

# 2017 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)

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

Lee Choy Sang

David Li Ka Fai

## NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Alice Kan Lai Kuen

Lee Choy Sang

David Li Ka Fai

Abraham Shek Lai Him, GBS, JP

## SECRETARY

Eliza Lam Sau Fun

## AUDITOR

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 72; 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 43; 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 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 37; 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 also an independent non-executive director of Meitu, Inc., a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). 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 51; 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 26 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 45; *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 21 years of experience in accounting and corporate finance field.

**Mr. Kenneth Ng Kwai Kai**, aged 62; *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 75; *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, a company listed on the main board of the Stock Exchange.

**Ms. Alice Kan Lai Kuen**, aged 62; *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. She is a licensed investment adviser under the Securities and Futures Ordinance of Hong Kong and a responsible officer of Asia Investment Management Limited. She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is also an independent non-executive director of China Engine International (Holdings) Limited, Mason Group 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 80; *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 62; *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.

**Hon Abraham Shek Lai Him**, GBS, JP, aged 72; *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 Advisory Committee on Corruption of the Independent Commission Against Corruption of Hong Kong, 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 Schemes 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, Lifestyle International Holdings Limited, Midas International Holdings Limited, NWS Holdings Limited and SJM Holdings Limited, and an independent non-executive director of Goldin Financial Holdings Limited, Hop Hing Group Holdings Limited, Lai Fung Holdings Limited and MTR Corporation Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange).

# Chairman's Statement

Dear shareholders,

I am pleased to present herewith the 2017 Interim Report of the Company.

## FINANCIAL RESULTS

For the six months ended 30th June, 2017, the Group attained an unaudited consolidated profit attributable to shareholders of HK\$35.2 million, as compared to HK\$13.1 million (as restated) for the corresponding half year in 2016.

The profit achieved for the current period under review was mainly attributable to the fair value gains on the Group's financial assets and the write-back of the impairment loss on the Group's property under development in Chengdu, China.

The restatement of the profit for the six months ended 30th June, 2016, previously stated at HK\$40.3 million, was related to the adjustment to the gain on bargain purchase recognised on the acquisition of the 60% equity interest in a logistics business in Shanghai, the People's Republic of China in May 2016, after the provisional fair value estimations made at the time of the acquisition were finally determined. The adjustment has subsequently been reflected in the audited financial statements of the Group presented for the financial year ended 31st December, 2016 and, as reported below, the Group has recently resold the equity interest held in the logistics business back to the original business owner in June 2017.

## BUSINESS OVERVIEW

The economy in China grew steadily in the early part of this year while the domestic rebalancing from investment to consumption continued. The growth in its GDP for the whole year of 2017 is projected to slightly moderate from the 6.7% recorded for 2016. With the continuing promulgation of different administrative and fiscal policies by the government authorities to regulate market activities, the housing market in the primary cities in China is undergoing corrections but due to the spill-over effects, the housing market in some of the other cities remained strong. The property market in China as a whole is expected to further consolidate, which is considered to be beneficial to its healthy development in the long term.

The Group's two major development projects in China, namely, the Regal Renaissance in Tianjin and the Regal Cosmopolitan City in Chengdu, are making steady progress. Up to date, total contracted unit sales in Regal Renaissance in Tianjin aggregated to approximately RMB1,546 million (HK\$1,813 million), of which RMB1,418 million (HK\$1,663 million) relates to the sale of the units in the residential towers. While for Regal Cosmopolitan City, total contracted sales in respect of the residential units marketed amounted to approximately RMB767 million (HK\$900 million). Based on the present construction schedules, the residential towers under construction in these two development projects are expected to be completed and the sold units would be handed over to the purchasers before the end of this year.

With an aim to diversifying its business portfolio, the Group acquired in May 2016 the 60% effective interest in a logistics group in Shanghai. Having operated the logistics business for a period of about one year and after undertaking a review of all relevant circumstances including, in particular, the performance and development progress of the logistics group and the difference in the management style of the joint venture parties, the Group has agreed, after amicable negotiations with the original business owner, to accept his proposal to buy back the Group's interest in the logistics group, which transaction was recently completed in June 2017.



In another effort to pursue its diversification objective, the Group entered into a non-binding term sheet in early June 2017 in relation to a possible investment by the Group in a company that specialises in the development and production of entertainment content, although the business discussions did not lead to a fruitful conclusion.

While property development and investment in China will continue to constitute the Group's core businesses activities, the Group will also continue to seek alternative investment opportunities that can diversify and broaden its business portfolio and income base.

Shareholders could find in the section headed "Management Discussion and Analysis" in this Interim Report further detailed information on the Group's ongoing development projects in China as well as the transactions related to the Group's disposal of the joint venture interest in the logistics group in China.

### OUTLOOK

Barring any unforeseen circumstances, the substantial profits to be derived from the contracted sales of the residential units in the Group's development projects in Tianjin and Chengdu will be accounted for in the financial results of the Group for the current financial year 2017. Consequently, it can be expected that the Group's results for the financial year ending 31st December, 2017 will be significantly better than that in the preceding year.

Given the satisfactory market response for the residential units in the Chengdu project, the Group is already embarking on the development of the remaining ten residential towers in the third stage of the project. When the remaining components of the Group's ongoing development projects in China are progressively completed and sold, they will contribute to the Group substantial profits and cash flow and provide forceful momentum for its further growth and prosperity in the years ahead.

### LO YUK SUI

Chairman

Hong Kong  
24th August, 2017

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group is principally engaged in property development and investment, investment in financial assets, logistics operations (disposed of in June 2017) 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 currently undertaken by the Group in the People's Republic of China ("PRC") as well as an account of the disposal of the equity interest held in the logistics business in Shanghai is set out below.

### Property Development

#### *Chengdu Project – Regal Cosmopolitan City*

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 (5,350,000 square feet). To cope with the changing market conditions, the business profile of the 311-room hotel has been revised and the corresponding interior design works are in progress. The hotel is scheduled to open in phases from 2018. The construction works of the nine residential towers in the first and second stages have progressed steadily and are expected to be completed in the latter part of 2017. Presales of the residential units commenced in April 2016 and response has been favourable. Up to date, a total of 1,205 residential units have been contracted to be sold, securing aggregate sales proceeds of approximately RMB767 million (equivalent to approximately HK\$900 million). The planning approval of the remaining ten residential towers in the third stage of the development has been obtained and construction works are expected to commence by end of 2017, with units presale scheduled to commence in the latter part of 2018. The other components within the development, comprising commercial and office space and serviced apartments, will continue to be developed in stages.

#### *Tianjin Project – Regal Renaissance*

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres (341,000 square feet), 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 (1,561,000 square feet). The superstructure works of the four residential towers and the commercial complex have been completed. Unit presales of the remaining residential tower have been launched since the 4th quarter of 2016. Up to date, 464 of the total 512 residential units comprised within the four residential towers have been sold, realising contracted sales of approximately RMB1,418 million (equivalent to approximately HK\$1,663 million). The presale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), and 530 residential car parking spaces commenced in August 2016, and there have been contracted sales of approximately RMB128 million (equivalent to approximately HK\$150 million). Under the present construction programme, the residential towers, the commercial complex and the residential car parking spaces are scheduled to be completed before the end of 2017. The superstructure works of the two office towers are temporarily suspended due to tightened government planning and environmental controls. The Group is conducting negotiations with the local government to resume the construction works as soon as possible.

### *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 completed the site survey on the parcels of land within the project site which have been illegally occupied by trespassers and has commenced communications with the relevant government authority to initiate appropriate measures to settle the land disputes. 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*

As mentioned in the 2016 Annual Report, the Group entered into a framework agreement in January 2016 to acquire 60% effective interests in a group of companies (the "Logistics Group") operating logistics and related business in the PRC and the remaining 40% interests in the Logistics Group was held by an affiliate of the seller (the "JV Partner"). The acquisition was completed in May 2016 and as consideration therefor, the Group issued convertible bonds in the aggregate principal amount of HK\$57.05 million.

Having operated the logistics business for a period of about one year and after undertaking a review of all relevant circumstances including, in particular, the performance and development progress of the Logistics Group and the difference in the management style of the joint venture parties, the Group has agreed, after amicable negotiations with the JV Partner, to accept his proposal to buy back the Group's interest in the Logistics Group.

Accordingly, on 30th June, 2017, the Group entered into a deed of arrangement with the JV Partner for the disposal of its entire interests in the Logistics Group for an aggregate consideration of HK\$71.0 million, details of which were disclosed in the circular of the Company dated 18th August, 2017. The Group received HK\$45.6 million in cash upon completion of the disposal on 30th June, 2017. The balance of the consideration in the sum of HK\$25.4 million is receivable by the Group on or before 31st December, 2017 and the results of the logistics business were presented as a discontinued operation in the Group's condensed consolidated statement of profit or loss.

The Group has ceased to have any interest in the Logistics Group after completion of the related transactions and the terms of the aforesaid convertible bonds remain unchanged.

## **FINANCIAL REVIEW**

### **ASSETS VALUE**

As at 30th June, 2017, the Group's net assets attributable to equity holders of the parent amounted to HK\$1,205.7 million, representing approximately HK\$0.18 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 had 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. With an objective to align the due dates of the considerations payable with the latest progress and completion schedules of the two development projects, by virtue of the agreements entered into between the Group and the vendors and completed in 2016, (i) the consideration payables owing to one of the vendors were refinanced by new 5-year loan facilities, and (ii) the consideration payable owing to the other vendor was repaid through its subscription of the optional convertible bonds issued by the Group.

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\$647.9 million (2016 – HK\$221.8 million). Net interest payment for the period amounted to HK\$6.3 million (2016 – HK\$4.1 million).

### Borrowings and Gearing

As at 30th June, 2017, the Group had cash and bank balances and deposits of HK\$1,191.6 million (31st December, 2016 – HK\$897.8 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$1,418.3 million (31st December, 2016 – HK\$1,848.2 million).

As at 30th June, 2017, the gearing ratio of the Group was 21.3% (31st December, 2016 – 30.5%), representing the Group's borrowings including convertible bonds, net of cash and bank balances and deposits of HK\$1,418.3 million (31st December, 2016 – HK\$1,848.2 million), as compared to the total assets of the Group of HK\$6,664.5 million (31st December, 2016 – HK\$6,053.8 million).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2017 are shown in note 10 to the condensed consolidated financial statements.

### Pledge of Assets

As at 30th June, 2017, certain of the Group's financial assets at fair value through profit or loss and bank balances in the total amount of HK\$10.1 million (31st December, 2016 – Nil) were pledged to secure a banking facility granted to the Group and, in addition, the Group's equity interests in the relevant holding companies of the Group's property development projects were pledged to secure the other borrowings and the related interest payable in respect of a loan facility from a fellow subsidiary.

## Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2017 are shown in note 17 to the condensed consolidated financial statements.

## Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2017 are shown in note 18 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.

Subsequent to the end of the reporting period and up to the date of this report, a total of 166,427 convertible preference shares of the Company were converted into 166,427 ordinary shares of the Company in accordance with the terms of the convertible preference shares, and convertible bonds with the principal amounts of HK\$33,250,000 were converted into 95,000,000 new ordinary shares of the Company. Further details of the said converted convertible bonds and other convertible bonds of the Group are disclosed in note 12 to the condensed consolidated financial statements.

## DIVIDEND

The Directors have resolved not to declare an interim dividend for the financial year ending 31st December, 2017 (2016 – Nil).

## MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

On 30th June, 2017, the Group entered into a deed of arrangement with the JV Partner for the disposal of the Group's 60% effective interests in the Logistics Group for an aggregate consideration of HK\$71.0 million (the "Disposal"). The Disposal was completed on 30th June, 2017 and the companies under the Logistics Group then ceased to be subsidiaries of the Group. Further details relating to the Disposal are mentioned under the section headed "Business Overview" in the preceding Chairman's Statement, the sub-section headed "Business Review" in this section and note 14 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, 2017  (Unaudited)	Six months ended 30th June, 2016  (Unaudited and restated)
	Notes	HK\$'000	HK\$'000
<b>CONTINUING OPERATIONS</b>			
REVENUE	2, 3	3,775	6,139
Other income	3	10,352	16,065
Fair value gain on derivative financial instruments in relation to convertible bonds		–	89,784
Fair value gains/(losses) on other financial assets at fair value through profit or loss, net		64,296	(19,025)
Write-back of impairment loss on property under development		53,000	–
Property selling and marketing expenses		(6,315)	(6,423)
Administrative expenses		(26,561)	(28,656)
OPERATING PROFIT BEFORE DEPRECIATION		98,547	57,884
Depreciation		(6,069)	(6,252)
OPERATING PROFIT	2	92,478	51,632
Finance costs	4	(40,988)	(54,644)
Share of profit of a joint venture		–	14,780
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		51,490	11,768
Income tax	5	(13,250)	–
Profit for the period from continuing operations		38,240	11,768
<b>DISCONTINUED OPERATION</b>			
Profit/(Loss) for the period from a discontinued operation	14	(4,975)	1,872
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		33,265	13,640
Attributable to:			
Equity holders of the parent			
– For profit from continuing operations		38,240	11,768
– For profit/(loss) from a discontinued operation		(3,065)	1,339
– For profit for the period		35,175	13,107
Non-controlling interests		(1,910)	533
		33,265	13,640

## Condensed Consolidated Statement of Profit or Loss (Cont'd)

		Six months ended 30th June, 2017  (Unaudited)	Six months ended 30th June, 2016  (Unaudited and restated)
	Note	HK\$'000	HK\$'000
EARNINGS/(LOSS) PER SHARE (INCLUDING ORDINARY SHARE AND CONVERTIBLE PREFERENCE SHARE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	7		
Basic			
– For profit from continuing operations		<b>HK0.58 cent</b>	HK0.18 cent
– For profit/(loss) from a discontinued operation		<b>HK(0.05) cent</b>	HK0.02 cent
		<u><b>HK0.53 cent</b></u>	<u>HK0.20 cent</u>
– For profit for the period			
Diluted			
– For profit/(loss) from continuing operations		<b>HK0.58 cent</b>	HK(0.99) cent
– For profit/(loss) from a discontinued operation		<b>HK(0.05) cent</b>	HK0.01 cent
		<u><b>HK0.53 cent</b></u>	<u>HK(0.98) cent</u>
– For profit/(loss) for the period			

# Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2017  (Unaudited)	Six months ended 30th June, 2016  (Unaudited and restated)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	33,265	13,640
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	62,273	(20,609)
Reclassification adjustment on disposal of foreign operations	1,560	–
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>97,098</u>	<u>(6,969)</u>
Attributable to:		
Equity holders of the parent	98,209	(7,488)
Non-controlling interests	<u>(1,111)</u>	<u>519</u>
	<u>97,098</u>	<u>(6,969)</u>



# Condensed Consolidated Statement of Financial Position

		30th June, 2017 (Unaudited)	31st December, 2016 (Audited)
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		16,465	25,513
Properties under development		1,296,390	1,292,964
Investment in a joint venture		2,434	2,434
Contingent consideration receivable		–	10,268
Deposits and prepayments	8	71,595	66,943
Other asset		–	5,051
Goodwill		235,090	235,090
Intangible assets		–	97,076
Total non-current assets		<u>1,621,974</u>	<u>1,735,339</u>
CURRENT ASSETS			
Properties under development		3,404,960	3,082,705
Debtors, deposits and prepayments	8	203,993	162,798
Financial assets at fair value through profit or loss		242,055	175,146
Pledged bank balances		2,032	–
Restricted cash		124,885	368,604
Time deposits		495,573	56,885
Cash and bank balances		569,063	472,295
Total current assets		<u>5,042,561</u>	<u>4,318,433</u>
CURRENT LIABILITIES			
Creditors and accruals	9	(164,742)	(185,950)
Interest bearing bank borrowing	10	(1,000)	–
Other borrowings	11	(336,000)	(500,000)
Deposits received		(2,290,679)	(1,572,064)
Tax payable		(837)	(2,811)
Total current liabilities		<u>(2,793,258)</u>	<u>(2,260,825)</u>
NET CURRENT ASSETS		<u>2,249,303</u>	<u>2,057,608</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,871,277</u>	<u>3,792,947</u>

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

		30th June, 2017 (Unaudited)	31st December, 2016 (Audited)
	Notes	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Creditors and accruals	9	(31,122)	(32,782)
Other borrowings	11	(1,350,000)	(1,350,000)
Convertible bonds	12	(922,862)	(895,965)
Deferred tax liabilities		(361,536)	(374,543)
Total non-current liabilities		<u>(2,665,520)</u>	<u>(2,653,290)</u>
Net assets		<u>1,205,757</u>	<u>1,139,657</u>
EQUITY			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		13,193	13,193
Reserves		1,192,538	1,094,329
		<u>1,205,731</u>	1,107,522
<b>Non-controlling interests</b>		<u>26</u>	<u>32,135</u>
Total equity		<u>1,205,757</u>	<u>1,139,657</u>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2017

		Attributable to equity holders of the parent										
		Share premium account	Capital redemption reserve	Capital reserve	Exchange equalisation reserve	Contributed surplus	Equity component of convertible bonds	Other reserve	Accumulated losses	Total equity	Non-controlling interests	Total equity
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Notes											
		13,193	1,402,563	209	(118,444)	(280,746)	26,801	431,087	(1,076)	(366,065)	32,135	1,139,657
	At 1st January, 2017											
	Profit/(loss) for the period	-	-	-	-	-	-	-	-	35,175	(1,910)	33,265
	Other comprehensive income for the period:											
	Exchange differences on translating foreign operations	-	-	-	61,474	-	-	-	-	-	799	62,273
	Reclassification adjustment on disposal of foreign operations	-	-	-	1,560	-	-	-	-	-	-	1,560
	14											
	Total comprehensive income/(loss) for the period	-	-	-	63,034	-	-	-	-	35,175	(1,111)	97,098
	Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(30,998)	(30,998)
	14											
	At 30th June, 2017	13,193	1,402,563*	209*	(118,444)*	(217,712)*	26,801*	431,087*	(1,076)*	(330,890)*	26	1,205,757

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

For the six months ended 30th June, 2017

	Attributable to equity holders of the parent											
	Issued capital	Share premium account	Capital redemption reserve	Capital reserve	Exchange equalisation reserve	Contributed surplus <sup>1</sup>	Equity component of convertible bonds (Unaudited and restated) HK\$'000	Other reserve (Unaudited and restated) HK\$'000	Accumulated losses (Unaudited and restated) HK\$'000	Total (Unaudited and restated) HK\$'000	Non-controlling interests (Unaudited and restated) HK\$'000	Total equity (Unaudited and restated) HK\$'000
At 1st 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	-	-	-	-	-	-	-	-	13,107	13,107	533	13,640
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)	-	-	-	13,107	(7,488)	519	(6,969)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	34,698	34,698
Issue of convertible bonds in relation to acquisition of subsidiaries	-	-	-	-	-	-	31,657	-	-	31,657	-	31,657
At 30th June, 2016	13,193	1,402,563*	209*	1,018*	(183,857)*	26,801*	43,405*	(1,076)*	(237,705)*	1,064,551	35,243	1,099,794

\* These reserve accounts comprise the consolidated reserves of HK\$1,192,538,000 (30th June, 2016 – HK\$1,051,358,000, as restated) in the condensed consolidated statement of financial position.

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

# Condensed Consolidated Statement of Cash Flows

		Six months ended 30th June, 2017  (Unaudited)	Six months ended 30th June, 2016 (Unaudited and restated)
	Notes	HK\$'000	HK\$'000
Net cash flows from operating activities		<u>647,884</u>	<u>221,782</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	13	–	726
Proceeds from disposal of subsidiaries	14	40,269	–
Recovery of deposit paid for acquisition of a subsidiary		–	14,404
Purchases of items of property, plant and equipment		(992)	(7,877)
Increase in pledged bank balances		(2,032)	–
Advance to a joint venture		–	(2)
Interest received		10,317	1,661
Net cash flows from investing activities		<u>47,562</u>	<u>8,912</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of a bank loan		1,000	–
Drawdown of other borrowings		6,000	–
Repayment of other borrowings		(170,000)	–
Interest paid		(17,105)	(6,284)
Net cash flows used in financing activities		<u>(180,105)</u>	<u>(6,284)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		515,341	224,410
Cash and cash equivalents at beginning of period		529,180	266,038
Effect of foreign exchange rate changes, net		20,115	(6,742)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>1,064,636</u>	<u>483,706</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		569,063	470,900
Non-pledged time deposits with original maturity of less than three months when acquired		495,573	12,806
		<u>1,064,636</u>	<u>483,706</u>

# Notes to Condensed Consolidated Financial Statements

## 1. Accounting Policies, Restatement and Comparative Amounts

### 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, 2016, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”), which are effective for the Group’s annual periods beginning on or after 1st January, 2017.

Amendments to HKFRS 12 included in <i>Annual Improvements</i> <i>2014-2016 Cycle</i>	<i>Clarification of the scope of the Standard</i>
Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>

The adoption of these revised HKFRSs has had no significant financial effect on the Group’s condensed consolidated financial statements.

### Restatement and Comparative Amounts

- (a) On 31st May, 2016, the Group acquired from independent third parties a 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 fair values of the considerations transferred and identifiable net assets acquired recognised in the Group’s condensed consolidated financial statements for the six months ended 30th June, 2016 were provisional amounts. The fair value estimation was finalised in the Group’s consolidated financial statements for the year ended 31st December, 2016. As a result, certain comparative amounts in the Group’s condensed consolidated financial statements for the six months ended 30th June, 2017 were restated to reflect the adjustments to the provisional amounts in accordance with HKFRS 3 (Revised) *Business Combinations*.
- (b) On 30th June, 2017, the Group completed the disposal of its 60% effective equity interest in the SH Logistics Group. Upon completion of the disposal, the Group ceased to engage in the logistics business and the results of the SH Logistics Group were presented as a discontinued operation for the six months ended 30th June, 2017 and 2016 in the condensed consolidated statement of profit or loss in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Further details of the results of the discontinued operation are presented in note 14 to the condensed consolidated financial statements.

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

The effects of the above changes are summarised below:

	As previously reported HK\$'000	Increase/ (Decrease) HK\$'000 (Note (a))	Increase/ (Decrease) HK\$'000 (Note (b))	As restated HK\$'000
<b>Continuing operations:</b>				
Revenue	9,856	–	(3,717)	6,139
Cost of sales	(2,287)	–	2,287	–
Other income	16,068	–	(3)	16,065
Gain on bargain purchase	30,272	(27,199)	(3,073)	–
Administrative expenses	(31,261)	–	2,605	(28,656)
Depreciation	(6,281)	–	29	(6,252)
	<u>40,839</u>	<u>(27,199)</u>	<u>–</u>	<u>13,640</u>
<b>Discontinued operation:</b>				
Profit for the period from a discontinued operation	–	–	1,872	1,872
	<u>–</u>	<u>–</u>	<u>1,872</u>	<u>1,872</u>
<b>Earnings/(Loss) per share:</b>				
Basic earnings per share (HK cent)	0.61	(0.41)	–	0.20
	<u>0.61</u>	<u>(0.41)</u>	<u>–</u>	<u>0.20</u>
Diluted loss per share (HK cent)	(0.63)	(0.35)	–	(0.98)
	<u>(0.63)</u>	<u>(0.35)</u>	<u>–</u>	<u>(0.98)</u>

## 2. Operating Segment Information

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

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

Prior to the classification as a discontinued operation, the provision of logistics and related services was reported as a separate operating segment "Logistics operations". Further details of the results of the discontinued operation are disclosed in note 14 to the condensed consolidated financial statements.

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 from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that certain interest income, finance costs, head office and corporate gains and expenses are excluded from such measurement.

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

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

	Property development and investment		Financial assets investments		Consolidated	
	Six months ended 30th June, 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	Six months ended 30th June, 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	Six months ended 30th June, 2017 (Unaudited) HK\$'000	2016 (Unaudited and restated) HK\$'000
Segment revenue:						
Sales to external customers	-	-	3,775	6,139	3,775	6,139
Segment results before depreciation	32,636	(8,079)	70,187	(12,901)	102,823	(20,980)
Depreciation	(5,832)	(6,030)	-	-	(5,832)	(6,030)
Segment results	26,804	(14,109)	70,187	(12,901)	96,991	(27,010)
Unallocated interest income and unallocated non-operating and corporate gains					10,315	91,445
Unallocated non-operating and corporate expenses					(14,828)	(12,803)
Operating profit					92,478	51,632
Finance costs	(10,959)	(37,462)	-	-	(10,959)	(37,462)
Unallocated finance costs					(30,029)	(17,182)
Share of profit of a joint venture	-	14,780	-	-	-	14,780
Profit before tax from continuing operations					51,490	11,768
Income tax					(13,250)	-
Profit for the period from continuing operations					38,240	11,768
Profit/(Loss) for the period from a discontinued operation					(4,975)	1,872
Profit for the period before allocation between equity holders of the parent and non-controlling interests					33,265	13,640
Attributable to:						
Equity holders of the parent					35,175	13,107
Non-controlling interests					(1,910)	533
					33,265	13,640



## 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, 2017  (Unaudited)	Six months ended 30th June, 2016 (Unaudited and restated)
	HK\$'000	HK\$'000
<u>Revenue</u>		
Net gain from sale/settlement of financial assets at fair value through profit or loss	–	2,649
Dividend income from listed investments	3,278	2,995
Interest income from corporate bonds	497	495
	<b>3,775</b>	<b>6,139</b>
<u>Other income</u>		
Bank interest income	10,313	1,653
Others	39	14,412
	<b>10,352</b>	<b>16,065</b>

### 4. Finance Costs

	Six months ended 30th June, 2017 (Unaudited)	Six months ended 30th June, 2016 (Unaudited)
	HK\$'000	HK\$'000
Interest on convertible bonds	30,024	17,182
Interest on a bank loan	5	–
Interest on other borrowings	41,844	–
Interest on other payables	–	71,536
	<b>71,873</b>	<b>88,718</b>
Less: Finance costs capitalised	<b>(30,885)</b>	<b>(34,074)</b>
	<b>40,988</b>	<b>54,644</b>

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

### 5. Income Tax

	Six months ended 30th June, 2017 (Unaudited)	Six months ended 30th June, 2016 (Unaudited)
	HK\$'000	HK\$'000
Deferred tax charge for the period	<u>13,250</u>	<u>–</u>

No provision for Hong Kong profits tax has been made as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the period.

No provision for Hong Kong profits tax had been made in the prior period as the Group did not generate any assessable profits arising in Hong Kong during that period.

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

No provision for tax was required for the joint venture as no assessable profits were earned by the joint venture during the period (2016 – Nil).

### 6. Dividend

No dividend was paid or proposed during the six months ended 30th June, 2017, nor has any dividend been proposed since the end of the reporting period (2016 – Nil).

### 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\$35,175,000 (2016 – HK\$13,107,000, as restated) and on the weighted average of 6,596,414,000 (2016 – 6,596,414,000) shares of the Company in issue during the six months ended 30th June, 2017 (including ordinary shares and convertible preference shares).

The calculation of the basic earnings per share from continuing operations is based on the profit from continuing operations for the period attributable to equity holders of the parent of HK\$38,240,000 (2016 – HK\$11,768,000, as restated) and on the weighted average of 6,596,414,000 (2016 – 6,596,414,000) shares of the Company in issue during the six months ended 30th June, 2017 (including ordinary shares and convertible preference shares).

The calculation of the basic loss per share from a discontinued operation is based on the loss from a discontinued operation for the period attributable to equity holders of the parent of HK\$3,065,000 (2016 – profit of HK\$1,339,000, as restated) and on the weighted average of 6,596,414,000 (2016 – 6,596,414,000) shares of the Company in issue during the six months ended 30th June, 2017 (including ordinary shares and convertible preference shares).

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

### (b) Diluted earnings/(loss) per share

No adjustment has been made to the basic earnings per share, basic earnings per share from continuing operations and basic loss per share from a discontinued operation amounts presented for the six months ended 30th June, 2017 in respect of a dilution, as the impact of the convertible bonds outstanding during the period has an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

The calculations of the diluted loss per share and the diluted loss per share from continuing operations for the period ended 30th June, 2016 were based on the profit and profit from continuing operations, respectively, for that 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 was the aggregate of the number of ordinary shares and convertible preference shares in issue during that 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.

The calculation of the diluted earnings per share from a discontinued operation for the period ended 30th June, 2016 was based on the profit from a discontinued operation for that period attributable to equity holders of the parent. The weighted average number of shares used in the calculation was the aggregate of the number of ordinary shares and convertible preference shares in issue during that 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.

### 8. Debtors, Deposits and Prepayments

		30th June, 2017 (Unaudited)	31st December, 2016 (Audited)
	Notes	HK\$'000	HK\$'000
<b>Non-current</b>			
Prepayments	(a)	71,479	66,827
Deposits		116	116
		<u>71,595</u>	<u>66,943</u>
<b>Current</b>			
Trade debtors	(b)	–	6,459
Prepayments		165,715	130,378
Deposits		1,641	1,169
Other receivables		36,637	24,792
		<u>203,993</u>	<u>162,798</u>

None of the above assets is either past due or impaired except for the trade debtors as at 31st December, 2016. The financial assets included in the above balances related to trade debtors, deposits and other receivables for which there was no recent history of default.

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

### 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 31st December, 2016, based on the invoice date, was as follows:

	<b>31st December, 2016</b> <b>(Audited)</b>
	<b>HK\$'000</b>
Outstanding balances with ages:	
Within 3 months	5,229
Between 4 to 6 months	901
Between 7 to 12 months	329
	<hr/>
	6,459
	<hr/> <hr/>

Trade debtors of the Group in the prior year related to the discontinued operation and had credit terms of 30 to 90 days. The Group did not hold any collateral or other credit enhancements over these balances. The disposal of the discontinued operation was completed during the period and the related trade debtors were also derecognised by the Group.

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

### 9. Creditors and Accruals

		30th June, 2017 (Unaudited)	31st December, 2016 (Audited)
	Notes	HK\$'000	HK\$'000
<b>Non-current</b>			
Loan from a non-controlling shareholder		–	1,660
Due to a joint venture		22,753	22,753
Deferred income		8,369	8,369
		<b>31,122</b>	<b>32,782</b>
<b>Current</b>			
Creditors	(a)	94,695	144,969
Accruals		9,680	19,674
Due to fellow subsidiaries	(b)	60,367	21,307
		<b>164,742</b>	<b>185,950</b>

Notes:

- (a) As at 31st December, 2016, included in the balance was an amount of HK\$855,000 representing the trade creditors of the Group from the discontinued operation. The aged analysis of these creditors as at 31st December, 2016, based on the invoice date, was as follows:

	31st December, 2016 (Audited)
	HK\$'000
Outstanding balances with ages:	
Within 3 months	514
Between 4 to 6 months	229
Between 7 to 12 months	112
	<b>855</b>

- (b) Included in the balance is an amount due to a fellow subsidiary of HK\$60,299,000 (31st December, 2016 – HK\$20,527,000) representing the accrued interest on the other borrowings which is secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects and repayable within one year. The remaining balance is unsecured, interest-free and has no fixed terms of repayment.

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

### 10. Interest Bearing Bank Borrowing

	30th June, 2017 (Unaudited)		31st December, 2016 (Audited)	
	Maturity	HK\$'000	Maturity	HK\$'000
<b>Current</b>				
Bank loan – secured and repayable within one year	2017	<u>1,000</u>	–	<u>–</u>

The Group's banking facility amounting to HK\$50,000,000 (31st December, 2016 – Nil), of which HK\$1,000,000 (31st December, 2016 – Nil) has been utilised at 30th June, 2017, are secured by the pledge of certain of the Group's financial assets at fair value through profit or loss and bank balances in an aggregate amount of HK\$10,100,000.

The interest bearing bank borrowing is denominated in Hong Kong dollars and bears interest at the Hong Kong Interbank Offered Rate plus 1.6% per annum (31st December, 2016 – Nil).

### 11. Other Borrowings

	30th June, 2017 (Unaudited)	31st December, 2016 (Audited)
	HK\$'000	HK\$'000
<b>Non-current</b>		
Other borrowings	<u>1,350,000</u>	<u>1,350,000</u>
<b>Current</b>		
Other borrowings	<u>336,000</u>	<u>500,000</u>

Other borrowings, comprising term loan of HK\$1,350 million (31st December, 2016 – HK\$1,350 million) and revolving loan of HK\$336 million (31st December, 2016 – HK\$500 million) from a fellow subsidiary, 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% per annum. The loans are repayable on 12th October, 2021 but the revolving loan of HK\$336 million (31st December, 2016 – HK\$500 million) is classified as a short term borrowing.

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

### 12. Convertible Bonds

As at 30th June, 2017, the Group has issued a total of five (31st December, 2016 – five) tranches of convertible bonds. Further details of the convertible bonds are set out as follows:

Purpose	To provide additional capital to the Group			To finance the Group's business acquisition as detailed in note 13 to the condensed consolidated financial statements	
	Extended CB 2017 (note (a))	CB 2021A (note (b))	CB 2021B (note (b))	CB 2020A (note (c))	CB 2020B (note (c))
Convertible bonds:					
Issue date:	11th October, 2016*	12th October, 2016	30th December, 2016	31st May, 2016	31st May, 2016
Maturity date:	18th August, 2021	18th August, 2021	18th August, 2021	31st May, 2020	31st May, 2020
Principal amount:	HK\$500,000,000	HK\$330,000,000	HK\$170,000,000	HK\$23,800,000	HK\$33,250,000
Coupon interest:	2.5% per annum, payable semi annually	3.5% per annum, payable semi annually	3.5% per annum, payable semi annually	Nil	Nil
Initial conversion price to ordinary shares of the Company:	HK\$0.35 per share (subject to adjustment)	HK\$0.40 per share (subject to adjustment)	HK\$0.40 per share (subject to adjustment)	HK\$0.35 per share (subject to adjustment)	HK\$0.35 per share (subject to adjustment)
Conversion period:	At any time from 11th October, 2016 to 11th August, 2021	At any time from 19th October, 2016 to 11th August, 2021	At any time from 6th January, 2017 to 11th August, 2021	At any time from 7th June, 2016 to 24th May, 2020	At any time from 7th June, 2016 to 24th May, 2020
Maximum number of shares of the Company to be converted based on initial conversion price:	1,428,571,000	825,000,000	425,000,000	68,000,000	95,000,000
Status as at 30th June, 2017:	No conversion happened	No conversion happened	No conversion happened	No conversion happened	No conversion happened
Redemption:	If any of the convertible bonds have not been converted, they will be redeemed on the maturity date at 100% of their outstanding principal amounts.				

\* Being the effective date of extension of CB 2017.

### (a) CB 2017 and Extended 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 18th August, 2017. Options were also granted by the Group to the holder to subscribe for other convertible bonds in an additional principal amount of up to HK\$500,000,000 ("Optional CB 2017").

On 4th August, 2016, the Group entered into a deed of variation with the holder to extend the maturity date of CB 2017 from 18th August, 2017 to 18th August, 2021 with no amendments to other terms ("Extended CB 2017"). The above modification (the "Modification") was approved by independent shareholders of the Company on 11th October, 2016.

Extended CB 2017 contains three components: equity component, liability component and embedded derivative financial liabilities in respect of the subscription options for convertible bonds (i.e. Optional CB 2021 (as defined hereinafter)). 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 reserve. The subscription options embedded in the convertible bonds were recognised as derivative financial instruments and were measured at fair value on initial recognition and remeasured at the end of each subsequent reporting period. The effective interest rate of the liability component of Extended CB 2017 is 6.61%.

### (b) CB 2021A and CB 2021B

In connection with the Modification, the options to subscribe for Optional CB 2017 were also replaced by new options to subscribe for other convertible bonds with an extended maturity date from 18th August, 2017 to 18th August, 2021 ("Optional CB 2021"). The options to subscribe for Optional CB 2021 with the principal amounts of HK\$330,000,000 ("CB 2021A") and HK\$170,000,000 ("CB 2021B") were exercised on 12th October, 2016 and 30th December, 2016, respectively.

Each of CB 2021A and CB 2021B contains two components: equity component and liability component. The fair value of the liability component was estimated at the issuance dates 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 reserve. The effective interest rates of the liability components of CB 2021A and CB 2021B are 6.52% and 7.09%, respectively.

### (c) CB 2020A and CB 2020B

On 31st May, 2016, Apex Team issued convertible bonds with the principal amounts of HK\$23,800,000 ("CB 2020A") and HK\$33,250,000 ("CB 2020B") as part of the considerations for a business acquisition detailed in note 13 to the condensed consolidated financial statements.

Each of CB 2020A and CB 2020B contains two components: equity component and liability component. 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 reserve. The effective interest rate of the liability components of CB 2020A and CB 2020B is 8.68%.

The fair value of CB 2020A and CB 2020B as at the issuance date was in an aggregate amount of HK\$60,643,000.

Subsequent to the reporting period and up to the date of this report, CB 2020B was converted into 95,000,000 new ordinary shares of the Company.



### 13. Business Combination

On 31st May, 2016, the Group acquired from independent third parties a 60% effective equity interest in the SH Logistics Group, which is principally engaged in the provision of logistics and related services in Shanghai, the PRC.

The Group had 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 (Restated) HK\$'000</b>
Property, plant and equipment	3,190
Other asset*	5,051
Intangible assets*	109,158
Debtors, deposits and prepayments	4,572
Cash and bank balances*	726
Creditors and accruals*	(3,221)
Deferred tax liabilities*	(28,552)
Non-controlling interests*	(34,698)
	56,226
Total identifiable net assets at fair value	56,226
Gain on bargain purchase recognised in the condensed consolidated statement of profit or loss	(3,073)
	53,153
Satisfied by:	
Cash consideration	4,150
Convertible bonds*	60,643
Proceeds from issue of convertible bonds*	(4,150)
Contingent consideration receivable*	(9,150)
Assignment of a shareholder's loan	1,660
	53,153

\* The fair values of the considerations transferred and identifiable net assets acquired recognised in the Group's condensed consolidated financial statements for the six months ended 30th June, 2016 were provisional amounts. The fair value estimation was finalised in the Group's consolidated financial statements for the year ended 31st December, 2016. As a result, these amounts were restated and did not correspond to the amounts in the Group's condensed consolidated financial statements for the six months ended 30th June, 2016. Further details of the restatement and its effect on the comparative amounts of the Group's condensed consolidated financial statements for the six months ended 30th June, 2017 were disclosed in note 1 above.

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

As the SH Logistics Group was acquired by the Group at a price below its independent market valuation, a gain on bargain purchase of HK\$3,073,000 was resulted and recognised in the condensed consolidated statement of profit or loss for the six months ended 30th June, 2016.

The Group issued convertible bonds - CB 2020A and CB 2020B as part of the considerations for the acquisition. Further details of CB 2020A and CB 2020B are set out in note 12 to the condensed consolidated financial statements.

As part of the acquisition, the Group was entitled to a priority right to receive dividends up to an aggregate of RMB48,000,000 (HK\$53,357,000), before allocation of profits to the non-controlling shareholder, in relation to the profits generated by the SH Logistics Group. The initial amount of contingent consideration receivable recognised was HK\$9,150,000, 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.

The fair values (which were also the gross contractual amounts) 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 were expected to be collectible.

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

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

	<b>HK\$'000</b>
Cash consideration	(4,150)
Proceeds from issue of convertible bonds	4,150
Cash and bank balances acquired	726
	<hr/>
Net inflow of cash and cash equivalents included in cash flows from investing activities	726
Transaction costs of the acquisition included in cash flows from operating activities	(2,258)
	<hr/>
	<u>(1,532)</u>

Since the acquisition, the SH Logistics Group contributed revenue and profit of approximately HK\$3,717,000 and HK\$1,402,000, respectively, to the Group which were included in the results of the discontinued operation for the six months ended 30th June, 2016.

Had the combination taken place at the beginning of the six months ended 30th June, 2016, the profit of the Group for that period would have been HK\$14,715,000.

The SH Logistics Group was disposed of during the period. Further details of the disposal and the results of the discontinued operation are set out in note 14 below.

## 14. Disposal of Subsidiaries and Discontinued Operation

Pursuant to a deed of arrangement entered into between the Group and the co-venturer, the Group completed the disposal of its 60% effective equity interest in the SH Logistics Group at a total consideration of HK\$71,000,000. The Group ceased to engage in the provision of logistics and related services in Shanghai, the PRC with effect from 30th June, 2017.

	<b>HK\$'000</b>
Net assets disposed of:	
Cash and bank balances	5,331
Other net assets	86,805
Non-controlling interests	(30,998)
	61,138
Exchange equalisation reserve released	1,560
Gain on disposal of subsidiaries	152
	62,850

	<b>HK\$'000</b>
Satisfied by:	
Cash	71,000
Contingent consideration receivable	(8,150)
	62,850

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the SH Logistic Group is as follows:

	<b>HK\$'000</b>
Cash consideration	71,000
Increase in debtors for unpaid cash consideration	(25,400)
Cash and bank balances disposed of	(5,331)
	40,269
Net inflow of cash and cash equivalents included in cash flows from investing activities	40,269

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

For the six months ended 30th June, 2017 and 2016, the logistics business was classified as a discontinued operation and it is no longer included in the note for operating segment information. Prior to the classification as a discontinued operation, the operation of the SH Logistics Group was reported as a separate operating segment "Logistics operations".

The results of the discontinued operation for the period are presented below:

	<b>Six months ended 30th June, 2017 (Unaudited)</b>	<b>Six months ended 30th June, 2016 (Unaudited and restated)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	<b>9,100</b>	3,717
Cost of sales	<b>(5,716)</b>	(2,287)
Gross profit	<b>3,384</b>	1,430
Other income	<b>13</b>	3
Gain on disposal of subsidiaries	<b>152</b>	–
Gain on bargain purchase	<b>–</b>	3,073
Administrative expenses	<b>(1,543)</b>	(2,605)
Operating profit before depreciation and amortisation	<b>2,006</b>	1,901
Depreciation and amortisation	<b>(8,069)</b>	(29)
Profit/(Loss) before tax from the discontinued operation	<b>(6,063)</b>	1,872
Income tax	<b>1,088</b>	–
Profit/(Loss) for the period from the discontinued operation	<b>(4,975)</b>	1,872

The results of the discontinued operation for the prior period represented its results from 31st May, 2016 to 30th June, 2016.

## 15. 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, 2017 (Unaudited)</b>	<b>Six months ended 30th June, 2016 (Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
A wholly owned subsidiary of the listed ultimate holding company:		
Management fees	4,262	4,262
Subsidiaries of the listed intermediate holding company:		
Interest income from listed debt investments	497	495
Interest expenses on other borrowings	41,844	–
Interest expenses on other payables	–	71,536
Interest expenses on convertible bonds	<u>28,236</u>	<u>17,172</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, 2016.

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

	<b>Six months ended 30th June, 2017 (Unaudited)</b>	<b>Six months ended 30th June, 2016 (Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Short term employee benefits	3,278	3,430
Staff retirement scheme contributions	<u>168</u>	<u>173</u>
Total compensation paid to key management personnel	<u><u>3,446</u></u>	<u><u>3,603</u></u>

## 16. Operating Lease Arrangements

### (a) As lessor

The Group leased certain of its warehouse premises under operating lease arrangements for its discontinued operation, with leases negotiated for terms ranging from 2 to 10 years. The terms of the leases generally also required the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 31st December, 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>31st December, 2016 (Audited)</b>
	<b>HK\$'000</b>
Within one year	2,780
In the second to fifth years, inclusive	7,022
After five years	6,627
	<u>16,429</u>

### (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 2 years.

At 30th June, 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30th June, 2017 (Unaudited)</b>	<b>31st December, 2016 (Audited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within one year	2,916	4,301
In the second to fifth years, inclusive	2,214	4,436
	<u>5,130</u>	<u>8,737</u>

## 17. Commitments

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

	<b>30th June, 2017 (Unaudited)</b>	<b>31st December, 2016 (Audited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Contracted, but not provided for:		
Property development projects	<b>841,195</b>	759,790

## 18. 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\$10,980,000) (31st December, 2016 – RMB9,554,000 (HK\$10,620,000)) as contingent liabilities and no provision has been made in the condensed consolidated financial statements.

## 19. 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.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, 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, financial liabilities included in creditors and accruals, and other borrowings 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 financial liabilities included in creditors and accruals, and other borrowings was assessed to be insignificant. The fair values of the liability portions of the convertible bonds are estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

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.

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31st December, 2016:

	<b>Valuation technique</b>	<b>Significant unobservable input</b>	<b>Range</b>
Contingent consideration receivable	Discounted cash flow method	Growth rates for cash flows	7% to 20%
		Discount rate	21.5%

A significant increase/(decrease) in the estimated growth rates for cash flows in isolation would result in a significant increase/(decrease) in the fair value of the contingent consideration receivable. A significant increase/(decrease) in the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the contingent consideration receivable.

### 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, 2017*

	<b>Fair value measurement using</b>			<b>Total (Unaudited) HK\$'000</b>
	<b>Quoted prices in active markets (Level 1) (Unaudited) HK\$'000</b>	<b>Significant observable inputs (Level 2) (Unaudited) HK\$'000</b>	<b>Significant unobservable inputs (Level 3) (Unaudited) HK\$'000</b>	
Financial assets at fair value through profit or loss:				
Listed equity investments	<b>218,608</b>	–	–	<b>218,608</b>
Listed debt investments	–	<b>23,447</b>	–	<b>23,447</b>
	<b>218,608</b>	<b>23,447</b>	–	<b>242,055</b>



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

Assets measured at fair value as at 31st December, 2016

	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	151,690	–	–	151,690
Listed debt investments	–	23,456	–	23,456
Contingent consideration receivable	–	–	10,268	10,268
	<u>151,690</u>	<u>23,456</u>	<u>10,268</u>	<u>185,414</u>

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

	2017 (Unaudited) HK\$'000	2016 (Audited) HK\$'000
At 1st January	10,268	–
Arising from acquisition of subsidiaries (note 13)	–	9,150
Fair value gain/(loss) recognised in profit or loss	(2,118)	1,118
Disposal of subsidiaries	(8,150)	–
At 30th June/31st December	<u>–</u>	<u>10,268</u>

The Group did not have any financial liabilities measured at fair value as at 30th June, 2017 (31st December, 2016 – Nil).

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 financial assets (year ended 31st December, 2016 – Nil).

### 20. 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 24th August, 2017.

# Other Information

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2017, 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, 2017)
			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%)
2. Century City International Holdings Limited ("CCIHL")	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%)
	Mr. Lo Yuk Sui	Ordinary (issued)	110,667,396	1,769,164,691 (Note a)	380,683	1,880,212,770 (58.69%)
	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. Kenneth Wong Po Man	Ordinary (issued)	200	-	-	200 (0.000%)

## Other Information (Cont'd)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2017)
				Personal interests	Corporate interests	Family/Other interests	
2.	CCIHL	Mr. Kelvin Leung So Po	Ordinary (issued)	4,000	–	–	4,000 (0.000%)
3.	Paliburg Holdings Limited ("PHL")	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
		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 Wong Po Man	Ordinary (issued)	6,200	–	–	6,200 (0.001%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	50,185	–	–	50,185 (0.005%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
4.	Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	622,855,261 (Note c)	260,700	623,140,161 (68.18%)
		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 694,124,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.67% shareholding interests.

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 58.67% shareholding interests. The interests in 599,025,861 issued ordinary shares of RHIHL were held through companies wholly owned by PHL, in which CCIHL held 62.28% shareholding interests. The interests in the other 23,408,000 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. PHL held 68.10% shareholding interests in RHIHL.
- (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 62.28% shareholding interests, held 68.10% shareholding interests in RHIHL. Mr. Lo held 58.67% shareholding interests in CCIHL.
- (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 62.28% shareholding interests, held 68.10% shareholding interests in RHIHL. Mr. Lo held 58.67% shareholding interests in CCIHL.

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 "CB Issuer"). 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 convertible bonds in a principal amount of HK\$500,000,000 issued by the CB Issuer. The convertible bonds are 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 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. PHL, in which CCIHL held 62.28% shareholding interests, held 68.10% shareholding interests in RHIHL. Mr. Lo held 58.67% shareholding interests in CCIHL.

Save as disclosed herein, as at 30th June, 2017, 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, 2017, 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) held	Approximate percentage of issued ordinary shares as at 30th June, 2017
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%
Alpha Advantage Investments Limited (Note x)	–	1,250,000,000	1,250,000,000	29.41%
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 62.28% shareholding interests in PHL, 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 68.10% shareholding interests in RHIHL, 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, 2017, 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, 2016 is set out below:

#### Name of Director

#### Details of changes

##### *Independent Non-Executive Directors:*

- |                                   |  |
|-----------------------------------|--|
| Ms. Alice Kan Lai Kuen            | <ul style="list-style-type: none"><li>• Appointed as an independent non-executive director of Mason Group Holdings Limited, a company listed on the Stock Exchange, with effect from 24th May, 2017.</li></ul>   |
| Hon Abraham Shek Lai Him, GBS, JP | <ul style="list-style-type: none"><li>• Resigned as an independent non-executive director of ITC Corporation Limited (now known as PT International Development Corporation Limited), a company listed on the Stock Exchange, with effect immediately after 4:00 p.m. on 28th March, 2017.</li></ul> |

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, 2017, 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, 2017.

### 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, 2017.

### 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, 2017, in conjunction with the external auditor. The review report of the external auditor 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 12 to 39, which comprises the condensed consolidated statement of financial position as at 30th June, 2017 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

24th August, 2017



