



四海國際集團有限公司

**Cosmopolitan**  
International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code : 120)

# 2016 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*

Alice Kan Lai Kuen

Lee Choy Sang

David Li Ka Fai

Abraham Shek Lai Him, GBS, JP

## AUDIT COMMITTEE

David Li Ka Fai (Chairman)

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

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

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wan Chai

Hong Kong

## REGISTERED OFFICE

PO Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

## 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 71; Chairman and Chief Executive Officer** — Appointed to the Board as an Executive Director in 2013. Mr. Lo also acts as the Chairman and the Chief Executive Officer of the Company since 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 a listed fellow subsidiary of the Company) 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 42; Vice Chairman and Managing Director** — Appointed to the Board as an Executive Director in 2013. Mr. Jimmy Lo also acts as a Vice Chairman and the Managing Director of the Company since 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 36; Vice Chairman and Executive Director** — Appointed to the Board as an Executive Director in 2013. Miss Lo also acts as a Vice Chairman of the Company since 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 50; Executive Director and Chief Operating Officer** — Appointed to the Board in 2010 as a Non-Executive Director and re-designated as an Executive Director and the Chief Operating Officer in 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 25 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 44; *Executive Director and Chief Financial Officer* — Appointed to the Board in 2008 as a Non-Executive Director and re-designated as an Executive Director and the Chief Financial Officer in 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 20 years of experience in accounting and corporate finance field.

**Mr. Daniel Bong Shu Yin**, aged 77; *Executive Director* — Appointed to the Board in 2006. Mr. Daniel Bong had also acted as the Chairman of the Company since 2006 until he resigned from the position when the Board was reconstituted in 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 61; *Executive Director* — Appointed to the Board in 2008 as a Non-Executive Director and re-designated as an Executive Director in 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 74; *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 is 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 Port Holdings Company Limited (formerly known as 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. Alice Kan Lai Kuen, aged 61; Independent Non-Executive Director** — Invited to the Board as an Independent Non-Executive Director in 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 Engin 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 the Catalist board of Singapore Exchange Securities Trading Limited.

**Mr. Lee Choy Sang, aged 79; 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.

**Mr. David Li Ka Fai, aged 61; 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 Port Holdings Company Limited, 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.

## Directors' Profile (Cont'd)

**Hon Abraham Shek Lai Him, GBS, JP, aged 71; Independent Non-Executive Director** — Invited to the Board as Independent Non-Executive Director in 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 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, 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, MTR Corporation Limited and TUS International 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 2016 Interim Report of the Company.

## FINANCIAL RESULTS

For the six months ended 30th June, 2016, the Group attained an unaudited consolidated profit attributable to shareholders of HK\$40.3 million, as compared to a loss of HK\$164.0 million recorded for the corresponding six months in 2015.

The profit attained in the period under review was largely attributable to a gain of HK\$89.8 million arising from the decrease in the fair value of the outstanding subscription option for the subscription of the optional convertible bonds due 2017, which was recognised as a reduction in financial liability in the Group's financial statements, as well as the recognition of a gain on bargain purchase of HK\$30.3 million arising from the Group's acquisition of a 60% interest in a subsidiary investing in a licensed logistics services provider in Shanghai, the People's Republic of China. Both gains are mainly accounting in nature and do not have any immediate impact on the Group's cash flows. As explained in the Interim Report for 2015, the loss incurred for the first six months in 2015 was also primarily due to the change in the fair value of the above outstanding subscription option, which was then recognised as an increase in financial liability.

## BUSINESS OVERVIEW

For the period under review, the economy of China continued to stabilise. Its Gross Domestic Product decelerated from 6.9 percent in 2015 to 6.7 percent in the first half of 2016 but was within the target range set by the Central Government. Although faced with relatively weak exports and slowing investment, the domestic rebalancing of its economy is gradually under way and the concerns over a possible hard landing of its economy are being relieved. Benefited by the relaxation in the fiscal and other administrative policies controlling the property market in China since last year, the property market rapidly revived, particularly in the residential sector in the first and second tier cities.

Taking advantage of the favourable market conditions, the Group began to launch the presale of the residential units in its two composite development projects in the Hedong District in Tianjin and the Xindu District in Chengdu, Sichuan Province in October 2015 and in April 2016, respectively. Up to date, the Tianjin development project has secured contracted sales of approximately RMB968 million (equivalent to approximately HK\$1,132 million) and for the Chengdu development project, approximately RMB166 million (equivalent to approximately HK\$194 million).

Shareholders could find in the section headed "Management Discussion and Analysis" in this Interim Report further detailed information on the Tianjin project, the Chengdu project, the re-forestation and land grant project in Urumqi, Xinjiang, as well as the Group's latest acquisition of a 60% interest in a subsidiary investing in a licensed logistics services provider in Shanghai, which transaction was completed in May 2016.

The two development projects in Chengdu and Tianjin were acquired by the Group in 2013 and were then financed by the deferral of the payment of the considerations payable to the vendors, which are effectively P&R Holdings Limited, an intermediate holding company of the Company, and a wholly-owned subsidiary of Regal Hotels International Holdings Limited, a fellow subsidiary of the Company, respectively. The consideration payables are due on 13th September, 2016, which was originally set by reference to the development and sale schedules for the two development projects formulated at the time of the acquisition. As the development progress of the two projects has lagged behind the original schedules, the payment of the consideration payables is required to be rescheduled, despite substantive progress having been achieved in their presale programmes.



## Chairman's Statement (Cont'd)

On 4th August, 2016, the Group announced that it had entered into a series of conditional agreements with the Regal group and the P&R Holdings group pursuant to which, among others, the Regal group agreed to grant to the Group loan facilities (comprising term loan of HK\$1,350 million and revolving loan of HK\$500 million) for a term of 5 years, which will be used to settle all the outstanding consideration payables expected to be owing to the Regal group on completion of the agreements and will be secured by the Group's entire equity interests in both the Chengdu and Tianjin development projects. Moreover, P&R Holdings group has also conditionally undertaken to subscribe for the optional convertible bonds due 2017 in an amount of no less than HK\$330 million on completion of the agreements (which will be used to settle the outstanding consideration payable owing to the P&R Holdings group) and to subscribe for the remaining optional convertible bonds due 2017 by the end of 2016, in conjunction with which the maturity dates for the existing issued convertible bonds and the optional convertible bonds due 2017 will be extended to 18th August, 2021.

The objective of effectively refinancing the consideration payables owing to the Regal group by way of the new 5-year loan facilities and extending the maturity of the convertible bonds to 2021 is to align their due dates with the latest presale progress and completion schedules of the Chengdu and Tianjin development projects.

The Group and the Regal group may also consider in due course the possible acquisition by the Regal group of the hotel component comprised in the Chengdu project, as it is the intention of the Regal group to expand its hotel network in the PRC.

Completion of the above agreements is inter-conditional and will also be conditional upon, among others, the approval by the independent shareholders of the Company at an extraordinary general meeting to be convened. A circular containing further detailed information regarding the transactions contemplated under these agreements together with the advice from the independent board committee and the independent financial adviser to the independent shareholders is expected to be sent to shareholders shortly.

### OUTLOOK

The property market in the PRC witnessed some consolidation in the recent few months but overall long term prospects remain positive. The Group will soon launch, in stages, the sale of the remaining residential tower, the commercial complex and the car parking spaces in the Tianjin project as well as the other six residential towers under construction in the Chengdu project. The Group is hopeful that substantial income and cash flows will be generated when these two major development projects currently undertaken by the Group are completed and sold.

### LO YUK SUI

Chairman

Hong Kong  
23rd August, 2016

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group is principally engaged in property development and investment, investment in financial assets, logistics operations 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 and in this section.

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

A brief review on the property projects and logistics business currently undertaken by the Group in the People's Republic of China (the "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, serviced 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 about 306 hotel rooms and extensive facilities and three residential towers with 339 residential units with car parking spaces and ancillary commercial accommodation. While the business remodeling works in response to the current local market environment continue, the hotel is scheduled to open in phases from 2017. The second stage of the development comprises six residential towers with 957 units, the construction works for which are in progress. The completion of the residential towers in both the first and second stages of the development is expected to be in 2017. The presale of two residential towers in the first stage and one residential tower in the second stage, consisting of a total of 362 units, commenced in April 2016, and there have been contracted sales of approximately RMB166 million. Presale of the remaining six residential towers with 934 units in both stages is scheduled to be launched in stages commencing from the fourth quarter of 2016. The other components within the development, comprising commercial, office, serviced apartments and residential units, 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 superstructure works of the four residential towers are progressing and the superstructure works of the commercial complex and the two office towers have already commenced. The presale of three residential towers, comprising 376 units, commenced in October 2015. Up to date, approximately 98% of the available units have been sold, realising contracted sales of approximately RMB968 million. The remaining residential tower, comprising 136 units, the commercial complex, comprising mainly shops of about 19,000 square metres, and the car parking spaces are expected to be marketed for presale before the end of 2016. The entire development is anticipated to be completed in stages from 2017.

## Management Discussion and Analysis (Cont'd)

### *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 real estate development after the requisite inspection, land grant listing and tender procedures are completed.

The Group has already taken necessary steps to reorganise the local management team, with a view to restoring normal business operations for the project and carrying out the remedial re-forestation works for inspection by the relevant government authorities. The Group will also initiate measures to settle the land disputes with the surrounding villagers, with an aim to resume the possession of certain parcels of land within the project site being illegally occupied. Based on the legal advice obtained, the legitimate interests of the Group in this re-forestation and land grant contract remain valid and effective. The Group is planning to have the required remedial re-forestation works carried out as soon as practicable, such that the inspection and measurement of the reforested area by the relevant government authorities can be resumed and the final procedures leading to the land grant listing and tender of the development land may be concluded.

### **Logistics Business**

#### *Shanghai Logistics Project*

With the aim of diversifying and broadening its business portfolio through the expansion and development of the logistics business and capitalising on the increasing demands for logistics services market by e-commerce merchants in Mainland China, the Group entered into certain agreements to acquire an effective 60% interest in a group of companies (the "Logistics Group") operating logistics and related businesses in the PRC, details of which were disclosed in the announcements of the Company dated 13th January, 2016, 11th March, 2016, 12th April, 2016 and 29th April, 2016. The Group completed the acquisition on 31st May, 2016 and the acquired Logistics Group companies have since become subsidiaries of the Group. The Group recognised a gain on bargain purchase of HK\$30.3 million upon the business combination during the period, which is based on a provisional amount and subject to the finalisation of the fair value estimation of the considerations transferred and identifiable net assets acquired within 12 months from the date of acquisition.

One of the companies within the Logistics Group is a licensed courier services provider in the PRC. It has leased an industrial premises with an aggregate lettable area of about 40,000 square metres in Pudong, Shanghai, the PRC (the "Leased Property") from an affiliated company of the ultimate shareholder holding the remaining 40% interest in the Logistics Group to operate the logistics and related businesses. The ultimate 40% shareholder of the Logistics Group has also through his wholly owned subsidiary entered into a consultancy agreement with the Logistics Group to procure the development and expansion of the logistics businesses with an additional business operating area of 120,000 square metres. The shareholders of the company owning the Leased Property (being the ultimate 40% shareholder of the Logistics Group and his family member) have granted a purchase option to the Logistics Group to acquire the aforesaid property owning company owning the Leased Property and its wholly owned subsidiary which has a contractual right to acquire the land parcel adjacent to the Leased Property. Further details of the above-mentioned acquisition, consultancy agreement, purchase option and other related transactions were disclosed in the related announcements.

Since the completion of the acquisition, the Logistics Group has performed profitably and steadily. The rental occupancy of the Leased Property is about 82% which is based on the occupancy rate of the available area of about 37,000 square metres for sub-letting, with about 77% being rented to e-commerce merchants (who are exclusively using courier services provided by the Logistics Group) and the remaining areas being rented to other tenants with fixed-rate rentals. In light of the positive outlook of the e-commerce market in China and taking into account the planned expansion of the logistics business, it is expected that the Logistics Group would generate satisfactory income to the Group.

### FINANCIAL REVIEW

#### ASSETS VALUE

As at 30th June, 2016, the Group's net assets attributable to equity holders of the parent amounted to HK\$1,092.3 million, representing approximately HK\$0.17 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. The Group has recently reached agreements with the vendors to effectively (i) refinance the consideration payables owing to one of the vendors by way of new 5-year loan facilities, and (ii) to repay the consideration payable owing to the other vendor through its subscription of the optional convertible bonds to be issued by the Group, with an objective to align their due dates with the latest progress and completion schedules of the relevant development projects. Completion of such agreements is inter-conditional and will also be conditional upon, among others, the requisite shareholders' approval.

Construction and related costs for the property projects for the time being are principally financed by internal resources and proceeds from the presale of the units. 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 generated from operating activities during the period under review amounted to HK\$221.8 million (2015 - net cash flows used in operating activities of HK\$133.2 million). Net interest payment for the period amounted to HK\$4.1 million (2015 - HK\$4.2 million).

## Management Discussion and Analysis (Cont'd)

### Borrowings and Gearing

As at 30th June, 2016, the Group had cash and bank balances and deposits of HK\$644.1 million (31st December, 2015 - HK\$397.4 million) and no bank borrowings (31st December, 2015 - Nil).

As at 30th June, 2016, excluding the consideration payables owed to the vendors for the acquisition of certain property development projects, the Group had cash and bank balances and deposits, net of convertible bonds, of HK\$138.5 million (31st December, 2015 - net borrowings of HK\$69.8 million) and therefore no gearing (31st December, 2015 - 1.3%, representing the Group's net borrowings as compared to its total assets of HK\$5,510.0 million).

### Pledge of Assets

The Group's equity interests in the relevant holding companies of the Group's property development projects were pledged to secure the consideration payables and the related interest payable in respect of the acquisition of certain property development projects in 2013.

### Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2016 are shown in note 15 to the condensed consolidated financial statements.

### Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2016 are shown in note 16 to the condensed consolidated financial statements.

### Share Capital and Convertible Bonds

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

Details of the new convertible bonds issued by the Group during the period are shown in note 11 to the condensed consolidated financial statements.

### DIVIDEND

The Directors have resolved not to declare an interim dividend for the financial year ending 31st December, 2016 (2015 - Nil).

### MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

On 31st May, 2016, the Group completed the acquisition of 60% effective interest in the Logistics Group operating logistics and related businesses in the PRC. The investment in the Logistics Group and related transactions under the relevant framework agreement dated 13th January, 2016 (as supplemented by the supplemental framework agreement dated 12th April, 2016) constituted a discloseable transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further details relating to the investment of the Logistics Group are mentioned under the sub-section headed "Business Review" in this section and note 12 to the condensed consolidated financial statements.

Save as disclosed above, during the period under review, there were no other material acquisitions or disposals of subsidiaries or associates of the Company.

### STAFF AND REMUNERATION POLICY

The Group employs approximately 90 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, 2016 (Unaudited)	Six months ended 30th June, 2015 (Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	2, 3	9,856	7,194
Cost of sales		(2,287)	–
Gross profit		7,569	7,194
Other income	3	16,068	2,053
Fair value gain/(loss) on derivative financial instruments in relation to convertible bonds		89,784	(121,546)
Fair value gains/(losses) on other financial assets at fair value through profit or loss, net		(19,025)	15,405
Gain on bargain purchase	12	30,272	–
Property selling and marketing expenses		(6,423)	(629)
Administrative expenses		(31,261)	(26,600)
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION		86,984	(124,123)
Depreciation		(6,281)	(917)
OPERATING PROFIT/(LOSS)	2	80,703	(125,040)
Finance costs	4	(54,644)	(53,768)
Share of profit of a joint venture		14,780	14,765
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		40,839	(164,043)
Attributable to:			
Equity holders of the parent		40,306	(164,043)
Non-controlling interests		533	–
		40,839	(164,043)
EARNINGS/(LOSS) PER SHARE (INCLUDING ORDINARY SHARE AND CONVERTIBLE PREFERENCE SHARE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	7		
Basic		HK0.61 cent	HK(2.49) cents
Diluted		HK(0.63) cent	HK(2.49) cents

# Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2016 (Unaudited)	Six months ended 30th June, 2015 (Unaudited)
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	40,839	(164,043)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	(20,609)	2,044
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>20,230</u>	<u>(161,999)</u>
Attributable to:		
Equity holders of the parent	19,711	(161,999)
Non-controlling interests	519	-
	<u>20,230</u>	<u>(161,999)</u>

# Condensed Consolidated Statement of Financial Position

		30th June, 2016 (Unaudited)	31st December, 2015 (Audited)
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		32,099	37,153
Properties under development		1,296,323	1,297,349
Investment in a joint venture		590,421	575,639
Financial asset at fair value through profit or loss		48,792	–
Contingent consideration receivable		11,182	–
Deposits and prepayments	8	70,386	71,607
Goodwill		235,090	235,090
Intangible assets		119,558	–
Total non-current assets		<u>2,403,851</u>	<u>2,216,838</u>
<b>CURRENT ASSETS</b>			
Properties under development		2,941,872	2,664,931
Debtors, deposits and prepayments	8	124,138	36,322
Financial assets at fair value through profit or loss		154,616	194,569
Restricted cash		160,435	131,330
Time deposits		12,806	12,790
Cash and bank balances		470,900	253,248
Total current assets		<u>3,864,767</u>	<u>3,293,190</u>
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	9	(236,605)	(277,497)
Other payables	10	(2,881,901)	(2,881,901)
Deposits received		(1,019,993)	(313,555)
Derivative financial instruments		(87,577)	(2,824)
Tax payable		(1,004)	(1,005)
Total current liabilities		<u>(4,227,080)</u>	<u>(3,476,782)</u>
NET CURRENT LIABILITIES		<u>(362,313)</u>	<u>(183,592)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,041,538</u>	<u>2,033,246</u>

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

		30th June, 2016 (Unaudited)	31st December, 2015 (Audited)
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Loan from a minority shareholder		(1,660)	–
Convertible bonds	11	(505,669)	(467,191)
Derivative financial instruments		–	(177,361)
Deferred tax liabilities		(390,374)	(348,286)
Total non-current liabilities		<u>(897,703)</u>	<u>(992,838)</u>
Net assets		<u>1,143,835</u>	<u>1,040,408</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		13,193	13,193
Reserves		1,079,146	1,027,189
		<u>1,092,339</u>	<u>1,040,382</u>
<b>Non-controlling interests</b>		<u>51,496</u>	<u>26</u>
Total equity		<u>1,143,835</u>	<u>1,040,408</u>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2016

	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	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1st January, 2016	13,193	1,402,563	209	1,018	(163,262)	26,801	11,748	(1,076)	(250,812)	1,040,382	26	1,040,408
Profit for the period	-	-	-	-	-	-	-	-	40,306	40,306	533	40,839
Other comprehensive loss for the period:												
Exchange differences on translating foreign operations	-	-	-	-	(20,595)	-	-	-	-	(20,595)	(14)	(20,609)
Total comprehensive income/(loss) for the period	-	-	-	-	(20,595)	-	-	-	40,306	19,711	519	20,230
Acquisition of subsidiaries	-	-	-	-	-	-	32,246	-	-	32,246	50,951	83,197
At 30th June, 2016	13,193	1,402,563*	209*	1,018*	(183,857)*	26,801*	43,994*	(1,076)*	(210,506)*	1,092,339	51,496	1,143,835

Note

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

For the six months ended 30th June, 2016

	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

\* These reserve accounts comprise the consolidated reserves of HK\$1,079,146,000 (30th June, 2015 - HK\$1,335,566,000) 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, 2016 (Unaudited)	Six months ended 30th June, 2015 (Unaudited)
	Note	HK\$'000	HK\$'000
Net cash flows from/(used in) operating activities		<u>221,785</u>	<u>(133,192)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	12	723	(3,558)
Recovery of deposit paid for acquisition of a subsidiary		14,404	–
Purchases of items of property, plant and equipment		(7,877)	(7,992)
Decrease in pledged time deposits		–	1,315
Advance to a joint venture		(2)	–
Interest received		1,661	1,343
Proceeds from disposal of items of property, plant and equipment		–	2
Net cash flows from/(used in) investing activities		<u>8,909</u>	<u>(8,890)</u>
CASH FLOWS FROM A FINANCING ACTIVITY			
Interest paid		(6,284)	(6,338)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>224,410</u>	<u>(148,420)</u>
Cash and cash equivalents at beginning of period		266,038	624,142
Effect of foreign exchange rate changes, net		(6,742)	19
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>483,706</u>	<u>475,741</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		470,900	458,453
Non-pledged time deposits with original maturity of less than three months when acquired		12,806	17,288
		<u>483,706</u>	<u>475,741</u>

# Notes to Condensed Consolidated Financial Statements

## 1.1 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, 2015, except as described below.

In the current period, the Group has adopted the following revised Hong Kong Financial Reporting Standards (“HKFRSs”), which are effective for the Group’s annual periods beginning on or after 1st January, 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

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

In addition, during the current period, the Group acquired 60% effective interest in a group of companies operating logistics and related businesses in the People’s Republic of China (the “PRC”) and accordingly, certain additional accounting policies described below are adopted by the Group:

### Intangible Assets (Other Than Goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

### Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Logistics and related services income is recognised in the period in which such services are rendered.

## 1.2 Corporate Update

As at 30th June, 2016, the Group had net current liabilities of HK\$362,313,000 (31st December, 2015 – HK\$183,592,000). The net current liabilities position was attributable to the outstanding balance of the consideration payables aggregating HK\$2,881,901,000 (the “Consideration Payables”) due to Regal International (BVI) Holdings Limited, a fellow subsidiary of the Group, P&R Holdings Limited (“P&R Holdings”), an intermediate holding company of the Group, and Faith Crown Holdings Limited, a joint venture of the Group, (collectively, the “Vendors”) in relation to the Group’s acquisitions of certain property development projects in 2013. The Consideration Payables are classified as other payables under current liabilities and are repayable on or before 13th September, 2016 as disclosed in note 10 to the condensed consolidated financial statements.

After discussions with the Vendors (who are effectively P&R Holdings and a subsidiary of Regal Hotels International Holdings Limited ("Regal")), with a view to rescheduling the repayment date for the Consideration Payables to align with the latest development and sale schedules for the two development projects, on 4th August, 2016, the Group entered into a series of conditional agreements with the Regal group and the P&R Holdings group. Pursuant to the agreements, among others, the Regal group agreed to grant to the Group loan facilities (comprising term loan of HK\$1,350 million and revolving loan of HK\$500 million) for a term of 5 years, which will be used to settle all the outstanding balances of the Consideration Payables expected to be owing to the Regal group on completion of the agreements. Moreover, P&R Holdings group has also conditionally undertaken to subscribe the optional convertible bonds due 2017 in an amount of no less than HK\$330 million on completion of the agreements (which will be used to settle the outstanding balance of the Consideration Payables owing to the P&R Holdings group) and to subscribe for the remaining optional convertible bonds due 2017 by the end of 2016, in conjunction with which the maturity dates for the existing issued convertible bonds and the optional convertible bonds due 2017 will be extended to 18th August, 2021. Further details of the agreements are contained in the Company's joint announcement dated 4th August, 2016. Completion of the above agreements is inter-conditional and will also be conditional upon, among others, the approval by the independent shareholders of the Company and Regal at their respective extraordinary and special general meetings to be convened.

Based on the latest development relating to the Consideration Payables and the convertible bonds, the Directors of the Company have given careful consideration to the future liquidity of the Group and are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future, and accordingly, are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. The condensed consolidated financial statements do not include any adjustments that might be necessary should the Group not be able to continue as a going concern.

### 2. Operating Segment Information

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

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

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 profit/(loss) before tax except that certain interest income, finance costs, head office and corporate gains and expenses are excluded from such measurement.

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

	Property development and investment		Financial assets investments		Logistics operations		Consolidated	
	Six months ended 30th June, 2015		Six months ended 30th June, 2015		Six months ended 30th June, 2015		Six months ended 30th June, 2015	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	-	-	6,139	7,194	3,717	-	9,856	7,194
Segment results before depreciation	(8,079)	(12,933)	(12,901)	22,470	29,100	-	8,120	9,537
Depreciation	(6,030)	(726)	-	-	(29)	-	(6,059)	(726)
Segment results	(14,109)	(13,659)	(12,901)	22,470	29,071	-	2,061	8,811
Unallocated interest income and unallocated non-operating and corporate gains							91,445	1,324
Unallocated non-operating and corporate expenses							(12,803)	(135,175)
Operating profit/(loss)	(37,462)	(37,420)	-	-	-	-	80,703	(125,040)
Finance costs							(37,462)	(37,420)
Unallocated finance costs							(17,182)	(16,348)
Share of profit of a joint venture	14,780	14,765	-	-	-	-	14,780	14,765
Profit/(Loss) for the period before allocation between equity holders of the parent and non-controlling interests							40,839	(164,043)
Attributable to:								
Equity holders of the parent							40,306	(164,043)
Non-controlling interests							533	-
							40,839	(164,043)

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

### 3. Revenue and Other Income

Revenue and other income are analysed as follows:

	Six months ended 30th June, 2016 (Unaudited)	Six months ended 30th June, 2015 (Unaudited)
	HK\$'000	HK\$'000
<u>Revenue</u>		
Logistics and related services income	3,717	–
Gain from sale/settlement of financial assets at fair value through profit or loss, net	2,649	3,641
Dividend income from listed investments	2,995	2,790
Interest income from corporate bonds	495	763
	<u>9,856</u>	<u>7,194</u>
<u>Other income</u>		
Bank interest income	1,653	1,324
Others	14,415	729
	<u>16,068</u>	<u>2,053</u>

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

### 4. Finance Costs

	Six months ended 30th June, 2016 (Unaudited)	Six months ended 30th June, 2015 (Unaudited)
	HK\$'000	HK\$'000
Interest on convertible bonds	17,182	16,311
Interest on bank loans	–	37
Interest on other payables	71,536	71,456
	<b>88,718</b>	87,804
Less: Finance costs capitalised	<b>(34,074)</b>	(34,036)
	<b>54,644</b>	53,768

### 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 (2015 - Nil).

No provision for tax was required for the joint venture as no assessable profits were earned by the joint venture during the period (2015 - Nil).

### 6. Dividend

No dividend was paid or proposed during the six months ended 30th June, 2016, nor has any dividend been proposed since the end of the reporting period (2015 - Nil).



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

### 7. Earnings/(Loss) Per Share Attributable to Equity Holders of the Parent

(a) Basic earnings/(loss) per share

The calculation of the basic earnings per share is based on the profit for the period attributable to equity holders of the parent of HK\$40,306,000 (2015 - loss of HK\$164,043,000) and on the weighted average of 6,596,414,000 (2015 - 6,596,414,000) shares of the Company in issue during the six months ended 30th June, 2016 (including ordinary shares and convertible preference shares).

(b) Diluted loss per share

The calculation of the diluted loss per share is based on the profit for the period attributable to equity holders of the parent, adjusted to reflect the fair value gain on derivative financial instruments in relation to convertible bonds of HK\$89,784,000. The weighted average number of shares used in the calculation is the aggregate of the number of ordinary shares and convertible preference shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of 1,250,000,000 shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment had 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 that period had an anti-dilutive effect on the loss per share amount presented.

### 8. Debtors, Deposits and Prepayments

		30th June, 2016 (Unaudited)	31st December, 2015 (Audited)
	Notes	HK\$'000	HK\$'000
Non-current assets			
Prepayments	(a)	70,270	71,607
Deposits		116	–
		<u>70,386</u>	<u>71,607</u>
Current assets			
Trade debtors	(b)	4,924	–
Prepayments		98,817	17,098
Deposits		938	1,141
Other receivables		19,459	18,083
		<u>124,138</u>	<u>36,322</u>

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

Notes:

- (a) The amount related to the costs incurred in relation to a re-forestation project in Urumqi, Xinjiang Uygur Autonomous Region, 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 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. Despite the delay in the progress of the re-forestation works, based on the latest legal opinion obtained, the legitimate interests of the Group in this re-forestation and land grant contract remain valid and effective and 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 the applicable policies and regulations.

- (b) The aged analysis of the trade debtors of the Group as at the end of the reporting period, based on the invoice date, is within 3 months.

### **Credit terms**

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amounts less impairment which is made when collection of the full amounts is no longer probable. Bad debts are written off as incurred.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over these balances.

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

### 9. Creditors and Accruals

	30th June, 2016 (Unaudited)	31st December, 2015 (Audited)
	HK\$'000	HK\$'000
Creditors	112,075	218,981
Accruals	9,633	14,507
Due to an intermediate holding company	12,654	4,753
Due to fellow subsidiaries	54,901	21,475
Due to a joint venture	47,342	17,781
	<u>236,605</u>	<u>277,497</u>

Except for an aggregate amount of HK\$330,000 (31st December, 2015 - HK\$978,000) 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\$114,567,000 (31st December, 2015 - HK\$43,031,000) included in current liabilities represent the accrued interest on the other payables 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.

### 10. Other Payables

	30th June, 2016 (Unaudited)	31st December, 2015 (Audited)
	HK\$'000	HK\$'000
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
	<u>2,881,901</u>	<u>2,881,901</u>

Other payables are secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects and bear interest at 5% (2015 - 5%) per annum. The amounts are due on 13th September, 2016 and, accordingly, they are classified as current liabilities as at 30th June, 2016.

### 11. Convertible Bonds

Details of the convertible bonds as at 30th June, 2016 are set out as follows:

#### (a) CB 2017

On 18th August, 2014, the Company's wholly owned subsidiary, Apex Team Limited ("Apex Team") 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 were measured at fair value on initial recognition and remeasured at each subsequent reporting date.

#### (b) CB 2020A

On 31st May, 2016, Apex Team issued convertible bonds with the principal amount of HK\$23,800,000 ("CB 2020A") with a maturity date on 30th May, 2020.

CB 2020A bears no coupon interest and is unsecured.

The effective interest rate of the liability component is 9.64%.

Conversion rights are exercisable at any time from 7th June, 2016 to 23rd May, 2020.

The holders of CB 2020A are entitled to convert CB 2020A 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 2020A is convertible into a maximum of approximately 68,000,000 ordinary shares of the Company.

If any of CB 2020A has not been converted, it will be redeemed on the maturity date at 100% of its outstanding principal amount.

CB 2020A contains two components: equity component and liability component which are recognised at fair values at the issuance date.

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 fair value of the equity component is estimated at HK\$13,489,000 and is included in shareholders' equity.

### (c) CB 2020B

On 31st May, 2016, Apex Team issued another convertible bonds with the principal amount of HK\$33,250,000 ("CB 2020B") with a maturity date on 30th May, 2020.

CB 2020B bears no coupon interest and is unsecured.

The effective interest rate of the liability component is 9.64%.

Conversion rights are exercisable at any time from 7th June, 2016 to 23rd May, 2020.

The holders of CB 2020B are entitled to convert CB 2020B 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 2020B is convertible into a maximum of approximately 95,000,000 ordinary shares of the Company.

If any of CB 2020B has not been converted, it will be redeemed on the maturity date at 100% of its outstanding principal amount.

CB 2020B contains two components: equity component and liability component which are recognised at fair values at the issuance date.

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 fair value of the equity component is estimated at HK\$18,757,000 and is included in shareholders' equity.

The convertible bonds as at 31st December, 2015 represented CB 2017 only.

## 12. Acquisition of Subsidiaries

### (a) Business combination - Acquisition of the SH Logistics Group

On 31st May, 2016, the Group acquired from independent third parties 60% effective equity interest in 上海禾允投資諮詢有限公司 and its wholly owned subsidiary (the "SH Logistics Group"). The SH Logistics Group is principally engaged in the provision of logistics and related services in Shanghai, the PRC.

The Group has elected to measure the non-controlling interest in the SH Logistics Group at the non-controlling interest's proportionate share of the SH Logistics Group's identifiable net assets.

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

	<b>Fair value recognised on acquisition HK\$'000</b>
Property, plant and equipment	3,190
Financial asset at fair value through profit or loss	48,792
Cash and bank balances	723
Debtors, deposits and prepayments	4,572
Creditors and accruals	(3,220)
Intangible assets	119,558
Deferred tax liabilities	(42,088)
Non-controlling interests	(50,951)
	80,576
Total identifiable net assets at fair value	80,576
Gain on bargain purchase recognised in the condensed consolidated statement of profit or loss	(30,272)
	50,304
Satisfied by:	
Cash consideration	4,150
Convertible bonds	55,676
Contingent consideration receivable	(11,182)
Assignment of a shareholder's loan	1,660
	50,304

The fair values of the considerations transferred and identifiable net assets acquired of the above business combination as at the date of acquisition are provisional amounts and are subject to the finalisation of the fair value estimation within 12 months from the date of acquisition.



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

The Group issued convertible bonds - CB 2020A and CB 2020B (net of cash proceeds of HK\$4,150,000) as part of the considerations for the acquisition.

The convertible bonds contain two components: equity component of HK\$32,246,000 and liability component of HK\$27,580,000 which represented their fair values at the date of acquisition.

Further details of CB 2020A and CB 2020B are set out in note 11 to the condensed consolidated financial statements.

As part of the acquisition, the Group is entitled to a priority right to receive dividends up to an aggregate of RMB48,000,000, before allocation of profits to the minority shareholder, in relation to the future profits generated by the SH Logistics Group.

The initial amount of contingent consideration receivable recognised was HK\$11,182,000, being the fair value of the priority right to receive dividends at the date of acquisition, which was determined using the discounted cash flow model and is within Level 3 fair value measurement. As at the end of the reporting period, there is no significant change to the fair value of the contingent consideration receivable.

The gross contractual amount and the fair value of the trade debtors and other debtors as at the date of acquisition amounted to HK\$ 3,559,000 and HK\$149,000, respectively, which are expected to be collectible.

The Group incurred transaction costs of HK\$2,258,000 for the acquisition. These transaction costs have been expensed and are included in administrative expenses in the condensed consolidated statement of profit or loss.

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

An analysis of the cash flows in respect of the acquisition of the SH Logistics Group is as follows:

	<b>HK\$'000</b>
Cash consideration	(4,150)
Proceeds from issue of convertible bonds	4,150
Cash and bank balances acquired	723
	<hr/>
Net inflow of cash and cash equivalents included in cash flows from investing activities	723
Transaction costs of the acquisition included in cash flows from operating activities	(2,258)
	<hr/>
	<u>(1,535)</u>

Since the acquisition, the SH Logistics Group contributed approximately HK\$3,717,000 to the Group's revenue and a profit of approximately HK\$1,402,000 to the consolidated profit for the period ended 30th June, 2016.

It was impracticable to disclose the information as if the combination had taken place at the beginning of the period ended 30th June, 2016 since the Group did not have full access to the accounting books and records of the SH Logistics Group for the period prior to the date of acquisition.

### (b) Business combination - Acquisition of Fudu Property Management

In June, 2015, 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 Group, 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:

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

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

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

	<b>HK\$'000</b>
Cash consideration	(3,769)
Cash and bank balances acquired	<u>211</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u>(3,558)</u>

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 ended 30th June, 2015, the consolidated loss of the Group for that period would have been HK\$164,103,000.

### 13. 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 related party transactions during the period:

	<b>Six months ended 30th June, 2016 (Unaudited)</b>	<b>Six months ended 30th June, 2015 (Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
A wholly owned subsidiary of the listed ultimate holding company:		
Management fees	<b>4,262</b>	3,958
Subsidiaries of the listed intermediate holding company:		
Interest income from listed debt investments	<b>495</b>	494
Interest expenses on other payables	<b>71,536</b>	71,456
Interest expenses on convertible bonds	<b>17,172</b>	16,311
	<u><b>17,172</b></u>	<u>16,311</u>

The nature and terms of the above related party transactions have not changed and were already disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2015.

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

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

	Six months ended 30th June, 2016 (Unaudited)	Six months ended 30th June, 2015 (Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	3,430	3,345
Staff retirement scheme contributions	173	166
Total compensation paid to key management personnel	3,603	3,511

### 14. Operating Lease Arrangements

(a) As lessor

The Group leases certain of its warehouse premises under operating lease arrangements, with leases negotiated for terms ranging from 3 to 10 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 30th June, 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30th June, 2016 (Unaudited)	31st December, 2015 (Audited)
	HK\$'000	HK\$'000
Within one year	2,482	–
In the second to fifth years, inclusive	6,990	–
After five years	7,819	–
	17,291	–

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

(b) As lessee

The Group leases certain office and warehouse premises under operating lease arrangements. The leases are negotiated for terms ranging from 1 to 10 years.

At 30th June, 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2016 (Unaudited)	31st December, 2015 (Audited)
	HK\$'000	HK\$'000
Within one year	4,592	1,439
In the second to fifth years, inclusive	6,680	1,423
	<u>11,272</u>	<u>2,862</u>

### 15. Commitments

In addition to the operating lease commitments detailed in note 14 above, the Group had the following outstanding commitments at the end of the reporting period:

	30th June, 2016 (Unaudited)	31st December, 2015 (Audited)
	HK\$'000	HK\$'000
Contracted, but not provided for: Property development projects	<u>825,033</u>	<u>1,640,070</u>

### 16. Contingent Liabilities

A subsidiary of the Group is currently a defendant in certain outstanding litigation claims relating to the re-forestation project located in Xinjiang in the PRC. Based on the advice from the Group's legal counsel, the litigation claims are pending verification and/or the Group has good grounds of defence against the allegations. Accordingly, the Directors consider that it is appropriate to disclose such claims in an aggregate amount of approximately RMB9,554,000 (HK\$11,168,000) (31st December, 2015 - RMB1,771,000 (HK\$2,091,000)) as contingent liabilities and no provision has been made in the financial statements.

### 17. Fair Value and Fair Value Hierarchy of Financial Instruments

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

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 portion of financial assets included in deposits and prepayments and loan from a minority shareholder have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the loan from a minority shareholder was assessed to be insignificant.

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

The fair values of listed debt investments are determined based on market values provided by financial institutions.

The fair value of a purchase option has been estimated using a valuation technique which incorporates various unobservable inputs including fair values of land and buildings. The Directors believe that the estimated fair value resulting from the valuation technique is reasonable and it is the most appropriate value at the end of the reporting period. The fair value of the contingent consideration receivable is determined with reference to the probability weighted discounted cash flows.

The Group entered into foreign currency option contracts with a financial institution. The foreign currency option contracts were 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 were 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, 2016

	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	129,786	–	–	129,786
Listed debt investments	–	24,830	–	24,830
A purchase option	–	–	48,792	48,792
Contingent consideration receivable	–	–	11,182	11,182
	<b>129,786</b>	<b>24,830</b>	<b>59,974</b>	<b>214,590</b>

#### Assets measured at fair value as at 31st December, 2015

	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	170,371	–	–	170,371
Listed debt investments	–	24,198	–	24,198
	<b>170,371</b>	<b>24,198</b>	<b>–</b>	<b>194,569</b>

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

The movements in fair value measurements within Level 3 during the period are as follows:

	2016 (Unaudited)	2015 (Audited)
	HK\$'000	HK\$'000
Unlisted investments:		
At 1st January	–	–
Arising from acquisition of subsidiaries	59,974	–
At 30th June/31st December	59,974	–

### *Liabilities measured at fair value as at 30th June, 2016*

	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	–	87,577	–	87,577

### *Liabilities measured at fair value as at 31st December, 2015*

	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	–	180,185	–	180,185

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 (year ended 31st December, 2015 - Nil).

## 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 23rd August, 2016.



# Other Information

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2016, 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, 2016)
			Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) (issued)	-	3,117,856,716 (Note e)	-	3,117,856,716
		(ii) (unissued)	-	5,024,058,784 (Note f)	-	5,024,058,784
					Total:	8,141,915,500 (191.55%)
		Preference (issued)	-	2,345,487,356 (Note f)	-	2,345,487,356 (99.98%)
	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%)
2. Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	109,791,396	1,769,164,691 (Note a)	380,683	1,879,336,770 (58.66%)
	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%)

## 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, 2016)
				Personal interests	Corporate interests	Family/Other interests	
2.	CCIHL	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	740,396,803 (Note b)	15,000	830,489,817 (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%)
4.	Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	620,749,261 (Note c)	260,700	621,034,161 (67.21%)
		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 (74.99%)

## Other Information (Cont'd)

### 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").
- (b) The interests in 693,660,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.65% shareholding interests as at 30th June, 2016.

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 58.65% shareholding interests as at 30th June, 2016. The interests in 599,025,861 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, 2016. The interests in the other 21,302,000 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, 2016. PHL held 67.13% shareholding interests in RHIHL as at 30th June, 2016.
- (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 386,540,000 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, 2016, held 67.13% shareholding interests in RHIHL as at 30th June, 2016. Mr. Lo held 58.65% shareholding interests in CCIHL as at 30th June, 2016.
- (f) The interests in 5,024,058,784 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, 2016, held 67.13% shareholding interests in RHIHL as at 30th June, 2016. Mr. Lo held 58.65% shareholding interests in CCIHL as at 30th June, 2016.

The interests in 2,345,487,356 unissued ordinary shares of the Company are derivative interests held through interests in 2,345,487,356 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 were 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, 2016. PHL, in which CCIHL held 62.23% shareholding interests as at 30th June, 2016, held 67.13% shareholding interests in RHIHL as at 30th June, 2016. Mr. Lo held 58.65% shareholding interests in CCIHL as at 30th June, 2016.

Save as disclosed herein, as at 30th June, 2016, 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.

## Other Information (Cont'd)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2016, 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 ordinary shares held (unissued)	Total number of ordinary shares (issued and underlying (unissued)) held	Approximate percentage of issued ordinary shares as at 30th June, 2016
YSL International Holdings Limited ("YSL Int'l") (Note i)	3,117,856,716	5,024,058,784	8,141,915,500	191.55%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	3,117,856,716	5,024,058,784	8,141,915,500	191.55%
CCIHL (Note iii)	3,117,856,716	5,024,058,784	8,141,915,500	191.55%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	3,117,856,716	5,024,058,784	8,141,915,500	191.55%
PHL (Note v)	3,117,856,716	5,024,058,784	8,141,915,500	191.55%
Paliburg Development BVI Holdings Limited (Note vi)	3,117,856,716	5,024,058,784	8,141,915,500	191.55%
RHIHL (Note vii)	3,117,856,716	5,024,058,784	8,141,915,500	191.55%
Regal International (BVI) Holdings Limited (Note viii)	3,117,856,716	5,024,058,784	8,141,915,500	191.55%
Capital Merit Investments Limited (Note vi)	2,731,316,716	5,024,058,784	7,555,375,500	182.46%
Regal Hotels Investments Limited (Note viii)	2,731,316,716	5,024,058,784	7,555,375,500	182.46%
P&R Holdings (Note ix)	2,731,316,716	5,024,058,784	7,555,375,500	182.46%
Interzone Investments Limited (Note x)	–	1,428,571,428	1,428,571,428	33.61%
Valuegood International Limited (Note x)	953,625,000	179,031,239	1,132,656,239	26.65%
Lendas Investments Limited (Note x)	294,107,609	647,915,205	942,022,814	22.16%
Jumbo Pearl Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.56%
Sun Joyous Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.56%
Time Crest Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.56%
Well Mount Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.56%
Tenshine Limited (Note viii)	386,540,000	–	386,540,000	9.09%
Winart Investments Limited (Note x)	270,000,000	4,643,905	274,643,905	6.46%

### Notes:

- (i) The interests in the ordinary shares of the Company held by YSL Int'l 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) Grand Modern is a wholly owned subsidiary of YSL Int'l and its interests in the ordinary shares of the Company were included in the interests held by YSL Int'l.
- (iii) CCIHL is owned as to 50.89% by Grand Modern and its interests in the ordinary shares of the Company were included in the interests held by Grand Modern.
- (iv) 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.
- (v) PHL is a listed subsidiary of CCIHL, which held 62.23% shareholding interests in PHL as at 30th June, 2016, and PHL's interests in the ordinary shares of the Company were included in the interests held by CCIHL.
- (vi) 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.
- (vii) RHIHL is a listed subsidiary of PHL, which held 67.13% shareholding interests in RHIHL as at 30th June, 2016, and RHIHL's interests in the ordinary shares of the Company were included in the interests held by PHL.
- (viii) 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.
- (ix) 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.
- (x) 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.

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, 2016, 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 is a director of YSL Int'l.
- (2) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To and Miss Lo Po Man are directors of Grand Modern.
- (3) 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.
- (4) 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.

## Other Information (Cont'd)

- (5) 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.
- (6) 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.
- (7) 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 financial year ended 31st December, 2015 is set out below:

<b>Name of Director</b>	<b>Details of changes</b>
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*Independent Non-Executive Director:*

Hon Abraham Shek Lai Him, GBS, JP	Retired as a non-executive director of The Hong Kong Mortgage Corporation Limited with effect from 25th April, 2016.
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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, 2016, 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, 2016.

### 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, 2016.

### 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. 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, 2016, in conjunction with the external auditors. The review report of the external auditors is set out on page 48 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 set out on pages 14 to 39 which comprises the condensed consolidated statement of financial position as at 30th June, 2016 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

23rd August, 2016

