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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 2022

HIGHLIGHTS

- For the year ended 31 December 2022, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK\$703.0 million. The pre-sales of properties was approximately HK\$663.3 million with pre-sold GFA of approximately 7,877 sq.m. and ASP of approximately HK\$84,207.2 per sq.m., representing a decrease of approximately 61.0%, 69.1% and an increase of approximately 26.3%, respectively, as compared with 2021.
- Revenue for the year ended 31 December 2022 increased by approximately 473.9% to approximately HK\$3,667.2 million from approximately HK\$639.0 million for the year ended 31 December 2021.
- For the year ended 31 December 2022, the Group generated recurring rental income of approximately HK\$223.2 million (2021: approximately HK\$247.0 million) from its investment properties which mainly comprised shopping malls, community commercial centres, retail shops, serviced apartments, offices and car park units. As at 31 December 2022, the investment property portfolio (inclusive of investment properties classified as held for sale) had a total leasable GFA of approximately 304,789 sq.m. and a fair value of approximately HK\$8,317.9 million, representing approximately 38.1% of the Group's total asset value.
- Gross profit margin decreased to approximately 16.2% for the year ended 31 December 2022 from approximately 50.1% for the year ended 31 December 2021.

- For the year ended 31 December 2022, the loss attributable to equity shareholders of the Company was approximately HK\$185.1 million (for the year ended 31 December 2021: profit of approximately HK\$33.4 million).
- Basic and diluted loss per Share attributable to equity shareholders of the Company and the holders of PCSs for the year ended 31 December 2022 were approximately HK\$0.12 and HK\$0.12, respectively (for the year ended 31 December 2021: basic and diluted earnings per Share of approximately HK\$0.02 and HK\$0.02, respectively).
- Net assets per Share attributable to equity shareholders of the Company and the holders of PCSs as at 31 December 2022 was approximately HK\$6.0 (as at 31 December 2021: approximately HK\$6.7).
- The Group's net gearing ratio was approximately 59.8% and 54.7% as at 31 December 2021 and 2022, 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 2022 (for the year ended 31 December 2021: HK1 cent 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 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	3,667,163	638,957
Direct costs		<u>(3,072,932)</u>	<u>(318,788)</u>
Gross profit		594,231	320,169
Valuation (losses)/gains on investment properties and investment properties classified as held for sale		(23,019)	202,341
Other revenue	4	169,689	175,544
Other net (loss)/income	5	(3,768)	218,551
Selling and marketing expenses		(155,425)	(82,825)
Administrative expenses		(258,101)	(332,774)
Impairment loss on trade and other receivables		<u>(34,843)</u>	<u>(9,477)</u>
Profit from operations		288,764	491,529
Finance costs	6(a)	(324,257)	(294,547)
Share of losses of associates		(22,234)	(1,997)
Share of losses of joint ventures		<u>(15,299)</u>	<u>(7,397)</u>
(Loss)/profit before taxation	6	(73,026)	187,588
Income tax	7	<u>(110,615)</u>	<u>(140,874)</u>
(Loss)/profit for the year		<u><u>(183,641)</u></u>	<u><u>46,714</u></u>

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Attributable to:			
Equity shareholders of the Company and holders of bonus perpetual subordinated convertible securities ("PCSs")		(185,099)	33,432
Non-controlling interests		1,458	13,282
		<u>(183,641)</u>	<u>46,714</u>
(Loss)/profit for the year			
(Loss)/earnings per share (HK\$)			
Basic and diluted	8	<u>(0.12)</u>	<u>0.02</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit for the year	(183,641)	46,714
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	(953,383)	379,050
– reclassified to profit or loss upon disposal of subsidiaries and joint ventures	(1,034)	624
	(954,417)	379,674
Share of other comprehensive income of associates and joint ventures	(8,860)	(18,461)
	(963,277)	361,213
Other comprehensive income for the year, net of income tax	(963,277)	365,427
Total comprehensive income for the year	(1,146,918)	412,141
Attributable to:		
Equity shareholders of the Company and holder of PCSs	(1,137,985)	394,643
Non-controlling interests	(8,933)	17,498
Total comprehensive income for the year	(1,146,918)	412,141

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current assets			
Investment properties		8,297,230	8,970,030
Property, plant and equipment		173,388	192,006
		8,470,618	9,162,036
Intangible assets		3,769	3,769
Goodwill		40,736	40,736
Interest in associates		186,912	5,257
Interest in joint ventures		–	1,069,950
Financial assets measured at fair value through profit or loss ("FVPL")		1,341,514	1,443,808
Other receivables		289,997	268,023
Deferred tax assets		83,293	87,451
		10,416,839	12,081,030
Current assets			
Inventories and other contract costs		7,145,866	9,951,592
Financial assets measured at FVPL		31,214	130,858
Trade and other receivables	10	1,578,368	2,152,059
Prepaid tax		2,295	72,320
Restricted and pledged deposits		2,057,404	2,862,004
Cash and cash equivalents		579,975	1,077,346
		11,395,122	16,246,179
Investment properties classified as held for sale		20,679	46,600
		11,415,801	16,292,779

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current liabilities			
Trade and other payables	11	3,196,329	4,252,279
Bank loans and other borrowings		2,568,827	6,196,768
Contract liabilities		99,056	1,927,173
Lease liabilities		10,611	7,581
Bonds payable		–	249,665
Tax payable		269,161	217,567
		<u>6,143,984</u>	<u>12,851,033</u>
Net current assets		<u>5,271,817</u>	<u>3,441,746</u>
Total assets less current liabilities		<u>15,688,656</u>	<u>15,522,776</u>
Non-current liabilities			
Bank loans and other borrowings		5,097,072	3,649,180
Lease liabilities		35,874	39,204
Deferred tax liabilities		1,273,704	1,464,559
		<u>6,406,650</u>	<u>5,152,943</u>
NET ASSETS		<u>9,282,006</u>	<u>10,369,833</u>
CAPITAL AND RESERVES			
Share capital		141,273	141,273
Reserves		9,082,607	10,161,553
Total equity attributable to equity shareholders of the Company and holders of PCSs		9,223,880	10,302,826
Non-controlling interests		<u>58,126</u>	<u>67,007</u>
TOTAL EQUITY		<u>9,282,006</u>	<u>10,369,833</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 2022 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**”).

Material uncertainty related to going concern

The Group incurred a net loss of \$183.6 million for the year ended 31 December 2022. As at 31 December 2022, the Group’s current bank loans and other borrowings amounted to \$2,568.8 million, while its cash and cash equivalents amounted to \$580.0 million. In view of the prevailing slow-down of the property market, the Group may take longer time than expected to realise cash from the sale of its properties to meet its loan repayment obligations. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The directors have reviewed the Group’s cash flow projections prepared by management, which covers a period of at least 12 months from 31 December 2022. Certain plans and measures have been or will be taken to mitigate the liquidity pressures and to improve its financial position which include, but not limited to, the following:

- (i) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and speed up the collection of outstanding sales proceeds and other receivables.
- (ii) Management is negotiating with the banks and borrowers for renewal of existing bank facilities. No commitment or agreement had been reached as of the date of approval of these annual financial statements date.
- (iii) Mr. Wong Chun Hong, a substantial shareholder of the Company, has issued a letter of financial support to the Company for a period of at least twelve months from 31 December 2022 to make reasonable efforts to enable the Group to meet its liabilities as they fall due and carry on business without a significant curtailment of operations.

- (iv) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.

The board of directors are of opinion that, assuming success of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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.

Further details regarding the Group's principal activities are disclosed in Note 3(b).

Disaggregation of revenue

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of properties	3,139,871	75,980
– Property management and related services income	267,766	271,446
– Education related services income	36,329	44,520
	<u>3,443,966</u>	<u>391,946</u>
Revenue from other sources		
Gross rentals from investment properties		
– Lease payments that are fixed or depend on a rate	215,926	230,577
– Variable lease payments that do not depend on an index or a rate	7,271	16,434
	<u>223,197</u>	<u>247,011</u>
	<u><u>3,667,163</u></u>	<u><u>638,957</u></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 commercial 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 2022 and 2021 is set out below.

	Property development		Property investment		Property management and related services		Education related services		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	3,139,871	75,980	223,197	247,011	267,766	271,446	36,329	44,520	3,667,163	638,957
Inter-segment revenue	-	-	54,616	61,828	51,234	69,600	-	-	105,850	131,428
Reportable segment revenue	3,139,871	75,980	277,813	308,839	319,000	341,046	36,329	44,520	3,773,013	770,385
Reportable segment profit/(loss) (adjusted EBITDA)	80,950	(179,001)	179,463	177,358	13,582	18,011	2,679	8,043	276,674	24,411
Interest income from bank deposits	51,310	78,419	3,113	4,185	208	1,109	-	-	54,631	83,713
Other interest income	60,064	53,897	-	-	-	-	-	-	60,064	53,897
Interest expense	(256,489)	(240,286)	(62,696)	(50,260)	(5,072)	(4,001)	-	-	(324,257)	(294,547)
Depreciation and amortisation	(14,266)	(15,125)	(3,194)	(3,545)	(2,835)	(3,023)	(4,262)	(5,143)	(24,557)	(26,836)
Impairment loss on trade and other receivables	(4,854)	(1,496)	(3,852)	(1,877)	(2,818)	(2,293)	(23,319)	(2,046)	(34,843)	(7,712)
Fair value gain/(loss) on financial assets measured at FVPL	183	(13,757)	-	-	-	-	-	-	183	(13,757)
Valuation (losses)/gains on investment properties and investment properties classified as held for sale	-	-	(23,019)	202,341	-	-	-	-	(23,019)	202,341
Additions to non-current segment assets during the year	881	2,977	2,329	2,110	684	2,560	6,775	408	10,669	8,055
Reportable segment assets	12,773,287	17,736,730	7,972,036	8,375,139	419,928	501,165	150,451	144,730	21,315,702	26,757,764
Reportable segment liabilities	9,887,943	15,202,485	451,482	521,050	343,223	291,899	50,654	52,074	10,733,302	16,067,508

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

	2022 HK\$'000	2021 HK\$'000
Revenue		
Reportable segment revenue	3,773,013	770,385
Elimination of inter-segment revenue	<u>(105,850)</u>	<u>(131,428)</u>
Consolidated revenue (Note 3(a))	<u><u>3,667,163</u></u>	<u><u>638,957</u></u>
(Loss)/profit		
Reportable segment profit derived from Group's external customers	276,674	24,411
Share of losses of associates	(22,234)	(1,997)
Share of losses of joint ventures	(15,299)	(7,397)
Other revenue and net income	165,921	394,095
Impairment loss on trade and other receivables	(34,843)	(9,477)
Depreciation and amortisation	(24,557)	(34,877)
Finance costs	(324,257)	(294,547)
Valuation (losses)/gains on investment properties and investment properties classified as held for sale	(23,019)	202,341
Unallocated head office and corporate expenses	<u>(71,412)</u>	<u>(84,964)</u>
Consolidated (loss)/profit before taxation	<u><u>(73,026)</u></u>	<u><u>187,588</u></u>
Assets		
Reportable segment assets	21,315,702	26,757,764
Interest in associates	186,912	5,257
Interest in joint ventures	–	1,069,950
Financial assets measured at FVPL	106,398	208,421
Prepaid tax	2,295	72,320
Deferred tax assets	83,293	87,451
Unallocated head office and corporate assets	<u>138,040</u>	<u>172,646</u>
Consolidated total assets	<u><u>21,832,640</u></u>	<u><u>28,373,809</u></u>
Liabilities		
Reportable segment liabilities	10,733,302	16,067,508
Tax payable	269,161	217,567
Deferred tax liabilities	1,273,704	1,464,559
Unallocated head office and corporate liabilities	<u>274,467</u>	<u>254,342</u>
Consolidated total liabilities	<u><u>12,550,634</u></u>	<u><u>18,003,976</u></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, receivables from the third parties and other receivables, and the location of operations, in the case of interests in associates and joint ventures.

	Revenue from external customers		Specified non-current assets	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Mainland China	2,941,158	586,409	9,456,822	10,294,002
Hong Kong	726,005	52,548	801,278	1,339,057
Australia	–	–	262	282,957
	<u>3,667,163</u>	<u>638,957</u>	<u>10,258,362</u>	<u>11,916,016</u>

4 **OTHER REVENUE**

	2022 HK\$'000	2021 HK\$'000
Bank interest income	54,631	84,742
Other interest income	<u>60,064</u>	<u>53,897</u>
Interest income on financial assets measured at amortised cost	114,695	138,639
Service income from carparks	39,365	35,680
Government subsidy	1,708	602
Others	<u>13,921</u>	<u>623</u>
	<u>169,689</u>	<u>175,544</u>

5 OTHER NET (LOSS)/INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fair value (loss)/gain on financial assets measured at FVPL	(12,331)	29,218
Net loss on disposal of joint ventures		
– Great Billion Corporation Limited (“ Great Billion ”) and Wealth Channel Holdings Limited (“ Wealth Channel ”)	(82,475)	–
– Other joint ventures	(3,532)	–
Net gain on disposal of subsidiaries		
– Great Billion and Wealth Channel	–	146,575
– Other subsidiaries	8,181	63,058
Gain on remeasurement of previously held subsidiaries upon loss of control	–	108,834
Reversal of impairment on other receivables with the related compensation income	–	191,847
Distribution from a joint venture	98,713	–
Loss on disposal of land parcels in Yuen Long	–	(314,079)
Net exchange loss	(12,465)	(7,268)
Net loss on disposal of property, plant and equipment	(3)	(7)
Others	144	373
	<u>(3,768)</u>	<u>218,551</u>

6 (LOSS)/PROFIT BEFORE TAXATION

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(a) Finance costs		
Interest on bank loans and other borrowings	510,376	523,977
Interest on lease liabilities	2,860	3,550
Interest on bonds payable	17,012	22,296
Interest on amounts due to non-controlling interests	3,820	1,946
Other borrowing costs	26,321	10,848
	<u>560,389</u>	<u>562,617</u>
Accrued interest on significant financing component of contract liabilities	6,302	63,584
	<u>566,691</u>	<u>626,201</u>
Less: Amount capitalised	(242,434)	(331,654)
	<u>324,257</u>	<u>294,547</u>

Note: The borrowing costs have been capitalised at rates ranging from 0.7% to 11.0% (2021: 0.7% to 11.0%) per annum.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(b) Staff costs		
Salaries, wages and other benefits	226,961	236,860
Contributions to defined contribution retirement plans	<u>11,684</u>	<u>10,257</u>
	<u>238,645</u>	<u>247,117</u>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(c) Other items		
Depreciation and amortisation		
– furniture, fixtures and other fixed assets	6,285	7,894
– right-of-use assets	<u>18,272</u>	<u>26,983</u>
	<u>24,557</u>	<u>34,877</u>
Cost of properties sold	2,803,087	59,023
Rental income from investment properties	223,197	247,011
Less: Direct outgoings	<u>(13,966)</u>	<u>(22,403)</u>
	209,231	224,608
Auditors' remuneration		
– audit services	4,950	4,950
– other services	<u>2,183</u>	<u>2,336</u>
	<u>7,133</u>	<u>7,286</u>

7 INCOME TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
Corporate Income Tax (“CIT”)		
– Provision for the year	117,436	56,691
– Over-provision in respect of prior years	<u>(22,114)</u>	<u>(3,390)</u>
	95,322	53,301
Provision for Land Appreciation Tax (“LAT”)	71,377	3,857
Provision for withholding tax	<u>30,782</u>	<u>954</u>
	<u>197,481</u>	<u>58,112</u>
Deferred tax		
Origination and reversal of temporary differences		
– CIT	(55,589)	–
– LAT	<u>(31,277)</u>	<u>82,762</u>
	<u>(86,866)</u>	<u>82,762</u>
	<u>110,615</u>	<u>140,874</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 2022 and 2021, 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 2022 (2021: 25%).

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 interest income and related services income earned from an overseas joint venture by the Company and proceeds from the sale of investment properties in mainland China by a Hong Kong subsidiary.

8 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders and the holder of PCSs of the Company of HK\$185,099,000 (2021: profit of HK\$33,432,000) and the weighted average number of 1,529,286,000 (2021: 1,529,286,000) shares in issue during the year, calculated as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
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 (loss)/earnings per share

During 2022 and 2021, 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
No interim dividend declared (2021: HK3 cents per ordinary share and per unit of PCSs)	–	45,879
Final dividend proposed after the end of the reporting period of HK1 cent (2021: HK1 cent) per ordinary share and per unit of PCSs	<u>15,293</u>	<u>15,293</u>
	<u><u>15,293</u></u>	<u><u>61,172</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>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade debtors, net of loss allowance		<u>69,129</u>	<u>84,844</u>
Other debtors, net of loss allowance	(i)	739,252	1,045,784
Less: amount to be recovered more than one year		<u>(289,997)</u>	<u>(268,023)</u>
		<u>449,255</u>	<u>777,761</u>
Financial assets measured at amortised cost		518,384	862,605
Deposits and prepayments	(ii)	<u>1,059,984</u>	<u>1,289,454</u>
		<u>1,578,368</u>	<u>2,152,059</u>

Notes:

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loans to third parties (a)	309,143	355,788
Amounts due from joint ventures (b)	35,697	331,582
Others	<u>394,412</u>	<u>358,414</u>
	<u>739,252</u>	<u>1,045,784</u>

- (a) As at 31 December 2022, apart from the loans to third parties of HK\$203,143,000 (2021: HK\$206,829,000) which were secured, interest-bearing at 13% (2021:13%) per annum and repayable after one year, all of the balances were secured, interest-bearing from 8% to 15% (2021: 8% to 12.95%) per annum and recoverable within one year.
- (b) As at 31 December 2022, all of the balances were unsecured, interest-free and recoverable on demand. At 31 December 2021, apart from the amounts due from joint ventures of HK\$209,019,000 which were unsecured, interest-bearing at 3% 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Prepayments for acquisition of land use rights	771,349	833,122
Prepayments for acquisition of properties	30,000	30,000
Others	258,635	426,332
	<u>1,059,984</u>	<u>1,289,454</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	35,463	38,289
1 to 3 months	16,518	17,719
3 to 6 months	12,561	16,549
6 months to 1 year	4,587	12,287
	<u>69,129</u>	<u>84,844</u>

11 TRADE AND OTHER PAYABLES

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	(i)	194,065	182,551
Other creditors and accrued charges	(ii)	1,793,512	2,520,954
Amounts due to non-controlling interests	(iii)	1,038,430	1,197,692
Rental and other deposits		78,306	100,531
Value added tax and other tax payables		92,016	250,551
		<u>3,196,329</u>	<u>4,252,279</u>

Notes:

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	60,637	66,856
1 to 3 months	40,392	48,352
3 to 6 months	39,399	34,847
6 months to 1 year	33,542	21,894
Over 1 year	20,095	10,602
	<u>194,065</u>	<u>182,551</u>

- (ii) The estimated value of future settlement properties to be compensated to residents of HK\$1,149,410,000 (2021: HK\$1,767,083,000) is included in other creditors and accrued charges, of which an amount of \$Nil (2021: HK\$1,332,853,000) is expected to be settled after more than one year by delivering the respective properties.
- (iii) As at 31 December 2022, apart from the amounts due to non-controlling interests of HK\$88,278,000 (2021: HK\$96,646,000) which are interest-bearing at 4.35% (2021: 4.35%), unsecured and repayable on demand, all of the balances are unsecured, interest-free and repayable on demand.

12 CAPITAL COMMITMENTS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contracted for	334,045	1,360,198
Authorised but not contracted for	187,253	1,023,964
	<u>521,298</u>	<u>2,384,162</u>

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

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report on the Group’s annual financial statements for the year ended 31 December 2022:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to Note 2(b) to the consolidated financial statements, which indicates that the Group incurred a net loss of HK\$183.6 million for the year ended 31 December 2022. As at 31 December 2022, the Group’s current bank loans and other borrowings amounted to HK\$2,568.8 million, while its cash and cash equivalents amounted to HK\$580.0 million. In view of the prevailing slow-down of the property market, the Group may take longer time than expected to realise cash from the sale of its properties to meet its loan repayment obligations. These conditions, along with the matters as set forth in Note 2(b) indicate that a material uncertainty exists on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Business in 2022

(1) Pre-sales

In 2022, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK\$703.0 million (of which approximately HK\$663.3 million was from pre-sales of properties), representing a decrease of approximately 58.9% as compared with 2021. The Group’s total pre-sold gross floor area (“**GFA**”) was approximately 7,877 square metres (“**sq.m.**”), representing a decrease of approximately 69.1% as compared with 2021. The average selling price (“**ASP**”) of the Group’s pre-sales of properties in 2022 was approximately HK\$84,207.2 per sq.m. (2021: approximately HK\$66,647.1 per sq.m.), representing an increase of approximately 26.3% as compared with 2021. The increase in ASP of the Group’s pre-sales of properties was mainly due to the pre-sales of properties in Shenzhen and Hong Kong in 2022, 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 2022 was approximately HK\$39.7 million.

A breakdown of the total pre-sales of the properties and car park units of the Group during the year ended 31 December 2022 is set out as follows:

(a) *Pre-sales of properties*

City	Project – type of project	Pre-sold GFA		Pre-sales		Pre-sales
		<i>sq.m.</i>	%	<i>HK\$ million</i>	%	ASP <i>HK\$/sq.m.</i>
Tianjin	Tianjin Le Leman City – residential	4,960	63.0	56.2	8.5	11,330.6
Shenzhen	Shenzhen Upper Residence – residential/commercial	1,636	20.8	112.8	17.0	68,948.7
Hong Kong	Hong Kong 128 WATERLOO – residential	1,281	16.2	494.3	74.5	385,870.4
Total		<u>7,877</u>	<u>100</u>	<u>663.3</u>	<u>100</u>	84,207.2

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

City	Project	Number of pre-sold car park units		Pre-sales		Pre-sales
		<i>unit</i>	%	<i>HK\$ million</i>	%	ASP <i>HK\$/unit</i>
Nanjing	The Spring Land – Nanjing	2	2.0	0.3	0.8	150,000.0
Nanjing	The Sunny Land – Nanjing	91	89.2	11.8	29.7	129,670.3
Hong Kong	Hong Kong 128 WATERLOO	9	8.8	27.6	69.5	3,066,666.7
		<u>102</u>	<u>100</u>	<u>39.7</u>	<u>100</u>	389,215.7

(2) *Projects delivered and booked in 2022*

For the year ended 31 December 2022, the Group's property development business in Tianjin, Shenzhen and Hong Kong achieved revenue from sale of properties (excluding sale of car park units) of approximately HK\$3,115.7 million with saleable GFA of approximately 42,206 sq.m. being recognised, representing an increase of approximately 4,294.5% and an increase of approximately 567.5%, respectively, as compared with the year ended 31 December 2021. The recognised ASP of the Group's sale of properties was approximately HK\$73,821.3 per sq.m. for the year ended 31 December 2022. The approximate 558.4% increase in recognised ASP was primarily attributable to the fact that a significant proportion of the recognised sale of properties (excluding sale of car park units) was contributed by the Group's residential projects in Shenzhen and Hong Kong, which have a relatively higher ASP as compared with the ASP of other projects sold during the year ended 31 December 2021.

For the year ended 31 December 2022, the Group delivered and recognised the sale of car park units of approximately HK\$24.1 million from the sale of 96 car park units.

Details of sale of properties and car park units of the Group recognised in 2022 are listed below:

City	Project – type of project	Saleable GFA booked sq.m.	Sale of properties recognised HK\$ million	Recognised ASP HK\$/sq.m.
Tianjin	Tianjin Le Leman City – residential	2,332	28.3	12,135.5
Shenzhen	Shenzhen Upper Residence – residential/commercial	38,128	2,402.3	63,006.2
Hong Kong	Hong Kong 128 WATERLOO – residential	1,746	685.1	392,382.6
		<u>42,206</u>	<u>3,115.7</u>	<u>73,821.3</u>

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	88	11.3	128,409.1
Nanjing	The Spring Land – Nanjing	2	0.2	100,000.0
Hong Kong	Hong Kong 128 WATERLOO	<u>6</u>	<u>12.6</u>	2,100,000.0
Total		<u>96</u>	<u>24.1</u>	251,041.7

(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 2022, the total fair value of the investment properties of the Group was approximately HK\$8,317.9 million, representing approximately 38.1% of the Group's total asset value. The Group's investment property portfolio had a total leasable GFA of approximately 304,789 sq.m.. The Group recorded approximately HK\$17.1 million (net of deferred tax) as loss in fair value of its investment properties for the year ended 31 December 2022 (for the year ended 31 December 2021: approximately HK\$152.1 million (net of deferred tax) as gain in fair value of its investment properties).

The Group carefully plans and selects tenants based on factors such as a project's overall positioning, market demand in surrounding areas, market levels of rent and development needs of tenants. The presence of large-scale anchor tenants which the Group has attracted enhances the value of its projects. The Group enters into longer-term and more favourable lease contracts with such anchor and reputable tenants which include well-known brands, chain cinema operators, reputable restaurants and top operators of catering businesses. As at 31 December 2022, 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 29.5% (as at 31 December 2021: approximately 29.6%) of the Group's total leasable area in its investment properties under operation.

For the year ended 31 December 2022, the occupancy rate of the Group's investment properties increased from approximately 82.1% as at 31 December 2021 to approximately 83.3% as at 31 December 2022. The Group generated rental income of approximately HK\$223.2 million for the year ended 31 December 2022, representing a decrease of approximately 9.6% from approximately HK\$247.0 million for the year ended 31 December 2021. The average monthly rental income of the Group's investment properties under operation for the year ended 31 December 2022 was approximately HK\$70.7 per sq.m. (for the year ended 31 December 2021: approximately HK\$82.6 per sq.m.).

Details of the Group's major investment properties as at 31 December 2022 and their respective rental income for the year ended 31 December 2022 are set out as follows:

	Leasable GFA as at 31 December 2022 <i>(Note)</i> <i>sq.m.</i>	Fair value as at 31 December 2022 <i>HK\$ million</i>	Rental income for the year ended 31 December 2022 <i>HK\$ million</i>	Average monthly rental income per sq.m. for the year ended 31 December 2022 <i>HK\$/sq.m.</i>	Occupancy rate as at 31 December 2022 <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	1,382.3	27.9	36.5	89.0
Hangzhou Landmark (Shopping mall)	26,182	394.9	14.7	61.8	75.8
Chengdu Fashion Mark (Shopping mall and car park units)	38,285	768.7	25.5	57.1	97.2
Shanghai Bay Valley	97,854	2,968.8	57.6	70.3	71.7

Note: The leasable GFA as at 31 December 2022 excluded car park units.

(4) Land bank as at 31 December 2022

The PRC



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 PRC.

As at 31 December 2022, the Group had a total of 21 projects over 10 cities in various stages of development, including an estimated net saleable/leasable GFA of completed projects of approximately 350,503 sq.m., an estimated net saleable/leasable GFA of projects under development of approximately 90,849 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 s.q.m., totalling an estimated net saleable/leasable GFA of approximately 447,849 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	298	70.0
9	Tianjin	Tianjin Le Lemen City	Residential/ Commercial	22,703	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
14	Shenzhen	Shenzhen Upper Residence	Residential/ Commercial	12,630	100.00
15	Hong Kong	Hong Kong 128 WATERLOO	Residential	5,050	60.0
Sub-total				350,503	

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					
16	Shenzhen	Shenzhen Topspring International Mansion	Commercial	58,294	100.0
17	Shenzhen	Shenzhen Jianshang Commercial Building	Commercial	9,518	100.0
18	Hong Kong	Hong Kong Yuen Long Shap Pat Heung Road Project	Residential	20,050	10.0
19	Hong Kong	Hong Kong Yuen Long Tai Tong Road Project	Residential	2,987	10.0
Sub-total				90,849	
Projects Contracted to be Acquired or under Application for Change in Land Use					
20	Hong Kong	Hong Kong Yuen Long Tong Yan San Tsuen Road Project	Composite development	N/A	100.0
21	Hong Kong	Hong Kong Sheung Shui Ma Sik Road Project	Residential	6,497	50.0
Sub-total				6,497	
Total				447,849	

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)	143,075
Shanghai	97,824
Nanjing	717
Chengdu	38,285
Hangzhou	26,182
Tianjin	22,703
Changzhou	82,490
Kunming	1,415
Hong Kong	<u>35,158</u>
 Total	 <u><u>447,849</u></u>

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) and Shanghai.

BUSINESS REVIEW

In 2022, the Group recorded an aggregate of pre-sales of properties and car park units of approximately HK\$703.0 million (2021: HK\$1,709.6 million), pre-sold saleable GFA of 7,877 sq.m. (2021: 25,527 sq.m.).

In 2022, the Group's rental income from investment properties was approximately HK\$223.2 million (2021: HK\$247.0 million), representing a decrease of approximately 9.6%. As at 31 December 2022, the overall occupancy rate of the Group's investment properties was approximately 83.3%. As at 31 December 2022, the total leasable GFA of the Group's operating investment property portfolio was approximately 304,789 sq.m.. In addition, as at 31 December 2022, the accumulated total area of properties managed by the Group amounted to approximately 16,550,000 sq.m., of which approximately 11,720,000 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 55th in the "Top 100 Property Management Companies in China" for eight consecutive years from 2015 to 2022 with its scale of property management expanding year on year.

As at 31 December 2022, the land bank (that is, the net saleable/leasable GFA) of 21 projects of the Group was approximately 447,849 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

Consistently focusing on the Guangdong-Hong Kong-Macao Greater Bay Area by grasping the development opportunities within the core cities and regions

The Outline Development Plan for the Greater Bay Area has been released for four years. This area, as one of the most open regions enjoying the strongest economic vitality, is accelerating and accommodating multi-dimensionally, reaching a new level of integration and development. In 2022, the total GDP of the nine cities in the Greater Bay Area exceeded RMB10 trillion, all showing positive growth and demonstrating strong economic resilience. The Group will continue to focus on the core cities of the Greater Bay Area, including Guangzhou, Shenzhen and Hong Kong, and explore investment opportunities leveraging its advantages.

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

The management believes that a steady increase in rental income is an important support for sustainable cash flow. Therefore, it hopes to further increase rental income and profit by holding more premium properties and properly conducting refined asset management in the future, so as to enhance property value.

Actively seeking overseas investment opportunities by focusing on Hong Kong

The Group has always been optimistic about the important role and position of Hong Kong, an international financial centre, in the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, as well as the development opportunities in the northern metropolitan area of Hong Kong. Under the new international political and economic landscape, the Group will fully leverage its strengths and capabilities in building high-end properties and continue to publicize its international brand value and image, actively exploring opportunities for quality projects in Hong Kong.

Eyeing potential investment opportunities to foster new business growth points

We will continue to monitor market and industry changes and focus on new economic development opportunities. In line with the actual development needs of the Group, we will integrate resources and make prudent investments, seeking opportunities in new business breakthroughs and growth points.

FINANCIAL REVIEW

In 2022, the Group's consolidated revenue reached approximately HK\$3,667.2 million, increased by approximately 473.9% as compared with 2021. The loss attributable to equity shareholders of the Company for the year ended 31 December 2022 was approximately HK\$185.1 million, as compared to a profit attributable to the equity shareholders of the Company of approximately HK\$33.4 million recorded in the previous year. For the year ended 31 December 2022, the Group's basic and diluted loss per share of the Company (the "Share(s)") were approximately HK\$0.12 and HK\$0.12 respectively (for the year ended 31 December 2021: basic and diluted earnings per Share of approximately HK\$0.02 and HK\$0.02, respectively). Net assets per Share attributable to equity shareholders of the Company and the holders of perpetual subordinated convertible securities ("PCSs") decreased by approximately 10.4% from approximately HK\$6.7 as at 31 December 2021 to approximately HK\$6.0 as at 31 December 2022.

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 2022 (for the year ended 31 December 2021: HK1 cent per Share), subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

Revenue

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

Revenue for the year ended 31 December 2022 increased by approximately 473.9% to approximately HK\$3,667.2 million from approximately HK\$639.0 million for the year ended 31 December 2021. This increase was primarily due to the increase in the Group's income from sale of properties. During the year ended 31 December 2022, the Group recognised property sales of approximately HK\$3,139.9 million, representing approximately 85.6% of the total revenue. The Group recognised rental income of approximately HK\$223.2 million, representing approximately 6.1% of the total revenue. The Group recognised property management and related services income of approximately HK\$267.8 million, representing approximately 7.3% of the total revenue. The remaining approximately 1.0% of the total revenue of approximately HK\$36.3 million was income from education related services.

Revenue from the Group's sales of properties increased by 4,031.4% in 2022 as compared with 2021 primarily due to the increase in sale of properties and car park units in Hong Kong and Shenzhen.

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\$3,072.9 million for the year ended 31 December 2022 from approximately HK\$318.8 million for the year ended 31 December 2021. This increase was primarily attributable to the increase in the sales of properties for the year ended 31 December 2022.

Gross profit

The Group's gross profit increased by approximately 85.6% to approximately HK\$594.2 million for the year ended 31 December 2022 from approximately HK\$320.2 million for the year ended 31 December 2021. The Group reported a gross profit margin of approximately 16.2% for the year ended 31 December 2022 as compared with approximately 50.1% for the year ended 31 December 2021. The decrease in gross profit margin was mainly due to the lower gross profit margin of property sales when compared to other types of revenue, and in 2022, 85.6% of the Group's total revenue was derived from property sales.

Other revenue

Other revenue decreased by approximately HK\$5.8 million, or approximately 3.3%, to approximately HK\$169.7 million in 2022 from approximately HK\$175.5 million in 2021. The decrease was primarily attributable to a decrease in bank and other interest income.

Other net (loss)/income

Other net (loss)/income decreased significantly by approximately 101.7% to net loss of approximately HK\$3.8 million in 2022 from net income of approximately HK\$218.6 million in 2021, mainly due to the reversal of impairment on recovery of certain impaired receivables and the gain on disposal of subsidiaries in Hong Kong in 2021.

Selling and marketing expenses

Selling and marketing expenses increased by approximately 87.7% to approximately HK\$155.4 million for the year ended 31 December 2022 from approximately HK\$82.8 million for the year ended 31 December 2021.

The increase in selling and marketing expenses was primarily attributable to the increase in commission expenses incurred in 2022 as compared with 2021.

Administrative expenses

Administrative expenses decreased by approximately 22.4% to approximately HK\$258.1 million for the year ended 31 December 2022 from approximately HK\$332.8 million for the year ended 31 December 2021. The decrease was due to the decrease in staff costs incurred and legal and professional fees.

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

Valuation losses on investment properties and investment properties classified as held for sale increased by approximately 111.4% to approximately HK\$23.0 million for the year ended 31 December 2022 from valuation gains of approximately HK\$202.3 million for the year ended 31 December 2021. The turnaround from valuation gains to losses was primarily due to the lower rental rate in 2022.

Finance costs

Finance costs increased by approximately 10.1% to approximately HK\$324.3 million for the year ended 31 December 2022 from approximately HK\$294.5 million for the year ended 31 December 2021. The increase was primarily attributable to the decrease in capitalization of interest.

Income tax

Income tax expense decreased by approximately 21.5% to approximately HK\$110.6 million for the year ended 31 December 2022 from approximately HK\$140.9 million for the year ended 31 December 2021. The decrease was primarily attributable to the reversal of over-provision of CIT in respect of prior year.

Non-controlling interests

The gain attributable to non-controlling interests was approximately HK\$1.5 million for the year ended 31 December 2022 (for the year ended 31 December 2021: approximately HK\$13.3 million).

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 31 December 2022, the carrying amount of the Group's cash and bank deposits was approximately HK\$2,637.4 million (as at 31 December 2021: approximately HK\$3,939.4 million), representing a decrease of approximately 33.1% as compared with that as at 31 December 2021.

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 2022 of approximately HK\$7,712.4 million, of which approximately HK\$2,579.4 million is repayable within one year, approximately HK\$4,408.8 million is repayable after one year but within five years and approximately HK\$724.2 million is repayable after five years.

As at 31 December 2022, the Group's bank loans of approximately HK\$6,902.2 million (as at 31 December 2021: approximately HK\$8,670.0 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\$12,972.2 million (as at 31 December 2021: approximately HK\$15,720.6 million).

The carrying amounts of all the Group's bank and other borrowings were denominated in RMB except for certain borrowings with an aggregate amount of approximately HK\$2,141.8 million (as at 31 December 2021: approximately HK\$3,817.4 million) and HK\$979.3 million (as at 31 December 2021: approximately HK\$985.7 million) as at 31 December 2022 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 6.3% in 2022 (2021: approximately 6.0%).

As at 31 December 2022, the weighted average borrowing cost for the Group's existing borrowings was approximately 4.9% (2021: approximately 5.1%).

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 54.7% and 59.8% as at 31 December 2022 and 31 December 2021.

Foreign exchange risk

As at 31 December 2022, the Group had cash balances denominated in RMB of approximately RMB2,225.7 million (equivalent to approximately HK\$2,519.2 million), in US dollars of approximately US\$0.5 million (equivalent to approximately HK\$3.8 million) and in Australian dollars of approximately AUD\$2.3 million (equivalent to approximately HK\$12.4 million).

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

NET ASSETS PER SHARE

Net assets per Share of the Company as at 31 December 2022 and 2021 are calculated as follows:

	As at 31 December 2022	As at 31 December 2021
Net assets attributable to equity shareholders of the Company (<i>HK\$'000</i>)	9,223,880	10,302,826
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>)	6.0	6.7

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 2022 and 31 December 2021.

CONTINGENT LIABILITIES

As at 31 December 2022, save for the guarantees of approximately HK\$462.4 million (as at 31 December 2021: approximately HK\$862.0 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

The Group did not have any material acquisition or disposal of subsidiaries, associates or joint ventures from 1 January 2022 up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group employed a total of approximately 883 employees (as at 31 December 2021: 825 employees) in mainland China and Hong Kong, of which, approximately 55 were under the headquarters team, approximately 117 were under the property development division, approximately 706 were under the retail operation and property management division and approximately 5 were under the education division. For the year ended 31 December 2022, the total staff and related costs incurred was approximately HK\$238.6 million (for the year ended 31 December 2021: approximately HK\$247.1 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 post-IPO share option scheme during the year ended 31 December 2022 is as follows:

	Exercise price <i>HK\$ per Share</i>	As at 1 January 2022	Share options granted	Share options exercised	Share options cancelled	Share options lapsed	As at 31 December 2022
Post-IPO							
Lot 1	2.264	3,396,000	-	-	-	3,396,000	-
Lot 2	4.14	4,146,000	-	-	-	196,000	3,950,000
Lot 3	3.3	31,218,000	-	-	-	2,500,000	28,718,000
Lot 4	3.65	220,000	-	-	-	-	220,000
Lot 5	3.45	10,000,000	-	-	-	-	10,000,000
Lot 6	2.796	20,000,000	-	-	-	5,000,000	15,000,000
Total		68,980,000	-	-	-	11,092,000	57,888,000

Further information relating to the post-IPO share option scheme of the Company and the outstanding options will be set out in the 2022 annual report.

ANNUAL GENERAL MEETING

An annual general meeting (the “AGM”) of the Company is scheduled to be held on Tuesday, 23 May 2023, 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 2022 (for the year ended 31 December 2021: HK1 cent) 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, 1 June 2023. Upon approval by the shareholders of the Company at the AGM, it is expected that the final dividend will be payable on Thursday, 15 June 2023.

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, 18 May 2023 to Tuesday, 23 May 2023 (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 17, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Wednesday, 17 May 2023; 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, 10 May 2023.

The record date for such purposes is Tuesday, 23 May 2023.

- (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, 30 May 2023 to Thursday, 1 June 2023 (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 17, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Monday, 29 May 2023; 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, 22 May 2023.

The record date for such purposes is Thursday, 1 June 2023.

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 2022.

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 2022 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 2022, 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 2022 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 2022.

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 2022. 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 consolidated financial statements for the year ended 31 December 2022 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 KPMG.

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 2022 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, 28 March 2023

As at the date of this announcement, the executive Directors are Mr. WONG Chun Hong, Ms. LAM Mei Ka, Shirley and Mr. WONG Sze Yuen; 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.