

2015 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

The Bank of East Asia, Limited

Standard Chartered Bank (Hong Kong) Limited

Industrial and Commercial Bank of China (Asia) Limited

Australia and New Zealand Banking Group Limited

Deutsche Bank A.G.

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

SHARE REGISTRAR IN THE CAYMAN ISLANDS

Maples Fund Services (Cayman) Limited

P.O. Box 1093, Boundary Hall

Cricket Square

Grand Cayman, KY1-1102

Cayman Islands

SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

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Directors' Profile

Mr. Lo Yuk Sui, aged 70; 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 41; 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, the 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 35; 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 49; 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 also an executive director of PHL. He is a qualified architect. Mr. Wong 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. He is also 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 43; *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 is also an executive director of CCIHL. He has been with the Century City Group since 1997 and is involved in the corporate finance function as well as in the China business division of the Century City Group. 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 19 years of experience in accounting and corporate finance field.

Mr. Daniel Bong Shu Yin, aged 76; *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 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 60; *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 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. He is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. Mr. Ng is a Chartered Secretary.

Mr. Francis Bong Shu Ying, OBE, JP, aged 73; *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. Mr. Francis Bong holds a Bachelor's Degree of Science in Engineering from The University of Hong Kong and a former 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 of Hong Kong Limited (the "Stock Exchange"). He is the brother of Mr. Daniel Bong Shu Yin.

Ms. Judy Chen Qing, JP, aged 44; 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. 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 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 60; Independent Non-Executive Director — Invited to the Board as an Independent Non-Executive Director in December 2013. Ms. Kan 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 and Asia Investment Research 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 Engene International (Holdings) Limited, Shimao 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 78; 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 60; *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, The Association of Chartered Certified Accountants, UK, The Institute of Chartered Secretaries and Administrators, UK as well as 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 China-Hongkong Photo Products Holdings Limited and Goldlion 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 and Wai Yuen Tong Medicine Holdings Limited, all of which companies are listed on the main board of the Stock Exchange.

Hon Abraham Shek Lai Him, *GBS, JP*, aged 70; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in December 2013. Mr. Shek 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, a member of both of the Court and the Council of The University of Hong Kong, a director of The Hong Kong Mortgage Corporation Limited and a non-executive director of the Mandatory Provident Fund Scheme Authority. 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, Jinheng Automotive Safety Technology 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 2015 Interim Report of the Company.

FINANCIAL RESULTS

For the six months ended 30th June, 2015, the Group recorded an unaudited consolidated loss attributable to shareholders of HK\$164.0 million, as compared to the loss of HK\$78.1 million for the corresponding six months in 2014.

As explained in the profit warning announcement of the Company dated 14th August, 2015, the increased loss recorded for the period under review was primarily due to the recognition of additional financial liability associated with the outstanding subscription option for the subscription of the optional convertible bonds due 2017, which was granted in conjunction with the issue of the convertible bonds due 2017 of the Group in August 2014. Under the prevailing accounting standards and policies adopted by the Group, such subscription option is required to be recognised as a derivative financial liability and its fair value is measured at each reporting date by reference to an independent professional appraisal. As the market price of the Company's shares as at 30th June, 2015 had risen substantially over that prevailing as at the year end of 2014, additional derivative financial liability in a sum of HK\$121.5 million was recognised in respect of such subscription option, resulting in a loss in the same amount for the period under review. However, it should be noted that such financial liabilities are non-cash in nature and do not have any impact on the Group's cash flows nor will they affect its business operations.

BUSINESS OVERVIEW

The Group's principal business activities are engaged in property development and investment, with a primary focus in Mainland China, investment in financial assets and other investments.

Through various accommodative fiscal policies to support domestic demand, China was able to maintain a growth rate of 7% year-on-year in its Gross Domestic Product for both the first and second quarters of 2015. However, the increased volatility in its financial market could still pose potential downside risk. The Group is also monitoring the recent devaluation of the Renminbi and any impact it may have on the Group's financial position if such downward adjustment should persist.

After a relatively stagnant period, the property market in the first and second tier cities in China has begun to regain some momentum over the past few months, both in terms of transacted price and turnover volume, led by prime cities like Beijing, Shanghai and Shenzhen.

The Group is undertaking three ongoing property projects in China, which are respectively a composite development consisting of hotel, commercial, office, service apartment and residential components in Chengdu, a mixed use development comprising commercial, office and residential components in Tianjin and a re-forestation and land grant project in Urumqi, Xinjiang.

Depending on the market conditions, the Group plans to launch the presale of some of the residential units in both the Chengdu and the Tianjin projects within the next few months.

Further detailed information on these ongoing projects is contained in the section headed "Management Discussion and Analysis" in this Interim Report.

Chairman's Statement (Cont'd)

OUTLOOK

China will continue to be one of the highest growth economies globally, albeit at a slower pace. The Group will continue to focus its resources on its ongoing property projects in China and, in the meantime, is also actively reviewing a number of investment opportunities which can complement its present principal activities as well as expand its overall business base.

LO YUK SUI

Chairman

Hong Kong
25th August, 2015

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in property development and investment, 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 this section.

A brief review on the property projects currently undertaken by the Group in the People's Republic of China ("PRC") is set out below.

Property Development

Chengdu Project

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, service apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres. The first stage of the development 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. The construction works for these three residential towers are presently expected to be completed in the third quarter of 2016 and units presale is anticipated to be launched within the next few months. Having considered the current local market environment, a series of business remodeling works are being planned for the hotel, which is now anticipated to be completed in phases from late 2016. The second stage of the development comprises six residential towers with about 960 units, the construction works for which have commenced and are expected to be completed in the second quarter of 2017. The other components comprised within the overall development will continue to be developed in stages.

Tianjin Project

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres, which is planned for a mixed use development comprising commercial, office 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 basement excavation works have commenced. Presale of the two residential towers with about 250 residential units is anticipated to be launched within the next few months. The entire development is now anticipated to be completed in stages from 2017.

Xinjiang Project

This is 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 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 is still ongoing and certain remedial re-forestation works will be undertaken to meet the requirements of the government authorities. In the meantime, the Group is working on the design of the master plan to prepare for the land grant procedures. It is hoped that the final procedures leading to the land grant listing and tender of the development land would be concluded as soon

Management Discussion and Analysis (Cont'd)

as practicable. Should the Group successfully secure the development land and depending on the permitted land use, the Group preliminarily plans to develop on the land, in stages, a large scale mixed use development comprising residential, hotel, recreational and commercial properties.

Property Investment

Beijing Tongzhou Project

As previously reported, certain conditions required to be fulfilled by the counterparty with respect to the co-operation agreement entered into in 2014 for the captioned project have not been satisfied and the co-operation agreement has lapsed. The Group has determined that the captioned project will not be further pursued.

FINANCIAL REVIEW

ASSETS VALUE

As at 30th June, 2015, the Group's net assets attributable to equity holders of the parent amounted to HK\$1,348.8 million, representing approximately HK\$0.20 per share (including ordinary share and convertible preference share).

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 in 2013 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 for the time being are principally financed by internal resources. Project financing may be arranged on appropriate terms to cover a portion of the land cost and/or the construction cost, with the loan maturity matching with the estimated project completion date.

Cash Flows

Net cash flows used in operating activities during the period under review amounted to HK\$133.2 million (2014 - HK\$118.1 million). Net interest payment for the period amounted to HK\$4.2 million (2014 - net interest receipt of HK\$2.3 million).

Borrowings and Gearing

As at 30th June, 2015, the Group had cash and bank balances and deposits of HK\$480.8 million (31st December, 2014 - HK\$630.5 million).

As at 30th June, 2015, excluding the considerations payable to the vendors for acquisition of the property development projects, the Group had cash balance, net of bank borrowings and convertible bonds, of HK\$20.5 million (31st December, 2014 - HK\$180.3 million) and therefore no gearing (31st December, 2014 - no gearing).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2015 are shown in note 10 to the condensed consolidated financial statements.

Pledge of Assets

As at 30th June, 2015, certain of the Group's bank deposits and financial assets at fair value through profit or loss in the amount of HK\$13.3 million (31st December, 2014 - HK\$13.8 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 property development projects were pledged to secure the other payables under non-current liabilities and the related interest payables under current liabilities in respect of the acquisition of property development projects in September 2013.

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2015 are shown in note 16 to the condensed consolidated financial statements.

Contingent Liabilities

The Group had no contingent liability as at 30th June, 2015.

Share Capital

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

DIVIDEND

The Directors have resolved not to declare an interim dividend for the financial year ending 31st December, 2015 (2014 - Nil).

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 100 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 for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	2, 3	7,194	(529)
Other income	3	2,053	1,460
Fair value loss on derivative financial instruments in relation to convertible bonds		(121,546)	–
Fair value gains/(losses) on other financial assets at fair value through profit or loss, net		15,405	(5,725)
Administrative expenses		(27,229)	(37,313)
OPERATING LOSS BEFORE DEPRECIATION		(124,123)	(42,107)
Depreciation		(917)	(511)
OPERATING LOSS	2	(125,040)	(42,618)
Finance costs	4	(53,768)	(50,195)
Share of profit of a joint venture		14,765	14,761
LOSS FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		(164,043)	(78,052)
Attributable to:			
Equity holders of the parent		(164,043)	(78,052)
Non-controlling interests		–	–
		(164,043)	(78,052)
		(Unaudited)	(Unaudited and restated)
LOSS PER SHARE (INCLUDING ORDINARY SHARE AND CONVERTIBLE PREFERENCE SHARE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted		HK(2.49) cents	HK(2.26) cents

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	(164,043)	(78,052)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	2,044	(54,280)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(161,999)</u>	<u>(132,332)</u>
Attributable to:		
Equity holders of the parent	(161,999)	(132,332)
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>(161,999)</u>	<u>(132,332)</u>

Condensed Consolidated Statement of Financial Position

		30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		24,864	15,804
Properties under development		1,306,030	1,305,087
Investment in a joint venture		590,404	575,639
Goodwill		235,090	234,522
Prepayments	8	71,589	69,689
Total non-current assets		<u>2,227,977</u>	<u>2,200,741</u>
CURRENT ASSETS			
Properties under development		2,532,141	2,379,674
Debtors, deposits and prepayments	8	48,511	29,493
Financial assets at fair value through profit or loss		204,326	160,279
Derivative financial instruments		951	–
Pledged time deposits		5,022	6,337
Time deposits		17,288	56,956
Cash and bank balances		458,453	567,186
Total current assets		<u>3,266,692</u>	<u>3,199,925</u>
CURRENT LIABILITIES			
Creditors and accruals	9	(285,108)	(158,368)
Deposits received		(2,598)	(3,481)
Interest bearing bank borrowing	10	(4,000)	(4,000)
Derivative financial instruments		–	(1,411)
Tax payable		(1,016)	(1,016)
Total current liabilities		<u>(292,722)</u>	<u>(168,276)</u>
NET CURRENT ASSETS		<u>2,973,970</u>	<u>3,031,649</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,201,947</u>	<u>5,232,390</u>

Condensed Consolidated Statement of Financial Position (Cont'd)

		30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	Notes	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Other payables	9	(2,881,901)	(2,881,901)
Convertible bonds	11	(456,233)	(446,223)
Derivative financial instruments		(152,492)	(30,946)
Deferred tax liabilities		(362,536)	(362,536)
Total non-current liabilities		<u>(3,853,162)</u>	<u>(3,721,606)</u>
Net assets		<u>1,348,785</u>	<u>1,510,784</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		13,193	13,193
Reserves		1,335,566	1,497,565
		<u>1,348,759</u>	<u>1,510,758</u>
Non-controlling interests		<u>26</u>	<u>26</u>
Total equity		<u>1,348,785</u>	<u>1,510,784</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2015

	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	Equity component of convertible bonds (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Retained profits/ (Accumulated losses) (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1st January, 2015	13,193	1,402,563	209	1,018	(37,824)	26,801	11,748	(1,076)	94,126	1,510,758	26	1,510,784
Loss for the period	-	-	-	-	-	-	-	-	(164,043)	(164,043)	-	(164,043)
Other comprehensive income for the period:												
Exchange differences on translating foreign operations	-	-	-	-	2,044	-	-	-	-	2,044	-	2,044
Total comprehensive income/(loss) for the period	-	-	-	-	2,044	-	-	-	(164,043)	(161,999)	-	(161,999)
At 30th June, 2015	13,193	1,402,563*	209*	1,018*	(35,780)*	26,801*	11,748*	(1,076)*	(69,917)*	1,348,759	26	1,348,785

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

For the six months ended 30th June, 2015

	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

* These reserve accounts comprise the consolidated reserves of HK\$1,335,566,000 (30th June, 2014 - HK\$1,108,062,000) 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.

Condensed Consolidated Statement of Cash Flows

		Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	Note	HK\$'000	HK\$'000
Net cash flows used in operating activities		<u>(133,192)</u>	<u>(118,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	12	(3,558)	(8,271)
Proceeds from redemption of held-to-maturity investments		–	19,717
Interest and dividend received		1,343	6,606
Proceeds from disposal of items of property, plant and equipment		2	–
Purchases of items of property, plant and equipment		(7,992)	(2,442)
Decrease/(Increase) in pledged time deposits and bank balances		1,315	(5,386)
Net cash flows from/(used in) investing activities		<u>(8,890)</u>	<u>10,224</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of a new bank loan		–	4,000
Drawdown of other borrowings		–	200,000
Interest paid		(6,338)	(2,997)
Net cash flows from/(used in) financing activities		<u>(6,338)</u>	<u>201,003</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(148,420)	93,165
Cash and cash equivalents at beginning of period		624,142	399,574
Effect of foreign exchange rate changes, net		19	(5,913)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>475,741</u>	<u>486,826</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		458,453	486,826
Non-pledged time deposits with original maturity of less than three months when acquired		17,288	–
		<u>475,741</u>	<u>486,826</u>

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. 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 annual consolidated financial statements for the year ended 31st December, 2014, 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, 2015.

Amendments to HKAS 19 <i>Annual Improvements</i> <i>2010-2012 Cycle</i>	<i>Defined Benefit Plans: Employee Contributions</i> Amendments to a number of HKFRSs
<i>Annual Improvements</i> <i>2011-2013 Cycle</i>	Amendments to a number of HKFRSs

The adoption of these new and revised HKFRSs has had no significant financial effect on the Group's results of operation and financial position.

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, head office and corporate gains and expenses are excluded from such measurement.

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		Six months ended		Six months ended	
	30th June,		30th June,		30th June,	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	<u>-</u>	<u>-</u>	<u>7,194</u>	<u>(529)</u>	<u>7,194</u>	<u>(529)</u>
Segment results before depreciation	(12,933)	(19,411)	22,470	(5,841)	9,537	(25,252)
Depreciation	<u>(726)</u>	<u>(495)</u>	<u>-</u>	<u>-</u>	<u>(726)</u>	<u>(495)</u>
Segment results	<u>(13,659)</u>	<u>(19,906)</u>	<u>22,470</u>	<u>(5,841)</u>	8,811	(25,747)
Unallocated interest income and unallocated non-operating and corporate gains					1,324	1,039
Unallocated non-operating and corporate expenses					<u>(135,175)</u>	<u>(17,910)</u>
Operating loss					(125,040)	(42,618)
Finance costs	(37,420)	(44,859)	-	-	(37,420)	(44,859)
Unallocated finance costs					(16,348)	(5,336)
Share of profit of a joint venture	14,765	14,761	-	-	<u>14,765</u>	<u>14,761</u>
Loss for the period before allocation between equity holders of the parent and non-controlling interests					<u>(164,043)</u>	<u>(78,052)</u>
Attributable to:						
Equity holders of the parent					(164,043)	(78,052)
Non-controlling interests					<u>-</u>	<u>-</u>
					<u>(164,043)</u>	<u>(78,052)</u>

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, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'000	HK\$'000
<u>Revenue</u>		
Gain/(Loss) from sale/settlement of financial assets at fair value through profit or loss, net	3,641	(4,970)
Dividend income from listed investments	2,790	1,266
Interest income from corporate bonds	763	3,175
	<u>7,194</u>	<u>(529)</u>
<u>Other income</u>		
Interest income from:		
Bank balances and time deposits	1,324	866
Held-to-maturity investments	–	421
Others	729	173
	<u>2,053</u>	<u>1,460</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

4. Finance Costs

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'000	HK\$'000
Interest expenses on convertible bonds	16,311	–
Interest on bank loans wholly repayable within five years	37	254
Interest on other borrowings wholly repayable within five years	–	5,082
Interest on other payables wholly repayable within five years	71,456	78,895
	87,804	84,231
Less: Finance costs capitalised	(34,036)	(34,036)
	53,768	50,195

5. Income Tax

No provision for Hong Kong and overseas profits tax have been made as the Group did not generate any assessable profits arising in Hong Kong and overseas during the period (2014 - Nil).

No provision for tax was required for the joint venture as no assessable profits were earned by the joint venture during the period (2014 - Nil).

6. Dividend

No dividend was paid or proposed during the six months ended 30th June, 2015, nor has any dividend been proposed since the end of the reporting period (2014 - Nil).

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

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss for the period attributable to equity holders of the parent of HK\$164.0 million (2014 - HK\$78.1 million) and on the weighted average of 6,596,414,000 shares of the Company in issue during the six months ended 30th June, 2015 (including ordinary shares and convertible preference shares) (2014 - 3,455,265,000 shares, as adjusted to reflect the effect of the consolidation of ordinary shares of the Company on the basis that every ten existing issued and unissued ordinary shares of HK\$0.0002 each were consolidated into one ordinary share of HK\$0.002 each effective on 15th July, 2014 (the "Share Consolidation") and the open offer completed on 18th August, 2014 on the basis that holders of each consolidated share of the Company would be entitled to subscribe for two consolidated shares and/or convertible preference shares of the Company (the "Open Offer")). The basic loss per share amount for the six months ended 30th June, 2014 has also been restated to reflect the Share Consolidation and the Open Offer.

(b) Diluted loss per share

No adjustment has been made to the loss per share amount presented for the six months ended 30th June, 2015 in respect of a dilution, as the impact of the convertible bonds outstanding during the period had an anti-dilutive effect on the loss per share amount presented.

No adjustment had 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 that period.

Notes to Condensed Consolidated Financial Statements (Cont'd)

8. Debtors, Deposits and Prepayments

	Note	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
		HK\$'000	HK\$'000
Non-current assets			
Prepayments	(a)	<u>71,589</u>	<u>69,689</u>
Current assets			
Prepayments		5,952	1,628
Deposits		4,337	3,226
Other receivables		<u>38,222</u>	<u>24,639</u>
		<u>48,511</u>	<u>29,493</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 accordance with the prevailing relevant policies and regulations, 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 purposes or reimbursed for all the costs incurred in the re-forestation project.

In the prior years, 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 policies 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 policies and regulations.

Notes to Condensed Consolidated Financial Statements (Cont'd)

9. Creditors and Accruals and Other Payables

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'000	HK\$'000
Current liabilities		
Creditors	98,317	72,978
Accruals	5,750	9,671
Due to an intermediate holding company	12,645	4,753
Due to fellow subsidiaries	121,087	53,185
Due to a joint venture	47,309	17,781
	285,108	158,368
Non-current liabilities		
Other payables:		
Due to an intermediate holding company	318,318	318,318
Due to a fellow subsidiary	1,372,711	1,372,711
Due to a joint venture	1,190,872	1,190,872
	2,881,901	2,881,901

Other payables under non-current liabilities are secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects, bear interest at 5% (2014 - 5%) per annum and are repayable on or before 13th September, 2016.

Except for an aggregate amount of HK\$66,555,000 (31st December, 2014 - HK\$32,688,000) included in the amounts due to fellow subsidiaries which is unsecured, interest free and has no fixed terms of repayment, the amounts due to an intermediate holding company, a fellow subsidiary and a joint venture in an aggregate amount of HK\$114,486,000 (31st December, 2014 - HK\$43,031,000) included in current liabilities represent the accrued interest on the other payables included under non-current liabilities, and are secured by the pledge over the equity interest in the relevant holding companies of the Group's property development projects and repayable within one year.

Notes to Condensed Consolidated Financial Statements (Cont'd)

10. Interest Bearing Bank Borrowing

	30th June, 2015 (Unaudited)		31st December, 2014 (Audited)	
	Maturity	HK\$'000	Maturity	HK\$'000
Current				
Bank loan – secured	2015	<u>4,000</u>	2015	<u>4,000</u>
Analysed into:				
Bank loan repayable within one year or on demand		<u>4,000</u>		<u>4,000</u>

The Group's facilities amounting to HK\$73,259,000 (31st December, 2014 - HK\$73,271,000), of which HK\$4,000,000 (31st December, 2014 - HK\$4,000,000) has been utilised at the end of the reporting period, are secured by the pledge of certain of the Group's time deposits and financial assets at fair value through profit or loss amounting to HK\$13,275,000 (31st December, 2014 - HK\$13,781,000) in aggregate.

11. Convertible Bonds

On 18th August, 2014, the Company's wholly owned subsidiary, Apex Team Limited issued convertible bonds with the principal amount of HK\$500,000,000 ("CB 2017") with a maturity date on 17th August, 2017.

CB 2017 bears coupon interest of 2.5% per annum and is unsecured.

The effective interest rate of the liability component is 7.58%.

Conversion rights are exercisable at any time from 25th August, 2014 to 10th August, 2017.

The holders of CB 2017 are entitled to convert CB 2017 into ordinary shares of the Company at an initial conversion price of HK\$0.35 per share (subject to adjustment). Based on the initial conversion price, CB 2017 is convertible into a maximum of approximately 1,428,571,000 ordinary shares of the Company.

If any of CB 2017 has not been converted, it will be redeemed on the maturity date at 100% of its outstanding principal amount.

Options were granted by the Group to subscribe for another convertible bonds in an additional principal amount of up to HK\$500,000,000 ("Optional Bonds 2017") with an expiry date of 90 days prior to the maturity date of Optional Bonds 2017 on 17th August, 2017.

CB 2017 contains three components: equity component, liability component and embedded derivative financial liabilities in respect of the subscription option for Optional Bonds 2017.

For CB 2017, the fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The subscription options embedded in CB 2017 were also recognised as a derivative financial liability and was measured at fair value on initial recognition and remeasured at each subsequent reporting date.

12. Acquisition of Subsidiaries

(a) Business combination - Acquisition of Fudu Property Management

During the period, the Group completed the acquisition from Regal (Chongqing) Equity Investment Fund, L.P. (富豪(重慶)股權投資基金合夥企業(有限合夥)), a fellow subsidiary, of the entire equity interest in 成都富都物業管理有限公司 (for identification purposes, Chengdu Fudu Property Management Company Limited ("Fudu Property Management")), which is principally engaged in provision of property management services in the PRC.

The aggregate fair values of the identifiable assets and liabilities of Fudu Property Management as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK\$'000
Cash and bank balances	211
Amount due from the Group	2,996
Accruals	(6)
	3,201
Total identifiable net assets at fair value	3,201
Goodwill on acquisition	568
	3,769
Cash consideration	3,769

The goodwill of HK\$568,000 recognised is primarily attributed to the expected synergies from combining the assets and activities of Fudu Property Management 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 Fudu Property Management is as follows:

	HK\$'000
Cash consideration	(3,769)
Cash and bank balances acquired	211
	(3,558)
Outflow of cash and cash equivalents included in cash flows from investing activities	(3,558)

The acquisition of Fudu Property Management did not contribute any revenue to the Group as it did not generate any revenue since incorporation. No profit or loss of Fudu Property Management was included in the condensed consolidated statement of profit or loss of the Group for the period ended 30th June, 2015.

Had the combination taken place at the beginning of the period, the consolidated loss of the Group for the period would have been HK\$164,103,000.

Notes to Condensed Consolidated Financial Statements (Cont'd)

(b) Business combination - Acquisition of the Best Accolade Group

On 16th June, 2014, the Group entered into a sale and purchase agreement with Paliburg Development BVI Holdings Limited, a fellow subsidiary, 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:

	Fair value recognised on acquisition HK\$'000
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)
	<hr/>
Net liabilities	(8,213)
Add: amount due to the former shareholder assigned to the Group	11,994
	<hr/>
Total identifiable net assets at fair value	3,781
Goodwill on acquisition	6,212
	<hr/>
Cash consideration	9,993
	<hr/> <hr/>

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

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

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

The acquisition of the Best Accolade Group did not contribute any revenue to the Group as it 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 ended 30th June, 2014, the consolidated loss of the Group for that period would have been HK\$83,031,000.

Notes to Condensed Consolidated Financial Statements (Cont'd)

13. 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, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	Notes	HK\$'000	HK\$'000
A wholly owned subsidiary of the listed ultimate holding company:			
Management fees	(i)	3,958	3,778
Subsidiaries of the listed intermediate holding company:			
Rental income	(ii)	–	166
Interest income from listed debt investments	(iii)	494	482
Interest expenses on other payables	(iv)	71,456	78,895
Interest expenses on other borrowings	(v)	–	5,082
		<u> </u>	<u> </u>

Notes:

- (i) The management fees included rentals and other overheads allocated from a wholly owned subsidiary of 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, Paliburg Holdings Limited, 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 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.
- (iii) The interest income was charged at a coupon rate of 4.25% per annum.
- (iv) The interest expenses were paid to an intermediate holding company, a fellow subsidiary and a joint venture for consideration payables in relation to the acquisition of two development projects in September 2013, which bear interest at 5% per annum.
- (v) The interest expenses were paid to Paliburg Finance Limited for other borrowings under the HK\$200 million facility granted to the Group charged at interest rate at the higher of 7% per annum or the Hong Kong Dollar Prime Lending Rate plus 2% per annum.

Notes to Condensed Consolidated Financial Statements (Cont'd)

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

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	3,345	4,023
Staff retirement scheme contributions	<u>166</u>	<u>155</u>
Total compensation paid to key management personnel	<u><u>3,511</u></u>	<u><u>4,178</u></u>

The nature and terms of the above related party transactions were already disclosed in the Group's annual consolidated financial statements for the year ended 31st December, 2014.

14. Pledge of Assets

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

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'000	HK\$'000
Pledged time deposits	5,022	6,337
Financial assets at fair value through profit or loss	<u>8,253</u>	<u>7,444</u>
	<u><u>13,275</u></u>	<u><u>13,781</u></u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

15. Operating Lease Arrangements

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, 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'000	HK\$'000
Within one year	2,038	1,732
In the second to fifth years, inclusive	<u>2,252</u>	<u>2,338</u>
	<u><u>4,290</u></u>	<u><u>4,070</u></u>

16. Commitments

In addition to the operating lease commitments detailed in note 15 above, the Group had the following outstanding commitments at the end of the reporting period:

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'000	HK\$'000
Authorised, but not contracted for:		
Property development projects	60,583	61,691
Contracted, but not provided for:		
Property development projects	<u>1,859,595</u>	<u>1,659,119</u>
	<u><u>1,920,178</u></u>	<u><u>1,720,810</u></u>

17. Fair Value and Fair Value Hierarchy of Financial Instruments

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.

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.

The fair value of the embedded derivative in convertible bonds is determined by valuation techniques and based on assumptions on market conditions existing at the issue date and the end of the reporting period. The valuation model requires the input of subjective assumptions, including the stock price, expected volatility and risk free rate.

Notes to Condensed Consolidated Financial Statements (Cont'd)

Fair value hierarchy

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

Assets measured at fair value as at 30th June, 2015

	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	176,994	–	–	176,994
Listed debt investments	–	27,332	–	27,332
Derivative financial instruments	–	951	–	951
	<u>176,994</u>	<u>28,283</u>	<u>–</u>	<u>205,277</u>

Assets measured at fair value as at 31st December, 2014

	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	130,004	–	–	130,004
Listed debt investments	–	30,275	–	30,275
	<u>130,004</u>	<u>30,275</u>	<u>–</u>	<u>160,279</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

Liabilities measured at fair value as at 30th June, 2015

	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	
Derivative financial instruments	–	152,492	–	152,492

Liabilities measured at fair value as at 31st December, 2014

	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	
Derivative financial instruments	–	32,357	–	32,357

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, 2014 - Nil).

Notes to Condensed Consolidated Financial Statements (Cont'd)

Fair values of liabilities as at 30th June, 2015 were:

	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	–	2,881,901	–	2,881,901

Fair values of liabilities as at 31st December, 2014 were:

	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	–	2,881,901	–	2,881,901

18. 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 25th August, 2015.

Other Information

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2015, 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, 2015)
			Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) (issued)	–	2,826,776,716 (Note e)	–	2,826,776,716
		(ii) (unissued)	–	4,683,461,057 (Note f)	–	4,683,461,057
					Total:	7,510,237,773 (176.69%)
		Preference (issued)	–	2,004,889,629 (Note f)	–	2,004,889,629 (85.45%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.05%)
	Miss Lo Po Man	Ordinary (issued)	1,380,000	–	–	1,380,000 (0.03%)

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, 2015)
			Personal interests	Corporate interests	Family/Other interests	
2. Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	103,787,396	1,769,164,691 (Note a)	380,683	1,873,332,770 (58.47%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
	Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
	Mr. Kelvin Leung So Po	Ordinary (issued)	4,000	–	–	4,000 (0.000%)
	Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
3. Paliburg Holdings Limited ("PHL")	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,376,803 (Note b)	15,000	830,469,817 (74.51%)
	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)	50,185	–	–	50,185 (0.005%)
	Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	–	–	6,200 (0.001%)
	Mr. Daniel Bong Shu Yin	Ordinary (issued)	–	378,000 (Note h)	–	378,000 (0.03%)

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, 2015)
			Personal interests	Corporate interests	Family/Other interests	
4. Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	610,881,261 (Note c)	260,700	611,166,161 (66.14%)
	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%)
	Mr. Daniel Bong Shu Yin	Ordinary (issued)	–	218,600 (Note i)	–	218,600 (0.02%)
5. Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note g)	–	2,443,033,102 (74.99%)

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 58.46% shareholding interests as at 30th June, 2015.

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 58.46% shareholding interests as at 30th June, 2015. The interests in 593,515,861 issued ordinary shares of RHIHL were held through companies wholly owned by PHL, in which CCIHL held 62.23% shareholding interests as at 30th June, 2015. The interests in the other 16,944,000 issued ordinary shares of RHIHL were held through a wholly owned subsidiary of the Company, in which P&R Holdings Limited ("P&R Holdings") (which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries) held 64.26% shareholding interests as at 30th June, 2015. PHL held 66.06% shareholding interests in RHIHL as at 30th June, 2015.
- (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 2,731,316,716 issued ordinary shares of the Company were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries. The interests in the other 95,460,000 issued ordinary shares of the Company were held through wholly owned subsidiaries of RHIHL. PHL, in which CCIHL held 62.23% shareholding interests as at 30th June, 2015, held 66.06% shareholding interests in RHIHL as at 30th June, 2015. Mr. Lo held 58.46% shareholding interests in CCIHL as at 30th June, 2015.
- (f) The interests in 4,683,461,057 unissued ordinary shares of the Company were held through wholly owned subsidiaries of 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 62.23% shareholding interests as at 30th June, 2015, held 66.06% shareholding interests in RHIHL as at 30th June, 2015. Mr. Lo held 58.46% shareholding interests in CCIHL as at 30th June, 2015.

The interests in 2,004,889,629 unissued ordinary shares of the Company are derivative interests held through interests in 2,004,889,629 convertible preference shares of the Company, convertible into new ordinary shares of the Company on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 1,428,571,428 unissued ordinary shares of the Company are derivative interests held through interests in the convertible bonds in the principal amount of HK\$500,000,000 issued by a wholly owned subsidiary of the Company. The convertible bonds are convertible into new ordinary shares of the Company at a conversion price of HK\$0.35 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

The interests in 1,250,000,000 unissued ordinary shares of the Company are derivative interests held through interests in the possible subscription for the optional convertible bonds in a principal amount of HK\$500,000,000 to be issued by a wholly owned subsidiary of the Company pursuant to the subscription agreement dated 30th April, 2014 (as supplemented by a supplemental agreement dated 19th June, 2014) entered into between the Company and P&R Holdings. The optional convertible bonds, if subscribed for and issued, will be convertible into new ordinary shares of the Company at a conversion price of HK\$0.40 per ordinary share (subject to adjustments in accordance with the terms of the optional convertible bonds).

- (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 was held as to 64.26% 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, 2015. PHL, in which CCIHL held 62.23% shareholding interests as at 30th June, 2015, held 66.06% shareholding interests in RHIHL as at 30th June, 2015. Mr. Lo held 58.46% shareholding interests in CCIHL as at 30th June, 2015.
- (h) The interests in 378,000 issued ordinary shares of PHL were held through a company wholly owned by Mr. Daniel Bong Shu Yin ("Mr. Bong").
- (i) The interests in 218,600 issued ordinary shares of RHIHL were held through a company wholly owned by Mr. Bong.

Other Information (Cont'd)

Save as disclosed herein, as at 30th June, 2015, 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, 2015, 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, 2015
CCIHL (Note i)	2,826,776,716	4,683,461,057	7,510,237,773	176.69%
Century City BVI Holdings Limited ("CCBVI") (Note ii)	2,826,776,716	4,683,461,057	7,510,237,773	176.69%
PHL (Note iii)	2,826,776,716	4,683,461,057	7,510,237,773	176.69%
Paliburg Development BVI Holdings Limited (Note iv)	2,826,776,716	4,683,461,057	7,510,237,773	176.69%
RHIHL (Note v)	2,826,776,716	4,683,461,057	7,510,237,773	176.69%
Regal International (BVI) Holdings Limited (Note vi)	2,826,776,716	4,683,461,057	7,510,237,773	176.69%
Capital Merit Investments Limited (Note iv)	2,731,316,716	4,683,461,057	7,414,777,773	174.45%
Regal Hotels Investments Limited (Note vi)	2,731,316,716	4,683,461,057	7,414,777,773	174.45%
P&R Holdings (Note vii)	2,731,316,716	4,683,461,057	7,414,777,773	174.45%
Interzone Investments Limited (Note viii)	–	1,428,571,428	1,428,571,428	33.61%
Valuegood International Limited (Note viii)	953,625,000	179,031,239	1,132,656,239	26.65%
Lendas Investments Limited (Note viii)	294,107,609	647,915,205	942,022,814	22.16%
Space Capital Investments Limited (Note ix)	333,750,000	340,597,727	674,347,727	15.87%
Giant Sino Group Limited (Note ix)	333,750,000	340,597,727	674,347,727	15.87%
Jumbo Pearl Investments Limited (Note viii)	266,666,666	267,164,481	533,831,147	12.56%
Sun Joyous Investments Limited (Note viii)	266,666,666	267,164,481	533,831,147	12.56%
Time Crest Investments Limited (Note viii)	266,666,666	267,164,481	533,831,147	12.56%
Well Mount Investments Limited (Note viii)	266,666,666	267,164,481	533,831,147	12.56%
Winart Investments Limited (Note viii)	270,000,000	4,643,905	274,643,905	6.46%

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 62.23% shareholding interests in PHL as at 30th June, 2015, 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 66.06% shareholding interests in RHIHL as at 30th June, 2015, 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' 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).

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, 2015, 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 year ended 31st December, 2014 is set out below:

Name of Director	Details of changes
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Independent Non-Executive Director:

Hon Abraham Shek Lai Him, GBS, JP	Appointed as an independent non-executive director of Jinheng Automotive Safety Technology Holdings Limited, a company listed on the Stock Exchange, with effect from 25th June, 2015.
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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, 2015, 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, 2015.

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, 2015.

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, 2015, in conjunction with the external auditors. The review report of the external auditors is set out on page 44 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 12 to 35 which comprises the condensed consolidated statement of financial position as at 30th June, 2015 and the related 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.

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

25th August, 2015

