



# 2014 INTERIM REPORT

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# Corporate Information

## DIRECTORS

### *Executive Directors*

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Jimmy Lo Chun To

(Vice Chairman and Managing Director)

Lo Po Man

(Vice Chairman)

Kenneth Wong Po Man

(Chief Operating Officer)

Kelvin Leung So Po

(Chief Financial Officer)

Daniel Bong Shu Yin

Kenneth Ng Kwai Kai

### *Non-Executive Director*

Francis Bong Shu Ying, OBE, JP

### *Independent Non-Executive Directors*

Judy Chen Qing, JP

Alice Kan Lai Kuen

Lee Choy Sang

David Li Ka Fai

Abraham Shek Lai Him, GBS, JP

## AUDIT COMMITTEE

David Li Ka Fai (Chairman)

Judy Chen Qing, JP

Alice Kan Lai Kuen

Lee Choy Sang

Abraham Shek Lai Him, GBS, JP

## REMUNERATION COMMITTEE

Alice Kan Lai Kuen (Chairman)

Lo Yuk Sui

Daniel Bong Shu Yin

Lee Choy Sang

David Li Ka Fai

## NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Daniel Bong Shu Yin

Alice Kan Lai Kuen

Lee Choy Sang

David Li Ka Fai

Abraham Shek Lai Him, GBS, JP

## SECRETARY

Eliza Lam Sau Fun

## AUDITORS

Ernst & Young

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Bank of Communications Co., Ltd., Hong Kong Branch

Industrial and Commercial Bank of China (Asia) Limited

Deutsche Bank A.G.

Standard Chartered Bank (Hong Kong) Limited

The Bank of East Asia, Limited

Australia and New Zealand Banking Group Limited

## SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wan Chai

Hong Kong

## REGISTERED OFFICE

P.O. Box 309, George Town

Grand Cayman, Cayman Islands

British West Indies

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street,

Causeway Bay, Hong Kong

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# Directors' Profile

**Mr. Lo Yuk Sui, aged 69; Chairman and Chief Executive Officer** — Appointed to the Board as an Executive Director in December 2013. Mr. Lo also acts as the Chairman and the Chief Executive Officer of the Company since December 2013. Mr. Lo has been the managing director and chairman of the respective predecessor listed companies of Century City International Holdings Limited (“CCIHL”) (the ultimate listed holding company of the Company), Paliburg Holdings Limited (“PHL”) (the immediate listed holding company of the Company) and Regal Hotels International Holdings Limited (“RHIHL”) (a listed subsidiary of CCIHL and PHL and of which the Company is a listed associate) since 1980s. He is also an executive director, the chairman and the chief executive officer of CCIHL, PHL and RHIHL and a non-executive director and the chairman of Regal Portfolio Management Limited (“RPML”), the manager of Regal Real Estate Investment Trust (the listed subsidiary of RHIHL). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

**Mr. Jimmy Lo Chun To, aged 40; Vice Chairman and Managing Director** — Appointed to the Board as an Executive Director in December 2013. Mr. Jimmy Lo also acts as a Vice Chairman and the Managing Director of the Company since December 2013. He is also an executive director and a vice chairman of CCIHL, an executive director, a vice chairman and the managing director of PHL, an executive director of RHIHL and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. He joined the Century City Group in 1998. Mr. Jimmy Lo is primarily involved in overseeing the property projects of the PHL group in the People’s Republic of China (“PRC”) and, in addition, undertakes responsibilities in the business development of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

**Miss Lo Po Man, aged 34; Vice Chairman and Executive Director** — Appointed to the Board as an Executive Director in December 2013. Miss Lo also acts as a Vice Chairman of the Company since December 2013. She is also an executive director and a vice chairman of CCIHL, an executive director of PHL, an executive director, a vice chairman and the managing director of RHIHL, and a non-executive director and the vice chairman of RPML. Miss Lo graduated from Duke University, North Carolina, the United States, with a Bachelor’s Degree in Psychology. Miss Lo joined the RHIHL Group in 2000 and is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing function of the RHIHL Group and also undertakes responsibilities in the business development of the Century City Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

**Mr. Kenneth Wong Po Man, aged 48; Executive Director and Chief Operating Officer** — Appointed to the Board in 2010 as a Non-Executive Director until re-designated as an Executive Director and the Chief Operating Officer in December 2013. Mr. Wong is a qualified architect. He graduated from The University of Hong Kong with a Bachelor of Arts Degree in Architectural Studies and a Bachelor’s Degree of Architecture. He also holds a Master of Science Degree in Real Estates from The University of Hong Kong. Mr. Wong has over 20 years of experience in architectural design and project management in respect of property development projects. Mr. Wong is also an executive director of PHL and a Technical Director of an engineering company which is registered under the Buildings Ordinance of Hong Kong.

## Directors' Profile (Cont'd)

**Mr. Kelvin Leung So Po**, aged 42; *Executive Director and Chief Financial Officer* — Appointed to the Board in 2008 as a Non-Executive Director until re-designated as an Executive Director and the Chief Financial Officer in December 2013. Mr. Leung holds a Bachelor's Degree in Business Administration and a Master of Laws Degree in Chinese Business Law both from The Chinese University of Hong Kong. He is a member of the American Institute of Certified Public Accountants. He has over 18 years of experience in accounting and corporate finance field. Mr. Leung is also an executive director of CCIHL. He has been with the Century City Group for over 16 years and is involved in the corporate finance function as well as in the China business division of the Century City Group.

**Mr. Daniel Bong Shu Yin**, aged 75; *Executive Director* — Appointed to the Board in 2006. Mr. Daniel Bong had also acted as the Chairman of the Company since 2006 until his resigning from this role when the board of the Company was reconstituted in December 2013. He is a qualified architect and has extensive experience in the property and hotel fields, both in Hong Kong and overseas. Mr. Daniel Bong had been involved in the management of several public listed companies in Hong Kong, including CCIHL, PHL and RHIHL and their respective predecessor listed companies. Mr. Daniel Bong was also the deputy chairman of RHIHL until 1999 when he retired from his executive role to pursue his personal interests and investments. He is the brother of Mr. Francis Bong Shu Ying.

**Mr. Kenneth Ng Kwai Kai**, aged 59; *Executive Director* — Appointed to the Board in 2008 as a Non-Executive Director until re-designated as an Executive Director in December 2013. Mr. Ng is a Chartered Secretary. He is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. Mr. Ng is also an executive director and the chief operating officer of CCIHL, an executive director of PHL and RHIHL, and a non-executive director of RPML.

**Mr. Francis Bong Shu Ying, OBE, JP**, aged 72; *Non-Executive Director* — Appointed to the Board in 2006. Mr. Francis Bong was a director of AECOM Technology Corporation, a company incorporated in the United States and listed on the New York Stock Exchange, until he recently retired from it. Mr. Francis Bong holds a Bachelor's Degree of Science in Engineering from The University of Hong Kong and is currently the Chairman of the Hong Kong University Engineering Advisory Committee. He is a former president of the Hong Kong Institution of Engineers, a former president of the Hong Kong Academy of Engineering Sciences and a fellow member of the Institution of Civil Engineers and The Institution of Structural Engineers in the United Kingdom. Mr. Francis Bong is also an independent non-executive director of China Merchants Holdings (International) Company Limited, a company listed on the main board of the Stock Exchange. He is the brother of Mr. Daniel Bong Shu Yin.

**Ms. Judy Chen Qing, JP, aged 43; Independent Non-Executive Director** — Invited to the Board as an Independent Non-Executive Director in December 2013. Ms. Chen serves as the Chairman of the Hong Kong Committee for United Nations Children's Fund ("UNICEF HK") and the Foundation Chair of Ocean Park Conservation Foundation Hong Kong ("OPCF HK"). She received her higher education from China and the United States – Beijing University of Aeronautics & Astronautics; Menlo College and Harvard Business School. She has also been appointed by the Under-Secretary-General of the United Nations to serve as Standing Member of the Development Cooperation Forum. Before joining UNICEF HK and OPCF HK, Ms. Chen held senior positions in multinational companies. Besides chairing the UNICEF HK and OPCF HK, Ms. Chen is also actively working in the social service areas in Mainland China and Hong Kong.

**Ms. Alice Kan Lai Kuen, aged 59; Independent Non-Executive Director** — Invited to the Board as an Independent Non-Executive Director in December 2013. She is also an independent non-executive director of RHIHL. Ms. Kan is a shareholder and the managing director of Asia Investment Management Limited providing corporate advisory and investment management services and Asia Investment Research Limited involving in research work in Hong Kong and China based companies. She is a licensed investment adviser under the Securities and Futures Ordinance of Hong Kong and a responsible officer of Asia Investment Management Limited, Asia Investment Research Limited and Lotus Asset Management Limited. She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is also an independent non-executive director of China Engine International (Holdings) Limited, Shima Property Holdings Limited and Shougang Concord International Enterprises Company Limited, all of which are companies listed on the Stock Exchange, and an independent director of AVIC International Maritime Holdings Limited, a company listed on Singapore Exchange Securities Trading Limited.

**Mr. Lee Choy Sang, aged 77; Independent Non-Executive Director** — Invited to the Board as an Independent Non-Executive Director in 2006. Mr. Lee has been involved in the construction industry for over 40 years. He obtained his Bachelor of Architecture Degree in The University of Hong Kong. Mr. Lee was a member of the Royal Institute of British Architects, the Royal Australian Institute of Architects and the Hong Kong Institute of Architects. He was also a registered architect in Hong Kong. He is a member of the Hong Kong Housing Society. Mr. Lee is currently a director of Silver Force (Consultants) Limited and Brilliant Force International China Heating Supply Holdings Company Limited, and is in charge of various projects in respect of the provision of services relating to energy supply and management in different regions, including Hong Kong and the PRC.

## Directors' Profile (Cont'd)

**Mr. David Li Ka Fai**, aged 59; *Independent Non-Executive Director* — Invited to the Board as an Independent Non-Executive Director in 2006. Mr. Li is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is also a fellow of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, UK as well as The Institute of Chartered Secretaries and Administrators, UK and an associate member of The Institute of Chartered Accountants in England and Wales. He is an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee and the nomination committee of Goldlion Holdings Limited, an independent non-executive director and the chairman of the audit committee of China-Hongkong Photo Products Holdings Limited, an independent non-executive director, a member of the audit committee, the chairman of the remuneration committee and a member of the nomination committee of China Merchants Holdings (International) Company Limited and an independent non-executive director, a member of the audit committee and the remuneration committee of AVIC International Holding (HK) Limited, and an independent non-executive director and the chairman of the audit committee of Shanghai Industrial Urban Development Group Limited, all of which companies are listed on the main board of the Stock Exchange.

**Hon Abraham Shek Lai Him**, *GBS, JP*, aged 69; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in December 2013. He is also an independent non-executive director of PHL and RPML. Mr. Shek holds a Bachelor's Degree of Arts. He is currently a member of the Legislative Council of the Hong Kong Special Administrative Region. He is also a Member of the Court of The Hong Kong University of Science and Technology, Member of both of the Court and the Council of The University of Hong Kong, Director of The Hong Kong Mortgage Corporation Limited and Vice Chairman of Independent Police Complaints Council. Mr. Shek is the chairman and an independent non-executive director of Chuang's China Investments Limited, the vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited, an independent non-executive director and a member of the audit committee of China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Country Garden Holdings Company Limited, Dorsett Hospitality International Limited, ITC Corporation Limited, Lifestyle International Holdings Limited, Midas International Holdings Limited, NWS Holdings Limited and SJM Holdings Limited, and an independent non-executive director of Hop Hing Group Holdings Limited, Lai Fung Holdings Limited and MTR Corporation Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange).

# Chairman's Statement

Dear shareholders,

I am pleased to present herewith the Interim Report of the Company for the half year ended 30th June, 2014.

## FINANCIAL RESULTS

As the Company changed its financial year end date from 31st March to 31st December, beginning from the nine months ended 31st December, 2013, the financial statements of the Company herein presented are for the six months ended 30th June, 2014, with comparatives based on those for the six months ended 30th September, 2013 (as restated).

For the six months ended 30th June, 2014, the Group recorded an unaudited consolidated loss of HK\$78.1 million, as compared to the consolidated loss of HK\$45.3 million (as restated) for the six months ended 30th September, 2013. The loss incurred for the period under review was largely attributable to the non-capitalised interest accruing on the consideration payable for the development project in Chengdu acquired in September 2013.

## BUSINESS OVERVIEW

Since the Company became a listed subsidiary of Paliburg Holdings Limited and, in turn, of Century City International Holdings Limited in September 2013, the business activities of the Group have mainly been focused on property investment and development in the People's Republic of China, investment in financial assets and other investments.

With a view to further strengthening the financial position of the Group, the Company proposed in April 2014, in conjunction with a share consolidation on the basis that every ten then existing ordinary shares would be consolidated into one consolidated ordinary share, an open offer of new consolidated ordinary shares and/or convertible preference shares and the proposed issue of convertible bonds and optional convertible bonds. Details of these proposals were set out in a joint announcement dated 30th April, 2014 and in the circular to shareholders of the Company dated 20th June, 2014. At an extraordinary general meeting of the Company held on 14th July, 2014, the proposal for the share consolidation was approved by the shareholders, and the open offer and the issue of convertible bonds and optional convertible bonds were approved by the independent shareholders of the Company. The share consolidation has also since become effective on 15th July, 2014.

The open offer was proposed on the basis of an assured entitlement of two new consolidated ordinary shares or convertible preference shares for every one consolidated ordinary share held by shareholders of the Company on the record date of 21st July, 2014, other than the excluded overseas shareholders, at a subscription price of HK\$0.1 per new consolidated ordinary share or convertible preference share. Under the open offer, an aggregate of approximately 4,397.6 million new consolidated ordinary shares and/or convertible preference shares will be issued, raising for the Company new equity proceeds in a gross amount of approximately HK\$439.8 million, which are intended to be used for the subscription of additional capital in two subsidiaries of the Group incorporated in the PRC and for general working capital purposes. The convertible preference shares carry substantially the same rights as those of the ordinary shares of the Company, except that they will not confer to their holders the right to vote at general meetings of the Company, and have been created for election by shareholders in lieu of ordinary shares under the open offer to ensure the maintenance of sufficient public float by the Company.



## Chairman's Statement (Cont'd)

The open offer has been underwritten by a wholly owned subsidiary of P&R Holdings Limited, which is the immediate controlling shareholder of the Company and a subsidiary of Paliburg. P&R Holdings has also undertaken to the Company and the underwriter that it will subscribe for its assured entitlement of approximately 2,969.0 million new consolidated ordinary shares and/or convertible preference shares. Under the present timetable, the latest time for acceptance of and payment for the assured entitlement and excess application under the open offer is 4:00 p.m. on 7th August, 2014. Full information about the open offer was contained in the prospectus of the Company dated 24th July, 2014, which has been despatched together with the relevant application forms to all qualifying shareholders of the Company.

On 30th April, 2014, the Company also entered into a Subscription Agreement with P&R Holdings, pursuant to which P&R Holdings will procure its wholly owned subsidiary to subscribe for convertible bonds of the Company in the principal amount of HK\$500 million and P&R Holdings will also be entitled to an option to subscribe for optional convertible bonds of the Company up to an aggregate principal amount of HK\$500 million. Completion of this subscription agreement is now only conditional upon the closing of the open offer. The proceeds to be raised from the issue of the convertible bonds, which carry coupon interest at 2.5% per annum, will be applied as to HK\$200 million to repay the outstanding amount under a standby facility from Paliburg, which currently bears interest at around 7% per annum and as to HK\$300 million to partially pay down the consideration payable to P&R Holdings which accrues interest at 5% per annum. Detailed information on the other terms and conditions of the convertible bonds and optional convertible bonds was contained in the circular of the Company dated 20th June, 2014.

### PROPERTIES

All the property projects that the Group is presently undertaking are in Mainland China. These include the two large-scale composite development projects in Chengdu and Tianjin, which were acquired by the Group in September 2013 and are being developed in stages, and a re-forestation and land grant project in Urumqi, Xinjiang Uygur Autonomous Region that the Group has engaged in since 2008. Moreover, the Group is continuing its negotiations with the relevant parties with regard to the two proposed projects in Wuxi and Tongzhou, as announced earlier. Further detailed information on these projects is contained in the section headed "Management Discussion and Analysis" in this Interim Report.

### FINANCIAL ASSETS AND OTHER INVESTMENTS

The investment in financial assets and other investments will continue to be an integral part of the Group's principal business activities, though the level of activities and the size of the funds committed in this business sphere have relatively reduced. The Group will review from time to time any appropriate investment opportunities that could serve to complement and widen its income base.

### OUTLOOK

The economy in China is continuing to grow, though at a slower pace, and the Group is optimistic that the property market in China in the long term will continue to prosper. The presale of the residential units in the three residential towers included in the first stage of the Chengdu Project is expected to be launched in the fourth quarter of this year and the presale and/or sale of the other components in the Chengdu Project as well as the Tianjin Project are planned for 2015 and onwards. The Directors anticipate that when the projects presently undertaken by the Group are completed and sold, significant revenues and profits will be generated for the Group over the coming years.

### LO YUK SUI

Chairman

Hong Kong  
4th August, 2014

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group is principally engaged in property investment and development, investment in financial assets and other investments.

The performance of the Group's property and other investment businesses during the period under review, their operating performance and future prospects are contained in the preceding Chairman's Statement.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the sections headed "Business Overview" and "Outlook" in the preceding Chairman's Statement and in this section.

A brief review on the property projects currently undertaken by the Group is set out below.

### Property Development

#### *Chengdu Project*

This property development project is located in Chengdu, Sichuan Province, the PRC. It is a mixed use development project consisting of hotel, commercial, office, service apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres, and the project is being developed in stages spanning over a period to 2017. The first stage of the development, which includes a hotel with 306 hotel rooms and extensive facilities and three residential towers with about 340 residential units with car parking spaces and ancillary commercial accommodation, is expected to be completed in 2015. Presale of these residential units included in the first stage is anticipated to be launched in the fourth quarter of 2014.

#### *Tianjin Project*

Located in Tianjin, the PRC, this property development project entails a development site with total site area of about 31,700 square metres, which is presently planned to include commercial, office, hotel and residential components with total gross floor area of about 145,000 square metres. The piling works for the project have already been completed and the entire development is anticipated to be completed in stages before the end of 2017.

#### *Xinjiang Project*

The Group is engaged in a re-forestation and land grant project for a land parcel with site area of about 7,600 mu in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region, the PRC. The Group has re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site will be available for commercial development after the requisite inspection, land grant listing and tender procedures are completed. The inspection and measurement of the reforested area by the relevant government authorities are already in progress. It is hoped that the final procedures leading to the land grant listing and tender of the development land would be concluded as soon as practicable. Should the Group successfully secure the development land and depending on the permitted land use, the Group preliminarily plans to develop in stages on the land a large scale mixed use development comprising residential, hotel, recreational and commercial properties. The Company has recently applied for an increase of US\$10 million in the registered capital of the wholly owned subsidiary engaged in the Xinjiang Project and the requisite approval has been obtained from the relevant government authorities.

### *Wuxi Project*

With a view to expanding the Group's property portfolio and business coverage in the PRC, the Group entered into in October 2013 a Co-operation Agreement for Business and Investment Encouragement with Wuxi Huishan District People's Government and Wuxi Metro Xizhang Area Commission for a parcel of land of about 937 mu (equivalent to approximately 624,700 square metres) located in Huishan District, Wuxi, Jiangsu Province, the PRC. The Co-operation Agreement for the Wuxi Project is subject to certain terms to be agreed by the parties within six months of the date of the agreement. As at the date of this report, the Group has not reached agreement in respect of certain terms with Wuxi Huishan District People's Government and Wuxi Metro Xizhang Area Commission. The Group is continuing its negotiations with the relevant parties on the outstanding terms under the Co-operation Agreement.

### **Property Investment**

#### *Beijing Tongzhou Project*

A wholly owned subsidiary of the Company established in Beijing, the PRC, has entered into an agreement in February 2014 to subscribe for 82.5% equity interest in a company which is involved in a primary development project located in Tongzhou District, Beijing, the PRC. The principal purpose of the project is to develop buildings for the purposes of housing resettlement under PRC government policies. The total site area planned to be developed under the project is approximately 181,000 square metres and the planned above-ground construction area is approximately 412,000 square metres. The Group's investment in the Tongzhou Project, if concluded, is expected to generate returns on satisfactory terms, which will have support from the PRC government. Moreover, the undertaking of the project is also expected to strengthen the Group's experience in the management of primary land development projects and foster its relationship with the PRC government authorities in furtherance of its future strategic business development in the PRC. The Group has recently applied for an increase of approximately RMB200 million in the registered capital of the Beijing subsidiary, with a view to strengthening the capital base of the Beijing subsidiary for potential investment in other property development and investment projects in the PRC. In the meantime, the Beijing subsidiary is negotiating a supplemental agreement with the relevant party to further agree on the timing and conditions for the Beijing subsidiary to complete the subscription of equity interest in the aforesaid investee company.

## **FINANCIAL REVIEW**

### **CAPITAL RESOURCES AND FUNDING**

#### **Funding and Treasury Policy**

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash balances are mostly placed on bank deposits, and treasury and yield enhancement products are deployed when circumstances are considered to be appropriate.

The acquisition of the two ongoing development projects in the PRC has been financed by the vendors by way of deferred payment of the considerations payable for a period of 3 years, subject to the terms of the relevant sale and purchase agreements. Construction and related costs for the property projects are principally financed by internal resources. Project financing may be arranged on appropriate terms and will normally be in the local currency to cover a portion of the land cost and/or the construction cost, with the loan maturity matching with the estimated project completion date.

# Management Discussion and Analysis (Cont'd)

## Cash Flow

Net cash flows used in operating activities during the period under review amounted to HK\$118.1 million (six months ended 30th September, 2013 - HK\$31.0 million). Interest payment for the period amounted to approximately HK\$3.0 million (six months ended 30th September, 2013 - HK\$0.1 million).

## Borrowings and Gearing

As at 30th June, 2014, the Group had cash and bank balances and deposits net of bank and other borrowings of HK\$277.7 million (31st December, 2013 - HK\$389.1 million).

As at 30th June, 2014, excluding the considerations payable to the vendors for the acquisition of the property projects, the Group had net cash balance of HK\$277.7 million and therefore no gearing (31st December, 2013 - no gearing).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2014 are shown in note 10 to the condensed consolidated financial statements.

## Pledge of Assets

As at 30th June, 2014, part of the Group's time deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$28.2 million (31st December, 2013 - HK\$37.5 million) were pledged to secure general banking facilities granted to the Group.

In addition, the Group's equity interests in the relevant holding companies of the Group's properties under development were pledged to secure the other payables under non-current liabilities in respect of the acquisition of property development projects in the prior year.

The above details of the pledge of assets of the Group are also shown in note 15 to the condensed consolidated financial statements.

## Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2014 are shown in note 17 to the condensed consolidated financial statements.

## Contingent Liabilities

The Group had no contingent liability as at 30th June, 2014.

## Share Capital

During the period under review, there was no change in the share capital of the Company.

Subsequent to the reporting period, every ten (10) issued and unissued ordinary shares of par value HK\$0.0002 each in the share capital of the Company were consolidated into one (1) ordinary share of par value HK\$0.002 ("Consolidated Share(s)") in the share capital of the Company with effect from 15th July, 2014 (the "Share Consolidation"), pursuant to an ordinary resolution passed by the shareholders of the Company at its extraordinary general meeting held on 14th July, 2014 (the "EGM").

Pursuant to a special resolution passed by the shareholders of the Company at the EGM, 4,397,609,522 unissued Consolidated Shares have been re-designated as 4,397,609,522 unissued non-voting non-redeemable convertible preference shares of par value HK\$0.002 each ("Convertible Preference Shares") subject to the relevant rights and terms incorporated in the articles of association of the Company by virtue of such special resolution with effect from 15th July, 2014.

As a result, the authorised share capital of the Company has since then been changed to HK\$250,000,000 divided into 120,602,390,478 Consolidated Shares and 4,397,609,522 Convertible Preference Shares.

Details of the Share Consolidation, the creation of the Convertible Preference Shares, and the proposals relating to the open offer of new Consolidated Shares and Convertible Preference Shares and the issue of the convertible bonds and the optional convertible bonds as reported in the preceding Chairman's Statement were set out in the circular and/or the prospectus of the Company dated 20th June, 2014 and 24th July, 2014, respectively.

### **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES**

During the period under review, there were no material acquisitions or disposals of subsidiaries or associates of the Company.

### **STAFF AND REMUNERATION POLICY**

The Group employs approximately 120 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include a mandatory provident fund scheme as well as medical and life insurance.

# Condensed Consolidated Statement of Profit or Loss

		Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th September, 2013 (Unaudited and restated)
	Notes	HK\$'000	HK\$'000
REVENUE	2, 3	(529)	3,383
Cost of sales		—	(80)
Gross profit/(loss)		(529)	3,303
Other income	3	1,460	1,583
Fair value losses on financial assets at fair value through profit or loss, net		(5,725)	(2,770)
Fair value gain on derivative financial instruments		—	3,218
Administrative expenses		(37,313)	(13,723)
OPERATING LOSS BEFORE DEPRECIATION		(42,107)	(8,389)
Depreciation		(511)	(163)
OPERATING LOSS	2	(42,618)	(8,552)
Finance costs	4	(50,195)	(66,974)
Share of profit of a joint venture		14,761	30,190
LOSS FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		(78,052)	(45,336)
Attributable to:			
Equity holders of the parent		(78,052)	(45,336)
Non-controlling interests		—	—
		(78,052)	(45,336)
		(Unaudited)	(Unaudited and restated)
LOSS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted		HK(3.55) cents	HK(3.59) cents

# Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2014  (Unaudited)  HK\$'000	Six months ended 30th September, 2013  (Unaudited and restated)  HK\$'000
LOSS FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	(78,052)	(45,336)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	(54,280)	(1,403)
Share of other comprehensive loss of a joint venture	—	(2,232)
Other comprehensive loss for the period	(54,280)	(3,635)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(132,332)</u>	<u>(48,971)</u>
Attributable to:		
Equity holders of the parent	(132,332)	(48,971)
Non-controlling interests	—	—
	<u>(132,332)</u>	<u>(48,971)</u>



# Condensed Consolidated Statement of Financial Position

		30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		7,986	3,555
Properties under development		1,304,699	1,308,632
Investment in a joint venture		590,352	575,591
Goodwill		234,522	228,310
Prepayments	8	63,545	58,115
Total non-current assets		<u>2,201,104</u>	<u>2,174,203</u>
<b>CURRENT ASSETS</b>			
Properties under development		2,284,157	2,204,292
Debtors, deposits and prepayments	8	16,772	11,366
Held-to-maturity investments		21,208	40,925
Financial assets at fair value through profit or loss		102,665	116,045
Tax recoverable		–	2,208
Pledged time deposits and bank balances		7,107	1,721
Time deposits		–	141,567
Cash and bank balances		486,826	258,007
Total current assets		<u>2,918,735</u>	<u>2,776,131</u>
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	9	(116,926)	(93,764)
Deposits received		(2,536)	(6,756)
Interest bearing bank borrowings	10	(16,212)	(12,212)
Other borrowings	11	(200,000)	–
Tax payable		(837)	(837)
Total current liabilities		<u>(336,511)</u>	<u>(113,569)</u>
NET CURRENT ASSETS		<u>2,582,224</u>	<u>2,662,562</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,783,328</u>	<u>4,836,765</u>

## Condensed Consolidated Statement of Financial Position (Cont'd)

		30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Other payables	9	(3,308,306)	(3,229,411)
Deferred tax liabilities		(362,536)	(362,536)
Total non-current liabilities		<u>(3,670,842)</u>	<u>(3,591,947)</u>
Net assets		<u>1,112,486</u>	<u>1,244,818</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		4,398	4,398
Reserves		1,108,062	1,240,394
		<u>1,112,460</u>	<u>1,244,792</u>
<b>Non-controlling interests</b>		<u>26</u>	<u>26</u>
Total equity		<u>1,112,486</u>	<u>1,244,818</u>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2014

	Attributable to equity holders of the parent										
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Exchange equalisation reserve (Unaudited) HK\$'000	Contributed surplus* (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1st January, 2014	4,398	974,859	209	1,018	17,096	26,801	(1,076)	221,487	1,244,792	26	1,244,818
Loss for the period	-	-	-	-	-	-	-	(78,052)	(78,052)	-	(78,052)
Other comprehensive loss for the period:											
Exchange differences on translating foreign operations	-	-	-	-	(54,280)	-	-	-	(54,280)	-	(54,280)
Total comprehensive loss for the period	-	-	-	-	(54,280)	-	-	(78,052)	(132,332)	-	(132,332)
At 30th June, 2014	4,398	974,859*	209*	1,018*	(37,184)*	26,801*	(1,076)*	143,435*	1,112,460	26	1,112,486

# Condensed Consolidated Statement of Changes in Equity (Cont'd)

For the six months ended 30th June, 2014

	Attributable to equity holders of the parent											
	Issued capital (Unaudited and restated) HK\$'000	Share premium account (Unaudited and restated) HK\$'000	Capital redemption reserve (Unaudited and restated) HK\$'000	Capital reserve (Unaudited and restated) HK\$'000	Exchange equalisation reserve (Unaudited and restated) HK\$'000	Contributed surplus (Unaudited and restated) HK\$'000	Equity component of convertible bonds (Unaudited and restated) HK\$'000	Other reserve (Unaudited and restated) HK\$'000	Retained profits (Unaudited and restated) HK\$'000	Total (Unaudited and restated) HK\$'000	Non-controlling interests (Unaudited and restated) HK\$'000	Total equity (Unaudited and restated) HK\$'000
At 1st April, 2013												
As previously reported	2,357	202,769	209	1,018	2,206	26,801	24,739	(1,076)	343,670	602,693	26	602,719
Prior year adjustments	-	71,048	-	-	-	-	(24,739)	-	(33,972)	12,337	-	12,337
As restated	2,357	273,817	209	1,018	2,206	26,801	-	(1,076)	309,698	615,030	26	615,056
Loss for the period	-	-	-	-	-	-	-	-	(45,336)	(45,336)	-	(45,336)
Other comprehensive loss for the period:												
Exchange differences on translating foreign operations	-	-	-	-	(1,403)	-	-	-	-	(1,403)	-	(1,403)
Share of other comprehensive loss of a joint venture	-	-	-	-	(2,232)	-	-	-	-	(2,232)	-	(2,232)
Total comprehensive loss for the period	-	-	-	-	(3,635)	-	-	-	(45,336)	(48,971)	-	(48,971)
Conversion of convertible bonds	2,041	694,029	-	-	-	-	-	-	-	696,070	-	696,070
30th September, 2013	4,398	967,846*	209*	1,018*	(1,429)*	26,801*	-	(1,076)*	264,362*	1,262,129	26	1,262,155

\* These reserve accounts comprise the consolidated reserves of HK\$1,108,062,000 (30th September, 2013 - HK\$1,257,731,000, as restated) in the condensed consolidated statement of financial position.

# The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Group's reorganisation in 1991, net of subsequent distributions therefor. Under the Companies Law of the Cayman Islands, the contributed surplus is distributable under certain specific circumstances.

Note:

(a) On 16th September, 2013, the convertible bonds in the principal amount of HK\$205,000,000 ("CB2010") and the convertible bonds in the principal amount of HK\$200,000,000 ("CB2013"), with respective aggregate principal amounts of HK\$141,450,000 and HK\$400,000,000 were converted into 3,536,250,000 and 6,666,666,664 new ordinary shares of the Company at conversion prices of HK\$0.04 and HK\$0.06 per share, respectively, giving rise to an additional issued capital of HK\$2,041,000 and share premium of HK\$694,029,000, respectively.

# Condensed Consolidated Statement of Cash Flows

		Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th September, 2013 (Unaudited and restated)
	Notes	HK\$'000	HK\$'000
Net cash flows used in operating activities		(118,062)	(31,041)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries	12	(8,271)	35,129
Purchases of held-to-maturity investments		–	(16,094)
Proceeds from redemption of held-to-maturity investments		19,717	10,353
Advances to a joint venture		–	(1,137)
Interest and dividend received		6,606	3,122
Purchases of items of property, plant and equipment		(2,442)	(319)
Disposal of subsidiaries	13	–	(118)
Decrease in pledged time deposits and bank balances		(5,386)	(1,177)
Net cash flows from investing activities		10,224	29,759
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of convertible bonds		–	200,000
Drawdown of a new bank loan		4,000	–
Drawdown of other borrowings		200,000	–
Interest paid		(2,997)	(80)
Net cash flows from financing activities		201,003	199,920
NET INCREASE IN CASH AND CASH EQUIVALENTS		93,165	198,638
Cash and cash equivalents at beginning of period		399,574	223,837
Effect of foreign exchange rate changes, net		(5,913)	(1,244)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		486,826	421,231
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		486,826	266,550
Non-pledged time deposits with original maturity of less than three months when acquired		–	154,681
		486,826	421,231

# Notes to Condensed Consolidated Financial Statements

## 1. Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

Pursuant to a resolution of the Board of Directors passed on 21st January, 2014, the Company’s financial year end date was changed from 31st March to 31st December in order to align with that of the parent companies. Accordingly, the current financial period covers the six months ended 30th June, 2014. The comparative figures cover a six-month period from 1st April, 2013 to 30th September, 2013, which may not be comparable with the amounts shown for the current period.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the nine months ended 31st December, 2013, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which are effective for the Group’s annual periods beginning on or after 1st January, 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> – <i>Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> – <i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

Except as described below, the adoption of these new and revised HKFRSs has had no significant financial effect on the Group’s results of operation and financial position:

- (a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The adoption of these amendments has had no effect on the Group as the Company is not an investment entity as defined in HKFRS 10.
- (b) The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The adoption of these amendments has had no effect on the financial position or performance of the Group.

### 2. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the property development and investment segment comprises the development and sale of properties and the leasing of properties; and
- (b) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that certain interest income, finance costs and corporate gains and expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

The following table presents revenue and loss information for the Group's operating segments:

### GROUP

	Property development and investment		Financial assets investments		Consolidated	
	Six months ended 30th June, 2014  (Unaudited) HK\$'000	Six months ended 30th September, 2013  (Unaudited and restated) HK\$'000	Six months ended 30th June, 2014  (Unaudited) HK\$'000	Six months ended 30th September, 2013  (Unaudited and restated) HK\$'000	Six months ended 30th June, 2014  (Unaudited) HK\$'000	Six months ended 30th September, 2013  (Unaudited and restated) HK\$'000
Segment revenue:						
Sales to external customers	-	424	(529)	2,959	(529)	3,383
Segment results before depreciation	(19,411)	(6,477)	(5,841)	3,447	(25,252)	(3,030)
Depreciation	(495)	(142)	-	-	(495)	(142)
Segment results	(19,906)	(6,619)	(5,841)	3,447	(25,747)	(3,172)
Unallocated interest income and unallocated non-operating and corporate gains					1,039	1,497
Unallocated non-operating and corporate expenses					(17,910)	(6,877)
Operating loss					(42,618)	(8,552)
Finance costs	(44,859)	(7,413)	-	-	(44,859)	(7,413)
Unallocated finance costs					(5,336)	(59,561)
Share of profit of a joint venture	14,761	30,190	-	-	14,761	30,190
Loss for the period before allocation between equity holders of the parent and non-controlling interests					(78,052)	(45,336)
Attributable to:						
Equity holders of the parent					(78,052)	(45,336)
Non-controlling interests					-	-
					(78,052)	(45,336)



## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 3. Revenue and Other Income

Revenue (which is also the Group's turnover) and other income are analysed as follows:

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th September, 2013 (Unaudited and restated)
	HK\$'000	HK\$'000
<u>Revenue</u>		
Rental income from investment properties	–	424
Loss from sale/settlement of financial assets at fair value through profit or loss, net	<b>(4,970)</b>	–
Dividend income from listed investments	<b>1,266</b>	2,393
Interest income from corporate bonds	<b>3,175</b>	566
	<b>(529)</b>	3,383
<u>Other income</u>		
Interest income from:		
Bank balances	<b>866</b>	1,317
Held-to-maturity investments	<b>421</b>	86
Others	<b>173</b>	180
	<b>1,460</b>	1,583

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 4. Finance Costs

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th September, 2013 (Unaudited and restated)
	HK\$'000	HK\$'000
Imputed interest expenses on convertible bonds	–	59,481
Interest on bank loans wholly repayable within five years	254	80
Interest on other borrowings wholly repayable within five years	5,082	–
Interest on other payables wholly repayable within five years	78,895	7,413
	<b>84,231</b>	66,974
Less: Finance costs capitalised	<b>(34,036)</b>	–
	<b>50,195</b>	66,974

### 5. Income Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30th June, 2014 (six months ended 30th September, 2013 - Nil).

Taxes on the profits of subsidiaries operating overseas are calculated at the rates prevailing in the respective jurisdictions in which they operate.

No provision for tax was required for the joint venture as no assessable profits were earned by the joint venture during the six months ended 30th June, 2014 and 30th September, 2013.

### 6. Dividend

No dividend was paid or proposed during the six months ended 30th June, 2014, nor has any dividend been proposed since the end of the reporting period (six months ended 30th September, 2013 - Nil).

### 7. Loss Per Ordinary Share Attributable to Equity Holders of the Parent

#### (a) Basic loss per ordinary share

The calculation of basic loss per ordinary share is based on the loss for the period attributable to equity holders of the parent of HK\$78.1 million (six months ended 30th September, 2013 - HK\$45.3 million, as restated) and on the weighted average of 2,198,805,000 (six months ended 30th September, 2013 - 1,262,144,000, as restated) ordinary shares of the Company in issue during the six months ended 30th June, 2014, as adjusted to reflect the share consolidation subsequent to the end of the reporting period. The basic loss per share amount for the six months ended 30th September, 2013 has also been adjusted to reflect the share consolidation subsequent to the end of the reporting period.

#### (b) Diluted loss per ordinary share

No adjustment has been made to the loss per share amount presented for the six months ended 30th June, 2014, as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the period.

No adjustment had been made to the loss per share amount presented for the six months ended 30th September, 2013 in respect of the convertible bonds that were fully converted during that period as the impact of the convertible bonds had an anti-dilutive effect on the loss per share amount presented.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 8. Debtors, Deposits and Prepayments

	Note	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
		HK\$'000	HK\$'000
Non-current asset			
Prepayments	(a)	<u>63,545</u>	<u>58,115</u>
Current assets			
Prepayments		1,910	443
Deposits		3,185	2,078
Other receivables		<u>11,677</u>	<u>8,845</u>
		<u><b>16,772</b></u>	<u><b>11,366</b></u>

None of the above assets is either past due or impaired. The financial assets included in above balances related to deposits and other receivables for which there was no recent history of default.

Note:

- (a) The amount related to the costs incurred in relation to a re-forestation project in Urumqi, Xinjiang Uygur Autonomous Region, the People's Republic of China (the "PRC"). In previous years, the Group had entered into contracts with the relevant PRC government authorities that upon the agreed completion (and had been certified by the relevant government authorities) of re-forestation works in respect of that land, as well as the completion of the land listing and tender procedures in accordance with the relevant rules and regulations, the Group shall be either entitled to the land use right of 30% of the overall project area of such land for development purpose or reimbursed for all the costs incurred in the re-forestation project, in accordance with applicable rules and regulations.

In the prior year, the Group completed the milestones required by the relevant PRC government authorities, and obtained affirmations to confirm the fulfillments of the conditions agreed with the relevant rules and regulations. As such, based on the legal opinion obtained, the Directors of the Company are of the opinion that costs incurred for the re-forestation works are fully recoverable in future in accordance with applicable rules and regulations.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 9. Creditors and Accruals and Other Payables

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'000	HK\$'000
Current liabilities		
Creditors	74,662	56,845
Accruals	5,246	4,780
Due to fellow subsidiaries	37,018	32,139
	<u>116,926</u>	<u>93,764</u>
Non-current liabilities		
Other payables:		
Due to an intermediate holding company	642,882	627,551
Due to a fellow subsidiary	1,427,243	1,393,207
Due to a joint venture	1,238,181	1,208,653
	<u>3,308,306</u>	<u>3,229,411</u>

The balances due to fellow subsidiaries included in current liabilities are unsecured, interest-free and have no fixed terms of repayment.

Other payables under non-current liabilities represented balances due to an intermediate holding company, a fellow subsidiary and a joint venture, which are secured by the pledge over the equity interests in the relevant holding companies of the Group's properties under development, bear interest at 5% per annum and are repayable within three years from 13th September, 2013.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 10. Interest Bearing Bank Borrowings

	30th June, 2014 (Unaudited)		31st December, 2013 (Audited)	
	Maturity	HK\$'000	Maturity	HK\$'000
Current				
Bank loan – secured	2014	<u>16,212</u>	2013	<u>12,212</u>
Analysed into:				
Bank loan repayable within one year or on demand		<u>16,212</u>		<u>12,212</u>

The Group's facilities amounting to HK\$73,256,000 (31st December, 2013 - HK\$73,400,000), of which HK\$16,212,000 (31st December, 2013 - HK\$12,212,000) has been utilised at the end of the reporting period, are secured by the pledge of certain of the Group's time deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments amounting to HK\$28,238,000 (31st December, 2013 - HK\$37,540,000) in aggregate.

### 11. Other Borrowings

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'000	HK\$'000
Current		
Unsecured other borrowings repayable within one year	<u>200,000</u>	<u>–</u>

The Group's other borrowings represented balance due to a fellow subsidiary which bear interest at the higher of 7% per annum or the Hong Kong Dollar Prime Lending Rate plus 2% per annum.

## 12. Acquisition of Subsidiaries

### (a) Business combination - Acquisition of Best Accolade Group

On 16th June, 2014, the Group entered into sale and purchase agreements with Paliburg Development BVI Holdings Limited, in relation to the acquisition of the entire equity interests in Best Accolade Limited and its subsidiaries (the "Best Accolade Group") and also the assignment of the loan due to a former shareholder to the Group. The Best Accolade Group is principally engaged in provision of property development consultancy services in the PRC.

The aggregate fair values of the identifiable assets and liabilities of the Best Accolade Group as at the date of acquisition were as follows:

	<b>Fair value recognised on acquisition HK\$'000</b>
Property, plant and equipment	2,668
Cash and bank balances	1,722
Debtors, deposits and prepayments	391
Creditors and accruals	(1,000)
Amount due to a former shareholder	(11,994)
Net liabilities	(8,213)
Add: amount due to the former shareholder assigned to the Group	11,994
Total identifiable net assets at fair value	3,781
Goodwill on acquisition	6,212
Cash consideration	9,993

The goodwill of HK\$6,212,000 recognised is primarily attributed to the expected synergies from combining the assets and activities of Best Accolade Group with those of the Group. The goodwill is not deductible for income tax purpose.

An analysis of the cash flows in respect of the acquisition of the Best Accolade Group is as follows:

	<b>HK\$'000</b>
Cash consideration	(9,993)
Cash and bank balances acquired	1,722
Outflow of cash and cash equivalents included in cash flows from investing activities	(8,271)

The acquisition of the Best Accolade Group did not contribute any revenue to the Group as they did not generate any revenue since incorporation. Aggregate losses of HK\$1,086,000 of the Best Accolade Group were included in the condensed consolidated statement of profit or loss of the Group for the period ended 30th June, 2014.

Had the combination taken place at the beginning of the period, the consolidated loss of the Group for the period would have been HK\$83,031,000.

### (b) Business combination - Acquisition of the Excel Crown Group and the Joyous Unity Group

On 27th June, 2013, the Group entered into sale and purchase agreements with Faith Crown Holdings Limited ("Faith Crown") and P&R Holdings Limited ("P&R Holdings"), in relation to the acquisition of the entire equity interests in Excel Crown Investments Limited ("Excel Crown") and its subsidiaries (the "Excel Crown Group") and Joyous Unity Investments Limited ("Joyous Unity") and its subsidiaries (the "Joyous Unity Group") and also the assignments of the loans due to former shareholders to the Group. The Excel Crown Group and the Joyous Unity Group are principally engaged in property development in Chengdu, the PRC. Details of the above transactions were contained in the circular of the Company dated 28th August, 2013. The transactions were approved by the independent shareholders of the Company as set out in the announcement of the Company dated 13th September, 2013, the date on which controls of the Excel Crown Group and the Joyous Unity Group were transferred to the Group. In the opinion of the Directors, with the completion of the above acquisition, the property portfolio of the Group was significantly enriched and enabled the Group to focus on property development and investment in the PRC.

Prior to the acquisition of the entire equity interests in Excel Crown and Joyous Unity by the Group, the shareholders of Excel Crown and Joyous Unity were P&R Holdings and Faith Crown, which held 70% and 30% equity interests in each of Excel Crown and Joyous Unity, respectively.

The aggregate fair values of the identifiable assets and liabilities of the Excel Crown Group and the Joyous Unity Group as at the date of acquisition were as follows:

	<b>Fair value recognised on acquisitions HK\$'000</b>
Property, plant and equipment	844
Properties under development	1,976,832
Cash and bank balances	23,957
Debtors, deposits and prepayments	2,024
Creditors and accruals	(60,241)
Amounts due to former shareholders	(493,542)
Deferred tax liabilities	(362,536)
	1,087,338
Net assets	1,087,338
Add: Amounts due to the former shareholders assigned to the Group	493,542
	1,580,880
Total identifiable net assets at fair value	1,580,880
Goodwill on acquisition	228,310
	1,809,190
Cash consideration payable	1,809,190



## Notes to Condensed Consolidated Financial Statements (Cont'd)

The fair values and gross contracted amounts of other debtors as at the date of acquisition amounted to HK\$1,671,000. The goodwill of HK\$228,310,000 arose mainly from the recognition of deferred tax liabilities of the Excel Crown Group and the Joyous Unity Group in relation of the fair value adjustments of the properties under development. None of the goodwill was expected to be deductible for tax purpose.

An analysis of the cash flows in respect of the acquisition of the Excel Crown Group and the Joyous Unity Group was as follows:

	HK\$'000
Cash consideration*	–
Cash and bank balances acquired	23,957
	<hr/>
Inflow of cash and cash equivalents included in cash flows from investing activities	23,957
	<hr/> <hr/>

\* Pursuant to the sale and purchase agreement with the vendors, the purchase consideration on acquisition of the Excel Crown Group and the Joyous Unity Group together with the interest accrued thereon which was charged at 5% per annum would be settled by the Group within 3 years after the completion of the acquisition. No cash consideration was paid up to 30th September, 2013 and hence there was no cash outflow on the date of completion in relation to such acquisition of subsidiaries.

The acquisition of the Excel Crown Group and the Joyous Unity Group did not contribute any revenue to the Group as they did not generate any revenue since incorporation. Aggregate losses of HK\$300,000 of the Excel Crown Group and the Joyous Unity Group were included in the condensed consolidated statement of profit or loss of the Group for the six months ended 30th September, 2013.

Had the combination taken place at the beginning of the period ended 30th September, 2013, the consolidated loss of the Group for that period would have been HK\$50,202,000.

### (c) Acquisition of property interests

On 27th June, 2013, the Group also entered into sale and purchase agreements with Regal International (BVI) Holdings Limited ("Regal BVI"), a wholly-owned subsidiary of Regal Hotels International Holdings Limited, a listed company which became the Group's fellow subsidiary on 16th September, 2013, in relation to the acquisition of the entire equity interest in Grand Praise Investments Limited ("Grand Praise") and its subsidiaries (the "Tianjin Group"). Details of the above transaction were contained in the circular of the Company dated 28th August, 2013. The transaction was approved by the independent shareholders of the Company as set out in the announcement of the Company dated 13th September, 2013, the date on which control of the Tianjin Group was transferred to the Group.

The Tianjin Group is principally engaged in property development in Tianjin, the PRC.

Since the principal asset of the Tianjin Group comprised only a parcel of land located in Tianjin City in the PRC and cash and bank balances. In the opinion of the Directors, the acquisition of the Tianjin Group was not considered as an acquisition of business under HKFRS 3 (Revised) *Business Combination*, hence the acquisition of Tianjin Group was accounted for as acquisition of assets and liabilities.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

The fair values of the identifiable assets and liabilities of the Tianjin Group as at the date of acquisition were as follows:

	<b>Fair value recognised on acquisition HK\$'000</b>
Property, plant and equipment	504
Properties under development	1,416,996
Deposits and other receivables	38,436
Cash and bank balances	11,172
Accruals and other payables	(6,397)
Amounts due to former shareholders	(1,306,689)
	<hr/>
Net assets	154,022
Add: Amounts due to former shareholder assigned to by the Group	1,306,689
	<hr/>
Assets acquired and liabilities assumed and consideration payable	<u>1,460,711</u>

An analysis of the cash flows in respect of the acquisition of the Tianjin Group was as follows:

	<b>HK\$'000</b>
Cash consideration*	–
Cash and bank balances acquired	11,172
	<hr/>
Inflow of cash and cash equivalents included in cash flows from investing activities	<u>11,172</u>

- \* Pursuant to the sale and purchase agreement with the vendor, the purchase consideration on acquisition of the Tianjin Group together with the interest accrued thereon which was charged at 5% per annum would be settled by the Group within 3 years after the completion of the acquisition. No cash consideration was paid up to 30th September, 2013 and hence there was no cash outflow on the date of completion in relation to such acquisition of assets and liabilities.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 13. Disposal of Subsidiaries

On 27th June, 2013, the Group entered into a sale and purchase agreement with P&R Holdings in relation to the disposal of the entire equity interest in Kola Glory Limited and its subsidiary and assumption of the amount due by Kola Glory Limited to the Group at a consideration of HK\$87,965,000. The disposal was completed on 13th September, 2013.

	<b>HK\$'000</b>
Carrying amounts of the net assets disposed of:	
Investment properties	88,000
Debtors, deposits and prepayments	237
Cash and bank balances	118
Creditors and accruals	(390)
Amount due to the Group	(95,147)
	<hr/>
	(7,182)
	<hr/>
Add: Assignment of the amount due to the Group to the purchaser	95,147
	<hr/>
Consideration receivable*	87,965
	<hr/> <hr/>

\* Pursuant to the sale and purchase agreement with P&R Holdings, the consideration receivable would be set-off against the consideration payable due to Regal BVI in respect of the acquisition of the Tianjin Group. Accordingly, there was no cash inflow on the date of completion and up to 30th September, 2013 relation to such disposal of subsidiaries.

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries was as follows:

	<b>HK\$'000</b>
Cash and bank balances disposed of, and outflow of cash and cash equivalents in respect of the disposal of subsidiaries	<hr/> <hr/>
	(118)

## 14. Connected and Related Party Transactions

- (a) In addition to the transactions and balances set out elsewhere in the notes to the condensed consolidated financial statements, the Group had the following material connected and related party transactions during the period:

		Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th September, 2013 (Unaudited)
	Notes	HK\$'000	HK\$'000
A wholly-owned subsidiary of the listed ultimate holding company:			
Management fees	(i)	3,778	–
Subsidiaries of Paliburg Holdings Limited (“PHL”)*:			
Building management expense	(ii)	–	235
Rental income	(iii)	166	180
Interest income from listed debt investments	(iv)	482	47
Interest expenses on other payables	(v)	78,895	7,413
Interest expenses on other borrowings	(vi)	5,082	–
		<u>5,082</u>	<u>–</u>

- \* These parties were previously considered as related companies as two directors of the Company were also directors and key management personnel of these related companies, and they became fellow subsidiaries of the Company with effect from 16th September, 2013 upon the acquisition of the Group by P&R Holdings, a non wholly-owned subsidiary of PHL.

Notes:

- (i) The management costs included rentals and other overheads allocated from Century City International Holdings Limited (“CCIHL”) either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of CCIHL, PHL, Regal Hotels International Holdings Limited and the Company based on the distribution of job responsibilities and the estimated time spent by the relevant staff in serving each of the four groups.
- (ii) The building management expense was paid to Paliburg Estate Management Limited acting as building manager of the Group’s investment property for receiving building management services. The fee was paid in accordance with the terms of the relevant deed of mutual covenants.
- (iii) The rental income was received from Regal Hotels International Limited in connection with the use of the Group’s office premises. The fee was mutually agreed between the Group and the fellow subsidiary/related company.
- (iv) The interest income was charged at a coupon rate of 4.25% per annum.
- (v) The interest expenses were paid to P&R Holdings, Faith Crown and Regal BVI for consideration payables in relation to the acquisition of the Excel Crown Group, the Joyous Unity Group and the Tianjin Group, which bear interest at 5% per annum.
- (vi) The interest expenses were paid to Paliburg Finance Limited for other borrowings under the HK\$200 million facility granted to the Group, for which the terms are disclosed in note 11 to the condensed consolidated financial statements.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

(b) Compensation of key management personnel of the Group:

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th September, 2013 (Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	4,023	1,697
Staff retirement scheme contributions	155	15
Total compensation paid to key management personnel	<u>4,178</u>	<u>1,712</u>

The related party transaction set out in note 14(a)(i) above also constituted a continuing connected transaction as defined in Chapter 14A of the Listing Rules to the Company, but was/is exempted from relevant disclosures and other requirements, including, inter alia, independent shareholders' approval in accordance with the Listing Rules ("Relevant Requirements") pursuant to rule 14A.33(2)/rule 14A.98 of the Listing Rules.

The nature and terms of the related party transactions set out in notes 14(a)(ii) to (v) above were disclosed in the Group's audited consolidated financial statements for the nine months ended 31st December, 2013.

The related party transaction set out in note 14(a)(vi) above was contemplated under relevant transaction (the "Transaction") which constituted connected transaction to the Company subject to the Relevant Requirements. The Relevant Requirements with respect to the Transaction had been complied with.

### 15. Pledge of Assets

The Group's bank borrowings were secured by the following assets:

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'000	HK\$'000
Pledged time deposits	6,270	1,721
Pledged bank balances	837	–
Financial assets at fair value through profit or loss	8,656	16,635
Held-to-maturity investments	12,475	19,184
	<u>28,238</u>	<u>37,540</u>

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 16. Operating Lease Arrangements

As lessee

The Group leases certain office premises under operating lease arrangements. The leases are negotiated for terms ranging from 1 to 5 years.

At 30th June, 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'000	HK\$'000
Within one year	2,880	1,695
In the second to fifth years, inclusive	2,962	456
	<u>5,842</u>	<u>2,151</u>

At the end of the reporting period, the Company had no outstanding operating lease commitments.

### 17. Commitments

In addition to the operating lease commitments detailed in note 16 above, the Group had the following outstanding commitments at the end of the reporting period:

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'000	HK\$'000
Contracted, but not provided for: Property development projects	<u>583,073</u>	<u>638,262</u>

### 18. Fair Value and Fair Value Hierarchy

As at the end of the reporting period, the carrying amounts of the Group's and the Company's financial assets and financial liabilities approximated to their fair values.

Management has assessed that the fair values of other financial assets included in debtors, deposits and prepayments, cash and bank balances and time deposits, other financial liabilities included in creditors and accruals, interest bearing bank borrowings and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. Independent professional valuers are engaged for the valuation as appropriate. The valuation is reviewed and approved by management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current financial liabilities included in other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the other payables was assessed to be insignificant.

The fair values of listed equity and debt investments are based on quoted market prices.

The Group enters into foreign currency option contracts with a financial institution. The foreign currency option contracts are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of the financial institution, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of foreign currency option contracts are the same as their fair values.

#### **Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

## Notes to Condensed Consolidated Financial Statements (Cont'd)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

### Assets measured at fair value as at 30th June, 2014

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Financial assets at fair value through profit or loss:				
Listed equity investments	65,301	–	–	65,301
Listed debt investments	–	31,295	–	31,295
Foreign currency option contracts	–	6,069	–	6,069
	<u>65,301</u>	<u>37,364</u>	<u>–</u>	<u>102,665</u>

### Assets measured at fair value as at 31st December, 2013

	Fair value measurement using			Total (Audited) HK\$'000
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	
Financial assets at fair value through profit or loss:				
Listed equity investments	67,269	–	–	67,269
Listed debt investments	–	40,965	–	40,965
Foreign currency option contracts	–	7,811	–	7,811
	<u>67,269</u>	<u>48,776</u>	<u>–</u>	<u>116,045</u>

The Group did not have any financial liabilities measured at fair value as at 30th June, 2014.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31st December, 2013 - Nil).



## Notes to Condensed Consolidated Financial Statements (Cont'd)

*Fair values of liabilities as at 30th June, 2014 was:*

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Other payables	–	3,308,306	–	3,308,306

*Fair values of liabilities as at 31st December, 2013 was:*

	Fair value measurement using			Total (Audited) HK\$'000
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	
Other payables	–	3,229,411	–	3,229,411

### 19. Events After the Reporting Period

As announced on 30th April, 2014, the Company proposed to, among others, (i) implement the share consolidation on the basis that every ten issued and unissued shares of the Company will be consolidated into one consolidated share of the Company (the "Share Consolidation"); (ii) make an open offer on the basis that holders of every one consolidated share of the Company will be entitled to apply for two shares/convertible preference shares of the Company; and (iii) issue convertible bonds or optional convertible bonds. Details of the above proposed transactions are contained in the joint announcements of the Company dated 30th April, 2014 and 19th June, 2014, the circular of the Company dated 20th June, 2014 and/or the prospectus of the Company dated 24th July, 2014.

Subsequent to the end of the reporting period, the above proposed transactions were approved by the shareholders or the independent shareholders of the Company at its extraordinary general meeting held on 14th July, 2014.

## 20. Prior Period Adjustments

As reported in the consolidated financial statements of the Group for the nine months ended 31st December, 2013, following a further reassessment of the terms of agreements relating to CB2010 and CB2013, the Group considers that the embedded conversion rights of CB2010 and CB2013 are more appropriate to be recognised as financial derivatives rather than equity instruments as previously recognised in the prior years' consolidated financial statements.

Accordingly, certain prior period adjustments have been made and certain comparative amounts for the six months ended 30th September, 2013 have been restated to reflect the full recognition of the embedded conversion rights of CB2010 and CB2013 as financial derivatives.

The effects of these prior period adjustments are summarised below:

*Condensed consolidated statement of profit or loss for the six months ended 30th September, 2013*

	<b>HK\$'000</b>
Increase in finance costs	(44,281)
Decrease in fair value gain on derivative financial instruments	(4,660)
Increase in loss before tax, loss for the period, total comprehensive loss for the period, loss for the period attributable to the equity holders of the parent and total comprehensive loss for the period attributable to the equity holders of the parent	<u>(48,941)</u>
Decrease in basic and diluted earnings per share (as adjusted to reflect the share consolidation subsequent to the end of the reporting period)	<u>HK3.88 cents</u>

## 21. Comparative Amounts

As explained in Note 20 above, due to the prior period adjustments in relation to the embedded conversion rights of CB2010 and CB2013, certain comparative amounts have been restated.

In addition, since CCIHL has become the ultimate holding company of the Company, certain comparative amounts have been reclassified in order to align with the accounting policies of CCIHL. The effect of these reclassification adjustments are summarised below:

*Condensed consolidated statement of profit or loss for the six months ended 30th September, 2013*

	<b>HK\$'000</b>
Increase in cost of sales	(80)
Decrease in administrative expenses	243
Increase in depreciation presented on the face of the condensed consolidated statement of profit or loss	<u>(163)</u>

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 22. Approval of the Unaudited Condensed Consolidated Financial Statements

The unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 4th August, 2014.

# Other Information

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2014)
			Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) (issued)	-	14,845,167,190 (Note e)	-	14,845,167,190
		(ii) (unissued)	-	70,761,809,500 (Note f)	-	70,761,809,500
					Total:	85,606,976,690 (389.33%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	7,500,000	-	-	7,500,000 (0.03%)
	Miss Lo Po Man	Ordinary (issued)	4,600,000	-	-	4,600,000 (0.02%)
2. Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	100,587,396	1,769,164,691 (Note a)	380,683	1,870,132,770 (58.25%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	-	-	251,735 (0.008%)
	Miss Lo Po Man	Ordinary (issued)	112,298	-	-	112,298 (0.003%)
	Mr. Kelvin Leung So Po	Ordinary (issued)	4,000	-	-	4,000 (0.000%)
	Mr. Kenneth Wong Po Man	Ordinary (issued)	200	-	-	200 (0.000%)

## Other Information (Cont'd)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2014)
				Personal interests	Corporate interests	Family/Other interests	
3.	Paliburg Holdings Limited ("PHL")	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,376,803 (Note b)	15,000	830,469,817 (74.48%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	390,185	–	–	390,185 (0.03%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	–	–	6,200 (0.001%)
4.	Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	575,449,261 (Note c)	260,700	575,734,161 (61.85%)
		Miss Lo Po Man	Ordinary (issued)	300,000	–	269,169 (Note d)	569,169 (0.06%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	200	–	–	200 (0.000%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
5.	Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note g)	–	2,443,033,102 (75.00%)

**Notes:**

- (a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo") and a company, namely Master City Limited, 99.9% owned by Mr. Lo.
- (b) The interests in 693,640,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.24% shareholding interests as at 30th June, 2014.

The interests in 16,271,685 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 30,464,571 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

- (c) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.24% shareholding interests as at 30th June, 2014, and the interests in the other 575,027,861 issued ordinary shares of RHIHL were held through companies wholly owned by PHL, in which CCIHL held 62.21% shareholding interests as at 30th June, 2014.
- (d) The interests in 269,169 issued ordinary shares of RHIHL were held by Miss Lo Po Man as the beneficiary of a trust.
- (e) The interests in 14,845,167,190 issued ordinary shares of the Company before the Share Consolidation (as reported in the preceding Chairman's Statement and Management Discussion and Analysis) ("Cosmopolitan Shares") were held through wholly owned subsidiaries of P&R Holdings Limited ("P&R Holdings"), which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries. PHL, in which CCIHL held approximately 62.21% shareholding interests as at 30th June, 2014, held approximately 61.77% shareholding interests in RHIHL as at 30th June, 2014. Mr. Lo held approximately 58.24% shareholding interests in CCIHL as at 30th June, 2014.
- (f) (i) The derivative interests in consolidated Cosmopolitan Shares after the Share Consolidation becoming effective ("Cosmopolitan Consolidated Shares") (information disclosed above in respect of 43,976,095,220 Cosmopolitan Shares was based on 10 Cosmopolitan Shares equal to 1 Cosmopolitan Consolidated Share before the Share Consolidation becoming effective) were acquired on 30th April, 2014 through the provision of the irrevocable undertaking by P&R Holdings, on behalf of certain of its wholly owned subsidiaries, to subscribe for new Cosmopolitan Consolidated Shares and/or convertible preference shares of the Company and the entering into of the underwriting agreement by P&R Strategic Limited, a wholly owned subsidiary of P&R Holdings, as the underwriter, both in connection with the open offer as reported in the preceding Chairman's Statement.
- (ii) The derivative interests in Cosmopolitan Consolidated Shares (information disclosed above in respect of 26,785,714,280 Cosmopolitan Shares was based on 10 Cosmopolitan Shares equal to 1 Cosmopolitan Consolidated Share before the Share Consolidation becoming effective) were acquired on 30th April, 2014 through the entering into of the subscription agreement by P&R Holdings in connection with the issue by a wholly owned subsidiary of the Company of the convertible bonds with a principal amount of HK\$500 million (the "Convertible Bonds") and the optional convertible bonds with a principal amount of HK\$500 million (the "Optional Convertible Bonds") as reported in the preceding Chairman's Statement. The Convertible Bonds will be convertible into new Cosmopolitan Consolidated Shares ("Conversion Shares") at the conversion price of HK\$0.35 per Conversion Share (subject to adjustment). The Optional Convertible Bonds will be convertible into new Cosmopolitan Consolidated Shares ("Optional Conversion Shares") at the conversion price of HK\$0.40 per Optional Conversion Share (subject to adjustment).

## Other Information (Cont'd)

- (g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly owned subsidiary of the Company. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly owned subsidiaries of RHIHL. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of PHL. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. The Company were held as to approximately 67.51% shareholding interests by P&R Holdings, which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries, as at 30th June, 2014. PHL, in which CCIHL held approximately 62.21% shareholding interests as at 30th June, 2014, held approximately 61.77% shareholding interests in RHIHL as at 30th June, 2014. Mr. Lo held approximately 58.24% shareholding interests in CCIHL as at 30th June, 2014.

Save as disclosed herein, as at 30th June, 2014, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2014, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying (unissued) ordinary shares held	Total number of ordinary shares (issued and underlying (unissued)) held	Approximate percentage of issued ordinary shares as at 30th June, 2014
CCIHL (Note i)	14,845,167,190	70,761,809,500	85,606,976,690	389.33%
Century City BVI Holdings Limited ("CCBVI") (Note ii)	14,845,167,190	70,761,809,500	85,606,976,690	389.33%
PHL (Note iii)	14,845,167,190	70,761,809,500	85,606,976,690	389.33%
Paliburg Development BVI Holdings Limited (Note iv)	14,845,167,190	70,761,809,500	85,606,976,690	389.33%
Capital Merit Investments Limited (Note iv)	14,845,167,190	70,761,809,500	85,606,976,690	389.33%
RHIHL (Note v)	14,845,167,190	70,761,809,500	85,606,976,690	389.33%
Regal International (BVI) Holdings Limited (Note vi)	14,845,167,190	70,761,809,500	85,606,976,690	389.33%
Regal Hotels Investments Limited (Note vi)	14,845,167,190	70,761,809,500	85,606,976,690	389.33%
P&R Holdings (Note vii)	14,845,167,190	70,761,809,500	85,606,976,690	389.33%
P&R Strategic Limited (Note viii)	507,770	14,286,776,440	14,287,284,210	64.98%
Valuegood International Limited (Note viii)	3,536,250,000	7,072,500,000	10,608,750,000	48.25%
Lendas Investments Limited	2,941,076,090	5,882,152,180	8,823,228,270	40.13%
Jumbo Pearl Investments Limited (Note viii)	1,666,666,666	3,333,333,320	4,999,999,986	22.74%
Sun Joyous Investments Limited (Note viii)	1,666,666,666	3,333,333,320	4,999,999,986	22.74%
Time Crest Investments Limited (Note viii)	1,666,666,666	3,333,333,320	4,999,999,986	22.74%
Well Mount Investments Limited (Note viii)	1,666,666,666	3,333,333,320	4,999,999,986	22.74%
Winart Investments Limited (Note viii)	900,000,000	1,800,000,000	2,700,000,000	12.28%
Space Capital Investments Limited (Note ix)	2,112,500,000	–	2,112,500,000	9.61%
Giant Sino Group Limited (Note ix)	2,112,500,000	–	2,112,500,000	9.61%
Culture Landmark Investment Limited (Note x)	1,446,064,745	–	1,446,064,745	6.58%
New Asia Media Development Limited (Note x)	1,446,064,745	–	1,446,064,745	6.58%
Great Select Holdings Limited (Note viii)	466,666,666	933,333,320	1,399,999,986	6.37%



## Other Information (Cont'd)

### Notes:

- (i) The interests in the ordinary shares of the Company held by CCIHL were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) CCBVI is a wholly owned subsidiary of CCIHL and its interests in the ordinary shares of the Company were included in the interests held by CCIHL.
- (iii) PHL is a listed subsidiary of CCIHL, which held 62.21% shareholding interests in PHL as at 30th June, 2014, and PHL's interests in the ordinary shares of the Company were included in the interests held by CCIHL.
- (iv) These companies are wholly owned subsidiaries of PHL and their interests in the ordinary shares of the Company were included in the interests held by PHL.
- (v) RHIHL is a listed subsidiary of PHL, which held 61.77% shareholding interests in RHIHL as at 30th June, 2014, and RHIHL's interests in the ordinary shares of the Company were included in the interests held by PHL.
- (vi) These companies are wholly owned subsidiaries of RHIHL and their interests in the ordinary shares of the Company were included in the interests held by RHIHL.
- (vii) P&R Holdings is owned as to 50% each by PHL and RHIHL, through their respective wholly owned subsidiaries, and P&R Holdings's interests in the ordinary shares of the Company were included in the interests held by PHL and RHIHL.
- (viii) These companies are wholly owned subsidiaries of P&R Holdings and their interests in the ordinary shares of the Company were included in the interests held by P&R Holdings.
- (ix) Giant Sino Group Limited is a wholly owned subsidiary of Space Capital Investments Limited, which in turn is owned as to 28% by Mr. Daniel Bong Shu Yin, an Executive Director of the Company.
- (x) New Asia Media Development Limited is a wholly owned subsidiary of Culture Landmark Investment Limited, a company listed on the Stock Exchange.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 30th June, 2014, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

Details of directorships of the Company's Directors in each of those companies which has an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

- (1) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kelvin Leung So Po and Mr. Kenneth Ng Kwai Kai are directors of CCIHL and CCBVI.
- (2) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Wong Po Man, Mr. Kenneth Ng Kwai Kai and Hon Abraham SHEK Lai Him, GBS, JP are directors of PHL.
- (3) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Wong Po Man and Mr. Kenneth Ng Kwai Kai are directors of the wholly owned subsidiaries of PHL which are substantial shareholders as named above, P&R Holdings and the wholly owned subsidiaries of P&R Holdings which are substantial shareholders as named above.
- (4) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Ms. Alice Kan Lai Kuen and Mr. Kenneth Ng Kwai Kai are directors of RHIHL.
- (5) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of the wholly owned subsidiaries of RHIHL which are substantial shareholders as named above.

## CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the annual report of the Company for the nine months ended 31st December, 2013 is set out below:

<b>Name of Director</b>	<b>Details of change</b>
<i>Executive Director:</i>	
Mr. Kenneth Wong Po Man	<ul style="list-style-type: none"> <li>• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$31,600 commencing from July 2014 (Note).</li> </ul>
<i>Independent Non-Executive Directors:</i>	
Ms. Judy Chen Qing, JP	<ul style="list-style-type: none"> <li>• Appointed as Justice of the Peace on 1st July, 2014.</li> </ul>
Hon Abraham Shek Lai Him, GBS, JP	<ul style="list-style-type: none"> <li>• Retired as an independent non-executive director of Hsin Chong Construction Group Ltd., a company listed on the Stock Exchange, at the annual general meeting of such company held on 12th May, 2014.</li> </ul>

**Note:** An Executive Director is also entitled to performance based discretionary bonus and other related employee benefits and allowances for the executive role in the Group, and normal Director's fee in the amount of HK\$100,000 per annum in acting as a Director of the Company.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors' Profile".

## CORPORATE GOVERNANCE

### Corporate Governance Code

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30th June, 2014, except that:

- (1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals, due to practical necessity to cater to the Group's corporate operating structure.
- (2) The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Articles of Association of the Company, all Directors (including the Non-Executive Director and Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

### Code of Conduct for Securities Transactions by Directors

The Company has adopted the "Code for Securities Transactions by Directors of Cosmopolitan International Holdings Limited" (the "Cosmopolitan Code"), on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the Model Code and the Cosmopolitan Code during the six months ended 30th June, 2014.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2014.

### REVIEW OF RESULTS

The Audit Committee of the Company currently comprises the following members:

Mr. David Li Ka Fai (Chairman of the Committee) *(Independent Non-Executive Director)*

Ms. Judy Chen Qing, JP *(Independent Non-Executive Director)*

Ms. Alice Kan Lai Kuen *(Independent Non-Executive Director)*

Mr. Lee Choy Sang *(Independent Non-Executive Director)*

Hon Abraham Shek Lai Him, GBS, JP *(Independent Non-Executive Director)*

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group, auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30th June, 2014, in conjunction with the external auditors. The review report of the external auditors is set out on page 51 of this report.

# Report on Review of Interim Financial Information



**To the Board of Directors of  
Cosmopolitan International Holdings Limited**  
(Incorporated in the Cayman Islands with limited liability)

## Introduction

We have reviewed the interim financial information of Cosmopolitan International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 14 to 42 which comprises the condensed consolidated statement of financial position as at 30th June, 2014 and the condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Report on Review of Interim Financial Information (Cont'd)

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

### Ernst & Young

*Certified Public Accountants*

22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

4th August, 2014

