportable segment revenue	75,980	79,211	308,839	280,447	341,046	346,030	44,520	36,536	770,385	742,224
Reportable segment profit/(loss) (adjusted EBITDA)	(179,001)	(178,293)	177,358	163,846	18,011	12,933	8,043	(1,508)	24,411	(3,022)
Interest income from bank deposits	78,419	33,889	4,185	4,005	1,109	910	-	-	83,713	38,804
Other interest income	53,897	39,134	-	-	-	-	-	-	53,897	39,134
Interest expense	(240,286)	(235,516)	(50,260)	(57,699)	(4,001)	(8,596)	-	-	(294,547)	(301,811)
Depreciation and amortisation	(15,125)	(14,471)	(3,545)	(3,217)	(3,023)	(1,011)	(5,143)	(890)	(26,836)	(19,589)
Impairment loss on trade and other receivables	(1,496)	(1,795)	(1,877)	(1,593)	(2,293)	(2,246)	(2,046)	(8,576)	(7,712)	(14,210)
Fair value (loss)/gain on financial assets measured at FVPL	(13,757)	71	-	-	-	-	-	(2,482)	(13,757)	(2,411)
Valuation gains/(losses) on investment properties and investment properties classified as held for sale	-	-	202,341	(77,944)	-	-	-	-	202,341	(77,944)
Additions to non-current segment assets during the year	2,977	2,350	2,110	1,947	2,560	1,120	408	331	8,055	5,748
Reportable segment assets	17,736,730	18,286,464	8,375,139	7,211,424	501,165	494,397	144,730	145,184	26,757,764	26,137,469
Reportable segment liabilities	15,202,485	13,812,341	521,050	1,090,473	291,899	293,282	52,074	53,283	16,067,508	15,249,379

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

	2021 HK\$'000	2020 HK\$'000
Revenue		
Reportable segment revenue	770,385	742,224
Elimination of inter-segment revenue	<u>(131,428)</u>	<u>(167,173)</u>
Consolidated revenue	<u>638,957</u>	<u>575,051</u>
Profit/(loss)		
Reportable segment profit/(loss) derived from Group's external customers	24,411	(3,022)
Share of losses of associates	(1,997)	(2,122)
Share of profits less losses of joint ventures	(7,397)	(8,992)
Other revenue and net income	394,095	188,687
Impairment loss on trade and other receivables	(9,477)	(18,527)
Depreciation and amortisation	(34,877)	(39,261)
Finance costs	(294,547)	(301,811)
Valuation gains/(losses) on investment properties and investment properties classified as held for sale	202,341	(77,944)
Unallocated head office and corporate expenses	<u>(84,964)</u>	<u>(83,612)</u>
Consolidated profit/(loss) before taxation	<u>187,588</u>	<u>(346,604)</u>
	2021 HK\$'000	2020 HK\$'000
Assets		
Reportable segment assets	26,757,764	26,137,469
Interest in associates	5,257	7,072
Interest in joint ventures	1,069,950	423,328
Financial assets measured at FVPL	208,421	316,828
Prepaid tax	72,320	38,846
Deferred tax assets	87,451	85,540
Unallocated head office and corporate assets	<u>172,646</u>	<u>172,795</u>
Consolidated total assets	<u>28,373,809</u>	<u>27,181,878</u>
Liabilities		
Reportable segment liabilities	16,067,508	15,249,379
Tax payable	217,567	168,259
Deferred tax liabilities	1,464,559	1,355,501
Unallocated head office and corporate liabilities	<u>254,342</u>	<u>254,497</u>
Consolidated total liabilities	<u>18,003,976</u>	<u>17,027,636</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, 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 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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Mainland China	586,409	530,486	10,294,002	8,451,905
Hong Kong	52,548	44,565	1,339,057	576,608
Australia	–	–	282,957	390,589
	<u>638,957</u>	<u>575,051</u>	<u>11,916,016</u>	<u>9,419,102</u>

4 **OTHER REVENUE**

	2021 HK\$'000	2020 HK\$'000
Bank interest income	84,742	39,605
Other interest income	<u>53,897</u>	<u>39,435</u>
Interest income on financial assets measured at amortised cost	138,639	79,040
Service income from car parks	35,680	35,842
Compensation income	–	10,331
Other service income	–	1,826
Others (Note)	<u>1,225</u>	<u>12,906</u>
	<u>175,544</u>	<u>139,945</u>

Note: The amount in 2020 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fair value gain on financial assets measured at FVPL	29,218	49,943
Net gain/(loss) on disposal of subsidiaries		
– Great Billion Corporation Limited (“ Great Billion ”) and Wealth Channel Holdings Limited (“ Wealth Channel ”) (<i>Note (i)</i>)	146,575	–
– other subsidiaries (<i>Note (ii)</i>)	63,058	(269)
Gain on remeasurement of previously held subsidiaries upon loss of control (<i>Note (i)</i>)	108,834	–
Net loss on disposal of a joint venture	–	(5,456)
Reversal of impairment on other receivables with the related compensation income (<i>Note (iv)</i>)	191,847	–
Loss on disposal of land parcels in Yuen Long (<i>Note (iii)</i>)	(314,079)	–
Net exchange (loss)/gain	(7,268)	4,576
Net loss on disposal of property, plant and equipment	(7)	(138)
Others	373	86
	<u>218,551</u>	<u>48,742</u>

Notes:

- (i) During the year ended 31 December 2021, the Group disposed of 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, respectively, at a total consideration of HK\$184,076,000. Upon the completion, the equity interests of Great Billion and Wealth Channel were 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 year ended 31 December 2021, apart from the disposal mentioned in (i) above, the Group disposed of its entire 100% interest in certain subsidiaries which hold certain properties to other third parties at a total consideration of HK\$138,697,000, resulting a gain on disposal of HK\$63,058,000.
- (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 value of these land parcels by reference to the compensation rates that are expected to be applied by the HKSAR government and recognised a loss on disposal of land parcels of HK\$314,079,000.
- (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 year ended 31 December 2021, the court judged that the debtor should pay the unsettled amount to the Group with related interest of RMB160,000,000 (equivalent to HK\$191,847,000) in total. The amount was settled during the year 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):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(a) Finance costs		
Interest on bank and other borrowings	523,977	558,233
Interest on lease liabilities	3,550	4,022
Interest on bonds payable	22,296	41,330
Interest on amounts due to non-controlling interests	1,946	14,552
Other borrowing costs	10,848	15,915
	562,617	634,052
Accrued interest on significant financing component of contract liabilities	63,584	6,098
	626,201	640,150
Less: amount capitalised	(331,654)	(338,339)
	294,547	301,811

Note: The borrowing costs have been capitalised at rates ranging from 0.7% to 11.0% (2020: 1.77% to 14.0%) per annum.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(b) Staff costs		
Salaries, wages and other benefits	236,860	209,214
Contributions to defined contribution retirement plans (<i>Note</i>)	<u>10,257</u>	<u>4,916</u>
	<u>247,117</u>	<u>214,130</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 in 2020. No such relief was granted in 2021.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(c) Other items		
Depreciation and amortisation		
– furniture, fixtures and other fixed assets	7,894	9,873
– right-of-use assets	<u>26,983</u>	<u>29,388</u>
	34,877	39,261
Cost of properties sold	59,023	98,623
Rental income from investment properties	247,011	231,128
Less: Direct outgoings	<u>(22,403)</u>	<u>(19,996)</u>
	224,608	211,132
Auditors' remuneration		
– audit services	4,950	4,784
– other services	<u>2,336</u>	<u>3,047</u>
	<u>7,286</u>	<u>7,831</u>

7 INCOME TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
Net provision/(reversal) for PRC Corporate Income Tax (“CIT”)	53,301	(135,050)
Net provision/(reversal) for Land Appreciation Tax (“LAT”)	3,857	(5,463)
Net provision/(reversal) for withholding tax	954	(4,257)
	<u>58,112</u>	<u>(144,770)</u>
Deferred tax		
Origination and reversal of temporary differences	82,762	165,702
	<u>140,874</u>	<u>20,932</u>

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 2021 and 2020, 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 2021 (2020: 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.

8 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders and the holder of PCSs of the Company of HK\$33,432,000 (2020: loss of HK\$283,258,000) and the weighted average number of shares of 1,529,286,000 (2020: 1,529,286,000) shares in issue during the year, calculated as follows:

	2021 '000	2020 '000
Weighted average number of shares		
Issued ordinary shares	1,412,733	1,412,733
Effect of bonus issue of shares (with PCSs as an alternative)	<u>116,553</u>	<u>116,553</u>
Weighted average number of shares at 31 December	<u><u>1,529,286</u></u>	<u><u>1,529,286</u></u>

(b) Diluted earnings/(loss) per share

During 2021 and 2020, 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim dividend declared and paid of HK3 cents (2020: Nil) per ordinary share and per unit of PCSs	45,879	–
Final dividend proposed after the end of the reporting period of HK1 cent (2020: HK4 cents) per ordinary share and per unit of PCSs	<u>15,293</u>	<u>61,171</u>
	<u><u>61,172</u></u>	<u><u>61,171</u></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>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade debtors, net of loss allowance		<u>84,844</u>	<u>101,308</u>
Other debtors, net of loss allowance	(i)	1,045,784	590,139
Less: amount to be recovered more than one year		<u>(268,023)</u>	<u>(231,761)</u>
		<u>777,761</u>	<u>358,378</u>
Financial assets measured at amortised cost		862,605	459,686
Deposits and prepayments	(ii)	<u>1,289,454</u>	<u>1,194,456</u>
		<u>2,152,059</u>	<u>1,654,142</u>

Notes:

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loans to third parties (a)	355,788	305,392
Amounts due from joint ventures (b)	331,582	41,898
Others	<u>358,414</u>	<u>242,849</u>
	<u>1,045,784</u>	<u>590,139</u>

- (a) As at 31 December 2021, apart from the loans to third parties of HK\$206,829,000 (2020: HK\$201,647,000) which were secured, interest-bearing at 13% (2020: 13%) per annum and repayable after one year, all of the balances were secured, interest-bearing from 8% to 12.95% (2020: 3% to 13%) per annum and recoverable within one year.

- (b) As at 31 December 2021, apart from the amounts due from joint ventures of HK\$209,019,000 (2020: HK\$Nil) which were unsecured, interest-bearing at 2.85% per annum above one month's HIBOR and recoverable on demand, all of the balances were unsecured, interest-free and recoverable on demand.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Prepayments for acquisition of land use rights	833,122	807,893
Prepayments for acquisition of properties	30,000	30,000
Others	<u>426,332</u>	<u>356,563</u>
	<u>1,289,454</u>	<u>1,194,456</u>

(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:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	38,289	47,384
1 to 3 months	17,719	22,575
3 to 6 months	16,549	17,346
6 months to 1 year	12,287	14,003
	84,844	101,308

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

11 TRADE AND OTHER PAYABLES

	<i>Notes</i>	2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	(i)	182,551	221,117
Other creditors and accrued charges	(ii)	2,520,954	2,405,626
Amounts due to non-controlling interests	(iii)	1,197,692	1,143,252
Financial liabilities measured at amortised cost		3,901,197	3,769,995
Rental and other deposits		100,531	86,352
Value added tax and other tax payables		250,551	147,727
		4,252,279	4,004,074

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	66,856	82,104
1 to 3 months	48,352	62,723
3 to 6 months	34,847	37,898
6 months to 1 year	21,894	31,339
Over 1 year	10,602	7,053
	<u>182,551</u>	<u>221,117</u>

- (ii) The estimated value of future settlement properties to be compensated to residents of HK\$1,767,083,000 (2020: HK\$1,749,209,000) is included in other creditors and accrued charges, of which an amount of HK\$1,332,853,000 (2020: HK\$1,749,209,000) is expected to be settled after more than one year by delivering the respective properties.
- (iii) As at 31 December 2021, apart from the amounts due to non-controlling interests of HK\$96,646,000 (2020: HK\$93,810,000) which are interest-bearing at 4.35% (2020: 4.35%) per annum, 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contracted for	1,360,198	2,113,954
Authorised but not contracted for	1,023,964	1,282,273
	<u>2,384,162</u>	<u>3,396,227</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 2021

(1) Pre-sales

In 2021, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK\$1,709.6 million (of which approximately HK\$1,701.3 million was from pre-sales of properties), representing an increase of approximately 51.9% as compared with 2020. The Group's total pre-sold gross floor area ("GFA") was approximately 25,527 square metres ("sq.m."), representing an increase of approximately 51.6% as compared with 2020. The average selling price ("ASP") of the Group's pre-sales of properties in 2021 was approximately HK\$66,647.1 per sq.m. (2020: approximately HK\$66,417.2 per sq.m.), representing an increase of approximately 0.3% as compared with 2020. 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 2021 was approximately HK\$8.3 million from the sale of 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 2021 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.
Tianjin	Tianjin Le Leman City – residential	9,464	37.1	121.7	7.2	12,859.3
Shenzhen	Shenzhen Upper Residence – residential	14,836	58.1	1,187.1	69.8	80,014.8
Hong Kong	Hong Kong 128 WATERLOO – residential	1,227	4.8	392.5	23.0	319,885.9
Total		<u>25,527</u>	<u>100</u>	<u>1,701.3</u>	<u>100</u>	66,647.1

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

City	Project	Number of pre-sold car park units		Pre-sales		Pre-sales ASP
		unit	%	HK\$ million	%	HK\$/unit
Nanjing	The Spring Land – Nanjing	7	11.5	0.9	10.8	128,571.4
Nanjing	The Sunny Land – Nanjing	<u>54</u>	<u>88.5</u>	<u>7.4</u>	<u>89.2</u>	137,037.0
		<u>61</u>	<u>100</u>	<u>8.3</u>	<u>100</u>	136,065.6

(2) *Projects delivered and booked in 2021*

For the year ended 31 December 2021, the Group's property development business in Tianjin achieved revenue from sale of properties (excluding sale of car park units) of approximately HK\$70.9 million with saleable GFA of approximately 6,323 sq.m. being recognised, representing a decrease of approximately 2.6% and an increase of approximately 2.0%, respectively, as compared with the year ended 31 December 2020. The recognised ASP of the Group's sale of properties was approximately HK\$11,213.0 per sq.m. for the year ended 31 December 2021. The approximate 4.5% 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 2020.

For the year ended 31 December 2021, the Group delivered and recognised the sale of car park units of approximately HK\$5.1 million from the sale of 41 car park units.

Details of sale of properties and car park units of the Group recognised in 2021 are listed below:

City	Project – type of project	Saleable	Sale of	Recognised
		GFA booked	properties	ASP
		sq.m.	recognised	HK\$/sq.m.
			HK\$ million	
Tianjin	Tianjin Le Leman City – residential	<u>6,323</u>	<u>70.9</u>	11,213.0

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	34	4.2	123,529.4
Nanjing	The Spring Land – Nanjing	7	0.9	128,571.4
Total		41	5.1	124,390.2

(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 2021, the total fair value of the investment properties of the Group was approximately HK\$9,016.6 million, representing approximately 31.8% of the Group's total asset value. The Group's investment property portfolio had a total leasable GFA of approximately 305,502 sq.m.. The Group recorded approximately HK\$152.1 million (net of deferred tax) as gain in fair value of its investment properties for the year ended 31 December 2021 (for the year ended 31 December 2020: approximately HK\$58.9 million (net of deferred tax) as loss 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 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 29.6% (as at 31 December 2020: approximately 34.9%) of the Group's total leasable area in its investment properties under operation.

For the year ended 31 December 2021, the occupancy rate of the Group's investment properties decreased from approximately 90.9% as at 31 December 2020 to approximately 82.1% as at 31 December 2021. The Group generated rental income of approximately HK\$247.0 million for the year ended 31 December 2021, representing an increase of approximately 6.9% from approximately HK\$231.1 million for the year ended 31 December 2020. The average monthly rental income of the Group's investment properties under operation for the year ended 31 December 2021 was approximately HK\$82.6 per sq.m. (for the year ended 31 December 2020: approximately HK\$82.3 per sq.m.).

Details of the Group's major investment properties as at 31 December 2021 and their respective rental income for the year ended 31 December 2021 are set out as follows:

	Leasable GFA as at 31 December 2021 <i>(Note)</i> <i>sq.m.</i>	Fair value as at 31 December 2021 <i>HK\$ million</i>	Rental income for the year ended 31 December 2021 <i>HK\$ million</i>	Average monthly rental income per sq.m. for the year ended 31 December 2021 <i>HK\$/sq.m.</i>	Occupancy rate as at 31 December 2021 <i>%</i>
Investment properties					
<i>Investment properties under operation</i>					
Changzhou Fashion Mark Phases 1 and 2 (Shopping mall and car park units)	80,771	1,568.6	37.7	56.3	78.9
Hangzhou Landmark (Shopping mall)	26,182	454.9	19.0	63.8	94.8
Chengdu Fashion Mark (Shopping mall and car park units)	38,285	835.0	28.4	66.0	93.6
Shanghai Bay Valley	97,854	3,193.3	50.1	59.0	73.1

Note: The leasable GFA as at 31 December 2021 excluded car park units.

(4) Land bank as at 31 December 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 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 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 335,519 sq.m., an estimated net saleable/leasable GFA of projects under development of approximately 137,733 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 6,497 sq.m., totalling an estimated net saleable/leasable GFA of approximately 510,243 sq.m., the details of which are as follows:

Project no.	Region/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	82,490	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	662	70.0
9	Tianjin	Tianjin Le Lemen City	Residential/ Commercial	25,035	58.0
10	Nanjing	The Spring Land – Nanjing	Commercial	717	100.0
11	Shanghai	Bay Valley Project	Commercial	97,526	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				335,519	

Project no.	Region/City	Project	Type of project	Estimated net saleable/leasable GFA <i>sq.m.</i>	Interest attributable to the Group %
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
18	Hong Kong	Hong Kong Yuen Long Shap Pat Heung Road Project	Residential	20,050	50.0
19	Hong Kong	Hong Kong Yuen Long Tai Tong Road Project	Residential	2,987	50.0
Sub-total				137,733	
Projects Held for Future Development					
20	Sydney, Australia	Sydney, St. Leonards Project	Residential	30,494	49.0
Projects Contracted to be Acquired or under Application for Change in Land Use					
21	Hong Kong	Hong Kong Yuen Long Tong Yan San Tsuen Road 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				6,497	
Total				510,243	

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

Region/City	Estimated net saleable/leasable GFA <i>sq.m.</i>
Shenzhen and surrounding regions (including Dongguan)	170,533
Shanghai	98,188
Nanjing	717
Chengdu	38,285
Hangzhou	26,182
Tianjin	25,035
Changzhou	82,490
Kunming	1,415
Hong Kong	36,904
Sydney, Australia	30,494
	<hr/>
Total	510,243
	<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 2021*

In 2021, the Group commenced construction of several projects with a total estimated net saleable/leasable GFA of approximately 90,849 sq.m..

Details of such projects are set out below:

Region/City	Project	Estimated net saleable/leasable GFA sq.m.
Shenzhen	Shenzhen Topspring International Mansion	58,294
Shenzhen	Shenzhen Jianshang Commercial Building	9,518
Hong Kong	Hong Kong Yuen Long Shap Pat Heung Road Project	20,050
Hong Kong	Hong Kong Yuen Long Tai Tong Road Project	<u>2,987</u>
		<u><u>90,849</u></u>

BUSINESS REVIEW

In 2021, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK\$1,709.6 million (2020: HK\$1,125.2 million), pre-sold saleable GFA of 25,527 sq.m. (2020: 16,839 sq.m.).

In 2021, the Group's rental income from investment properties was approximately HK\$247.0 million (2020: HK\$231.1 million), representing an increase of approximately 6.9%. As at 31 December 2021, the overall occupancy rate of the Group's investment properties was approximately 82.1%. As at 31 December 2021, the total leasable GFA of the Group's operating investment property portfolio increased to approximately 305,502 sq.m. from approximately 259,914 sq.m. as at 31 December 2020. In addition, as at 31 December 2021, the accumulated total area of properties managed by the Group amounted to approximately 18,180,000 sq.m., of which approximately 13,350,000 sq.m. was properties not developed by the Group and approximately 4,830,000 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 31 December 2021, the land bank (that is, the net saleable/leasable GFA) of 22 projects of the Group was approximately 510,243 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

Focusing on the Guangdong-Hong Kong-Macao Greater Bay Area and targeting the development opportunities in the core cities and main regions as well

The development of the Guangdong-Hong Kong-Macao Greater Bay Area (the “**Greater Bay Area**”) continued to advance, underpinned by an aggregate economic volume of over RMB12 trillion in 2021. The Greater Bay Area is continuously accelerating the connection between infrastructure construction and policy implementation, exploring innovative mechanisms and new paths for coordinated regional development, charting new heights in institutional innovation as well as reform and opening up, and substantiating the notion of “One country, two systems”. In the Outline of the “14th Five-Year” Plan, the Greater Bay Area has been given a more important role in further guiding the high quality development of the national economy in the future. The Group will closely seize opportunities arising from the historic development of the Greater Bay Area with a strong focus on the core cities including Hong Kong, Shenzhen and Guangzhou and give full play to its strengths and capabilities so as to contribute to the economic and social development of the Greater Bay Area and implement the development strategy of the Group.

Maintaining and increasing where appropriate rental properties that generate stable income growth

The Group believes that it is very important to maintain a steady increase in rental income and hopes to foster a greater scope for rental income growth by holding more premium properties and properly conducting refined asset management in the future, so as to preserve and enhance property value and ensure stable and sustainable cash flow.

Actively expanding premium projects by focusing on Hong Kong and Sydney

The Group will continue to invest and conduct intensive development in core cities such as Hong Kong and Sydney, so as to enhance our brand value and image in domestic and overseas markets as well as to build an efficient and synergistic ecology for domestic and overseas businesses.

Eyeing potential investment opportunities to foster new business growth points

We will continue to monitor market and industry changes. In line with the actual development needs of the Group, we will integrate resources and make prudent investments to cultivate the “property +” business, so as to achieve organic integration of and two-way empowerment between the diversified businesses and the property business.

FINANCIAL REVIEW

In 2021, the Group's consolidated revenue reached approximately HK\$639.0 million, increased by approximately 11.1% as compared with 2020. The profit attributable to equity shareholders of the Company for the year ended 31 December 2021 was approximately HK\$33.4 million, as compared to a loss attributable to the equity shareholders of the Company of approximately HK\$283.3 million recorded in the previous year. For the year ended 31 December 2021, the Group's basic and diluted earnings per share of the Company (the "Share(s)") were approximately HK\$0.02 and HK\$0.02 respectively (for the year ended 31 December 2020: basic and diluted loss per Share of 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 1.5% from approximately HK\$6.6 as at 31 December 2020 to approximately HK\$6.7 as at 31 December 2021.

In order to maintain a stable dividend policy, the Board has recommended the payment of a final dividend of HK1 cent per Share attributable to the equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2021 (for the year ended 31 December 2020: HK4 cents per Share), subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company. Together with the interim dividend of HK3 cents per Share declared by the Board for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil), the Board declared a total of HK4 cents as dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: HK4 cents per Share).

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 2021 increased by approximately 11.1% to approximately HK\$639.0 million from approximately HK\$575.1 million for the year ended 31 December 2020. This increase was primarily due to the increase in the Group's income from rental income, property management and related service income. During the year ended 31 December 2021, the Group recognised property sales of approximately HK\$76.0 million, representing approximately 11.9% of the total revenue. The Group recognised rental income of approximately HK\$247.0 million, representing approximately 38.7% of the total revenue. The Group recognised property management and related services income of approximately HK\$271.4 million, representing approximately 42.5% of the total revenue. The remaining approximately 6.9% of the total revenue of approximately HK\$44.5 million was income from education related services.

Revenue from the Group's rental income increased by 6.9% in 2021 as compared with 2020 primarily due to the increase in leased GFA in 2021 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 such period.

The Group's direct costs increased to approximately HK\$318.8 million for the year ended 31 December 2021 from approximately HK\$313.9 million for the year ended 31 December 2020. This increase was primarily attributable to the increase in the revenue of rental income and provision of property management and related services for the year ended 31 December 2021.

Gross profit

The Group's gross profit increased by approximately 22.6% to approximately HK\$320.2 million for the year ended 31 December 2021 from approximately HK\$261.1 million for the year ended 31 December 2020. The Group reported a gross profit margin of approximately 50.1% for the year ended 31 December 2021 as compared with approximately 45.4% for the year ended 31 December 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\$35.6 million, or approximately 25.4%, to approximately HK\$175.5 million in 2021 from approximately HK\$139.9 million in 2020. The increase was primarily attributable to an increase in bank and other interest income.

Other net income

Other net income increased significantly by approximately 348.9% to approximately HK\$218.6 million in 2021 from approximately HK\$48.7 million in 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 disposal of land parcels in Yuen Long by the HKSAR Government.

Selling and marketing expenses

Selling and marketing expenses increased by approximately 7.7% to approximately HK\$82.8 million for the year ended 31 December 2021 (accounting for approximately 4.8% of total pre-sales amount in 2021) from approximately HK\$76.9 million for the year ended 31 December 2020 (accounting for approximately 6.8% of total pre-sales amount in 2020).

The increase in selling and marketing expenses was primarily attributable to the increase in commission expenses incurred in 2021 as compared with 2020.

Administrative expenses

Administrative expenses increased by approximately 7.3% to approximately HK\$332.8 million for the year ended 31 December 2021 from approximately HK\$310.1 million for the year ended 31 December 2020. The increase was due to the increase in staff costs incurred and legal and professional fee.

Valuation gains/(losses) on investment properties and investment properties classified as held for sale

Valuation gains on investment properties and investment properties classified as held for sale increased by approximately 359.7% to approximately HK\$202.3 million for the year ended 31 December 2021 from valuation losses of approximately HK\$77.9 million for the year ended 31 December 2020. The increase was primarily due to the fair value gain upon the transfer from inventories to investment properties in 2021.

Finance costs

Finance costs decreased by approximately 2.4% to approximately HK\$294.5 million for the year ended 31 December 2021 from approximately HK\$301.8 million for the year ended 31 December 2020. The decrease was primarily attributable to the decrease in the average borrowing cost.

Income tax

Income tax expense increased by approximately 574.2% to approximately HK\$140.9 million for the year ended 31 December 2021 from approximately HK\$20.9 million for the year ended 31 December 2020. The increase was primarily attributable to the reversal of CIT provision netted off against corresponding deferred tax assets of HK\$116.5 million incurred in 2020.

Non-controlling interests

The profit attributable to non-controlling interests was approximately HK\$13.3 million for the year ended 31 December 2021 (for the year ended 31 December 2020: loss of approximately HK\$84.3 million).

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 31 December 2021, the carrying amount of the Group's cash and bank deposits was approximately HK\$3,939.4 million (as at 31 December 2020: approximately HK\$4,699.8 million), representing a decrease of approximately 16.2% as compared with that as at 31 December 2020.

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 2021 of approximately HK\$10,142.3 million, of which approximately HK\$6,454.0 million is repayable within one year, approximately HK\$2,819.1 million is repayable after one year but within five years and approximately HK\$869.2 million is repayable after five years.

As at 31 December 2021, the Group's bank loans of approximately HK\$8,670.0 million (as at 31 December 2020: approximately HK\$9,532.0 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\$12,168.5 million (as at 31 December 2020: approximately HK\$13,159.5 million). As at 31 December 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\$3,817.4 million (as at 31 December 2020: approximately HK\$4,028.2 million) and HK\$985.7 million (as at 31 December 2020: approximately HK\$1,178.9 million) as at 31 December 2021 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 6.0% in 2021 (2020: approximately 6.1%).

As at 31 December 2021, the weighted average borrowing cost for the Group's existing borrowings was approximately 5.1% (2020: approximately 5.4%).

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 was approximately 59.8% as at 31 December 2021 and 31 December 2020.

Foreign exchange risk

As at 31 December 2021, the Group had cash balances denominated in RMB of approximately RMB3,029.0 million (equivalent to approximately HK\$3,707.5 million), in US dollars of approximately US\$3.0 million (equivalent to approximately HK\$23.1 million) and in Australian dollars of approximately AUD\$0.2 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 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 2021 and 2020 are calculated as follows:

	As at 31 December 2021	As at 31 December 2020
Net assets attributable to equity shareholders of the Company (<i>HK\$'000</i>)	10,302,826	10,074,929
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>)	6.7	6.6

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 2021 and 31 December 2020.

CONTINGENT LIABILITIES

As at 31 December 2021, save for the guarantees of approximately HK\$862.0 million (as at 31 December 2020: approximately HK\$557.9 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

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 or joint ventures from 1 January 2021 up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group employed a total of approximately 825 employees (as at 31 December 2020: 876 employees) in mainland China, Hong Kong and Australia, of which, approximately 63 were under the headquarters team, approximately 153 were under the property development division, approximately 654 were under the retail operation and property management division and approximately 6 were under the education division. For the year ended 31 December 2021, the total staff and related costs incurred was approximately HK\$247.1 million (for the year ended 31 December 2020: approximately HK\$214.1 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 had 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 pre-IPO and post-IPO share option schemes during the year ended 31 December 2021 is as follows:

	Exercise price <i>HK\$ per Share</i>	As at 1 January 2021	Share options granted	Share options exercised	Share options cancelled	Share options lapsed	As at 31 December 2021
Post-IPO							
Lot 1	2.264	3,451,500	-	-	-	55,500	3,396,000
Lot 2	4.14	6,716,000	-	-	-	2,570,000	4,146,000
Lot 3	3.3	48,923,000	-	-	-	17,705,000	31,218,000
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	-	-	-	2,700,000	20,000,000
Total		92,210,500	-	-	-	23,230,500	68,980,000

ANNUAL GENERAL MEETING

An annual general meeting (the “AGM”) of the Company is scheduled to be held on Tuesday, 24 May 2022, 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 Listing Rules.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK1 cent per Share attributable to the equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2021 (for the year ended 31 December 2020: HK4 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, 2 June 2022. Upon approval by the shareholders of the Company at the AGM, it is expected that the final dividend will be payable on Thursday, 16 June 2022.

Together with the interim dividend of HK3 cents per Share declared by the Board for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil), the Board declared a total of HK4 cents as dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: HK4 cents per Share).

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, 19 May 2022 to Tuesday, 24 May 2022 (both days inclusive), during such 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 Wednesday, 18 May 2022; 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 Wednesday, 11 May 2022.

The record date for such purposes is Tuesday, 24 May 2022.

- (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, 31 May 2022 to Thursday, 2 June 2022 (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, 30 May 2022; 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, 23 May 2022.

The record date for such purposes is Thursday, 2 June 2022.

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 2021.

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 2021 and, where appropriate, adopted the Recommended Best Practices set out in the CG Code, except for the following deviation:

Under Code Provision C.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 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.

Details of the Company’s corporate governance practices will be set out in the Company’s 2021 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 2021.

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 2021. 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 2021 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 2021 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, 25 March 2022

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.

* *For identification purposes only*