



四海國際集團有限公司

**Cosmopolitan**  
International Holdings Limited

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

# 2018

## INTERIM REPORT







# CONTENTS

2	Corporate Information
3	Directors' Profile
6	Chairman's Statement
8	Management Discussion and Analysis
12	Condensed Consolidated Financial Statements
12	Condensed Consolidated Statement of Profit or Loss
14	Condensed Consolidated Statement of Comprehensive Income
15	Condensed Consolidated Statement of Financial Position
17	Condensed Consolidated Statement of Changes in Equity
19	Condensed Consolidated Statement of Cash Flows
20	Notes to Condensed Consolidated Financial Statements
40	Other Information
48	Report on Review of Interim Financial Information

# 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

## AUDITORS

Ernst & Young

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

The Bank of East Asia, Limited

Industrial and Commercial Bank of China (Asia) Limited

Australia and New Zealand Banking Group Limited

Deutsche Bank A.G.

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

## SHARE REGISTRAR IN THE CAYMAN ISLANDS

Maples Fund Services (Cayman) Limited

P.O. Box 1093, Boundary Hall

Cricket Square

Grand Cayman, KY1-1102

Cayman Islands

## SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wan Chai

Hong Kong

## REGISTERED OFFICE

PO Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street

Causeway Bay, Hong Kong

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**Mr. Lo Yuk Sui, aged 73; 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 44; 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 (the “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 38; Vice Chairman and Executive Director** — Appointed to the Board as an Executive Director in 2013. Miss Lo also acts as a Vice Chairman of the Company since 2013. She is also an executive director and a vice chairman of CCIHL, an executive director of PHL, an executive director, a vice chairman and the managing director of RHIHL, and a non-executive director and the vice chairman of RPML. Miss Lo graduated from Duke University, North Carolina, the United States, with a Bachelor’s Degree in Psychology. Miss Lo joined the RHIHL Group in 2000 and is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing function of the RHIHL Group and also undertakes responsibilities in the business development of the Century City Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

**Mr. Kenneth Wong Po Man, aged 52; 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 27 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 46; *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 22 years of experience in accounting and corporate finance field.

**Mr. Kenneth Ng Kwai Kai**, aged 64; *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 76; *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 of Hong Kong Limited (the "Stock Exchange").

**Ms. Alice Kan Lai Kuen**, aged 63; *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 Energine International (Holdings) Limited, Mason Group Holdings Limited and Shimao Property Holdings 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 81; 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 63; 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 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 73; 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, CSI Properties Limited, Everbright Grand China Assets Limited, Lifestyle 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 2018 Interim Report of the Company.

## FINANCIAL RESULTS

For the six months ended 30th June, 2018, the Group attained for the period an unaudited consolidated profit attributable to shareholders of HK\$238.7 million, which represented an increase of approximately 5.8 times over the comparative profit of HK\$35.2 million recorded for the corresponding half year in 2017.

As mentioned in the profit alert announcement published by the Company on 20th August, 2018, the significant increase in the profit achieved for this interim period was principally attributable to the profit derived from the completed sales of the residential units in the Group's composite development project in Tianjin, the People's Republic of China.

## BUSINESS OVERVIEW

During the period under review, China's economy expanded by 6.8 percent over the same period in 2017, amid efforts to control property prices, deleverage debt levels and contain financial risks. The central government of China is continuing to work on stabilising home prices and has introduced a series of measures to cool down the property market, particularly in some first and second tier cities where speculative investment activities are active, with an aim to establishing a healthily growing real estate market in the long term.

Following the completion of the unit sales of the nine residential towers in the first and second stages of the Group's development project in Chengdu in late 2017, the construction works for the remaining ten residential towers in the third stage of the development have already commenced. There are total 1,555 units comprised within these ten residential towers and the presale programme is scheduled to be launched in the fourth quarter of this year. The development works of the other components in this project, including a hotel and commercial and office spaces, are overall proceeding steadily.

As regards the Group's other composite development project located in Tianjin, most of the units in the four residential towers have been sold and handed over to the individual purchasers in the early part of this year. The net profits derived from the completed sales of these residential units and certain car parking spaces sold have been reflected in the results for the period under review. The superstructure works of the two office towers are experiencing some delay due to tightened planning controls and active negotiations are being conducted with the local government to resolve the issue.

Shareholders could refer to the section headed "Management Discussion and Analysis" in this Interim Report which contains further detailed information on the Group's property development projects being undertaken in China.

Most recently, on 16th August, 2018, the Group entered into a Deposit Agreement in relation to the possible investment by the Group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in China. Pursuant to the Deposit Agreement, the Group has paid a deposit of RMB70 million to the vendor parties and was granted an exclusivity period for a period of 18 months to conduct bona fide negotiations to settle the terms of the possible joint venture investment. The deposit will be refundable to the Group except in the case where the wholly owned subsidiary of the Group, as a party to the Deposit Agreement, breaches its own exclusivity undertakings.



If a formal binding agreement is settled and signed by the relevant parties, the Group is expected to acquire 60% interest, directly or indirectly, in the equity and/or the businesses of the logistics services provider. The consideration for such acquisition will be determined with reference to the anticipated net profit of the relevant business segments to be acquired by the Group, as warranted by the vendor parties. The estimated initial consideration is approximately RMB3.5 billion, subject to finalisation of the terms in the formal agreement, and is proposed to be settled by the Group through the issue of ordinary shares and convertible bonds of the Company to the vendor parties.

Should this possible joint venture investment materialise, it would constitute at least a major transaction for the Company under the listing rules of the Hong Kong Stock Exchange. Further details of the Deposit Agreement and proposed transaction are contained in the joint announcement of the Company dated 17th August, 2018. Shareholders will be kept timely apprised of any material progress in this proposed transaction.

### OUTLOOK

The recent trade disputes between the United States and China are casting significant uncertainties on the global economy and if these international trade disputes and other geopolitical tensions escalate, they could have serious dampening effect on economic growth globally. In the overcast of these external uncertainties, the central government of China is adopting more proactive fiscal policies to speed up government spending and stimulate domestic demand, with a view to sustaining the economic growth of China within a reasonable target range.

The encouraging results achieved by the Group in the current period is a positive reflection of the underlying profit potential of the development projects undertaken by the Group in China. The Directors of the Company are optimistic that when the other components in these projects are gradually completed and disposed of in the course of the next few years, they should generate for the Group further substantial cash flows and profit earnings.

Property development and investment in China will continue to be the Group's core business focus. However, the Group is also actively seeking to diversify the scope of its investments, with a view to broadening the Group's asset and income base.

### LO YUK SUI

Chairman

Hong Kong  
27th August, 2018

# Management Discussion and Analysis

## BUSINESS REVIEW

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

The operating performance of the Group's property and other investment businesses during the period under review 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 (the "PRC") as well as an account of the disposal of the equity interest previously held in a 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 residential, hotel, commercial and office components, with an overall total gross floor area of approximately 495,000 square metres (5,330,000 square feet).

There are total 1,296 residential units comprised in the first and second stages of the Chengdu project. Most of these residential units have been sold and handed over to the purchasers before the end of 2017 and the profits therefrom already accounted for in the prior year. The sale process of the remaining units has continued during the period and, up to date, the number of units still available for sale is insignificant.

While the business remodeling and corresponding interior design works for the hotel are ongoing, the mechanical and electrical installation works are also in progress. The hotel is now scheduled to open in phases from the second half of 2019. In the meantime, the substructure and superstructure works of the remaining ten residential towers in the third stage of the development have commenced and the presale programme of these residential units is planned to be launched in the fourth quarter of 2018.

The detailed design of the other components within the development, comprising primarily commercial and office spaces, has commenced and the associated construction works are expected to commence in early 2019.

#### *Tianjin Project – Regal Renaissance*

Located in the Hedong District in Tianjin, this project is a mixed use development comprising residential, commercial and office components with total gross floor area of about 145,000 square metres (1,561,000 square feet).

The construction works of the four residential towers, the commercial complex and the associated car parking spaces have been completed. Of the total 512 units comprised in the four residential towers, 484 units together with 202 residential car parking spaces have been sold to date. Most of the residential units and car parking spaces sold have been handed over to the individual purchasers before the half year end date and the profits therefrom accounted for in the results for the period under review. The sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet) is continuing steadily.

The superstructure works of the two office towers have been temporarily suspended due to the tightened government planning controls. The Group is actively conducting negotiations with the local government to resume the superstructure works as soon as practicable and the recent response from the local government to resolve the issue is positive.

### *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.

### **Logistics Business**

#### *Shanghai Logistics Business*

As previously reported, on 30th June, 2017, the Group entered into a deed of arrangement with the joint venture partner of a group of companies operating logistics and related business in Shanghai, the PRC (the "Logistics Group"), in which the Group held a 60% effective interests, for the disposal of its entire interests in the Logistics Group for an aggregate consideration of HK\$71.0 million. Details of this disposal transaction 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 was also received by the Group in the second half of 2017. The Group ceased to have any interest in the Logistics Group after completion of the related transactions and the results of the logistics business were presented as a discontinued operation in the Group's consolidated statement of profit or loss for the year ended 31st December, 2017. The convertible bonds issued by the Group in conjunction with its acquisition of the interests in the Logistics Group had been converted into ordinary shares of the Company before the year end in 2017.

## **FINANCIAL REVIEW**

### **ASSETS VALUE**

As at 30th June, 2018, the Group's net assets attributable to equity holders of the parent amounted to HK\$1,510.6 million, representing approximately HK\$0.22 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.



## Management Discussion and Analysis (Cont'd)

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 used in operating activities during the period under review amounted to HK\$102.9 million (2017 – net cash flows generated from operating activities of HK\$647.9 million). Net interest payment for the period amounted to HK\$10.0 million (2017 – HK\$6.3 million).

### Borrowings and Gearing

As at 30th June, 2018, the Group had cash and bank balances and deposits of HK\$486.3 million (31st December, 2017 – HK\$668.0 million) and the Group's borrowings including convertible bonds, net of cash and bank balances and deposits, amounted to HK\$1,547.9 million (31st December, 2017 – HK\$1,346.2 million).

As at 30th June, 2018, the gearing ratio of the Group was 35.1% (31st December, 2017 – 23.0%), representing the Group's borrowings including convertible bonds, net of cash and bank balances and deposits, of HK\$1,547.9 million (31st December, 2017 – HK\$1,346.2 million), as compared to the total assets of the Group of HK\$4,413.3 million (31st December, 2017 – HK\$5,855.3 million).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2018 are shown in note 10 to the condensed consolidated financial statements.

### Pledge of Assets

The Group's equity interests in the relevant holding companies of the Group's property development projects were pledged to secure the 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, 2018 are shown in note 16 to the condensed consolidated financial statements.

### Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2018 are shown in note 17 to the condensed consolidated financial statements.

### Share Capital

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

### DIVIDEND

The Directors have resolved not to declare an interim dividend for the financial year ending 31st December, 2018 (2017 – Nil).

### MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

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

### STAFF AND REMUNERATION POLICY

The Group employs approximately 110 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, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	Notes	HK\$'000	HK\$'000
<b>CONTINUING OPERATIONS</b>			
REVENUE	2, 3	2,027,611	3,775
Cost of sales		(1,510,651)	–
Gross profit		516,960	3,775
Other income	3	5,208	10,352
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		(35,303)	64,296
Write-back of impairment loss on property under development		–	53,000
Property selling and marketing expenses		(17,524)	(6,315)
Administrative expenses		(30,850)	(26,561)
OPERATING PROFIT BEFORE DEPRECIATION		438,491	98,547
Depreciation		(6,182)	(6,069)
OPERATING PROFIT	2	432,309	92,478
Finance costs	4	(48,942)	(40,988)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		383,367	51,490
Income tax	5	(144,651)	(13,250)
Profit for the period from continuing operations		238,716	38,240
<b>DISCONTINUED OPERATION</b>			
Loss for the period from a discontinued operation	12	–	(4,975)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		238,716	33,265
Attributable to:			
Equity holders of the parent			
– For profit from continuing operations		238,716	38,240
– For loss from a discontinued operation		–	(3,065)
– For profit for the period		238,716	35,175
Non-controlling interests		–	(1,910)
		238,716	33,265



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

		Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	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>HK3.53 cents</b>	HK 0.58 cent
– For loss from a discontinued operation		–	HK(0.05)cent
– For profit for the period		<b><u>HK3.53 cents</u></b>	<b><u>HK 0.53 cent</u></b>
Diluted			
– For profit from continuing operations		<b>HK2.84 cents</b>	HK 0.58 cent
– For loss from a discontinued operation		–	HK(0.05)cent
– For profit for the period		<b><u>HK2.84 cents</u></b>	<b><u>HK 0.53 cent</u></b>

# Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	238,716	33,265
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	(40,700)	62,273
Reclassification adjustment on disposal of foreign operations	–	1,560
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>198,016</u>	<u>97,098</u>
Attributable to:		
Equity holders of the parent	198,016	98,209
Non-controlling interests	–	(1,111)
	<u>198,016</u>	<u>97,098</u>

# Condensed Consolidated Statement of Financial Position

		30th June, 2018 (Unaudited)	31st December, 2017 (Audited)
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		4,916	10,990
Properties under development		904,865	1,312,495
Investment in a joint venture		2,431	2,431
Deposits and prepayments	8	84,113	81,123
Goodwill		235,090	235,090
Total non-current assets		<u>1,231,415</u>	<u>1,642,129</u>
CURRENT ASSETS			
Properties under development		2,123,823	2,934,845
Properties held for sale		384,014	215,024
Debtors, deposits and prepayments	8	16,085	188,408
Financial assets at fair value through profit or loss		171,635	206,938
Restricted cash		1,116	71,503
Time deposits		35,663	31,187
Cash and bank balances		449,565	565,298
Total current assets		<u>3,181,901</u>	<u>4,213,203</u>
CURRENT LIABILITIES			
Creditors and accruals	9	(306,248)	(254,628)
Other borrowings	10	(66,000)	(60,000)
Contract liabilities		(147,954)	–
Deposits received		(877)	(1,889,507)
Tax payable		(76,918)	(44,219)
Total current liabilities		<u>(597,997)</u>	<u>(2,248,354)</u>
NET CURRENT ASSETS		<u>2,583,904</u>	<u>1,964,849</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,815,319</u>	<u>3,606,978</u>



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

		30th June, 2018 (Unaudited)	31st December, 2017 (Audited)
	Notes	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Creditors and accruals	9	(28,996)	(29,136)
Other borrowings	10	(1,062,000)	(1,062,000)
Convertible bonds	11	(906,258)	(892,159)
Deferred tax liabilities		(307,425)	(311,059)
Total non-current liabilities		<u>(2,304,679)</u>	<u>(2,294,354)</u>
Net assets		<u>1,510,640</u>	<u>1,312,624</u>
EQUITY			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		13,519	13,519
Reserves		1,497,095	1,299,079
		<u>1,510,614</u>	<u>1,312,598</u>
<b>Non-controlling interests</b>		<u>26</u>	<u>26</u>
Total equity		<u>1,510,640</u>	<u>1,312,624</u>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2018

	Attributable to equity holders of the parent											
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Exchange equalisation reserve (Unaudited) HK\$'000	Contributed surplus <sup>†</sup> (Unaudited) HK\$'000	Equity component of convertible bonds (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1st January, 2018	13,519	1,479,353	209	(118,444)	(134,838)	26,801	399,430	(1,076)	(352,356)	1,312,598	26	1,312,624
Profit for the period	-	-	-	-	-	-	-	-	238,716	238,716	-	238,716
Other comprehensive loss for the period:												
Exchange differences on translating foreign operations	-	-	-	-	(40,700)	-	-	-	-	(40,700)	-	(40,700)
Total comprehensive income/(loss) for the period	-	-	-	-	(40,700)	-	-	-	238,716	198,016	-	198,016
At 30th June, 2018	13,519	1,479,353*	209*	(118,444)*	(175,538)*	26,801*	399,430*	(1,076)*	(113,640)*	1,510,614	26	1,510,640

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

For the six months ended 30th June, 2018

	Attributable to equity holders of the parent											
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Exchange equalisation reserve (Unaudited) HK\$'000	Contributed surplus <sup>†</sup> (Unaudited) HK\$'000	Equity component of convertible bonds (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1st January, 2017	13,193	1,402,563	209	(118,444)	(280,746)	26,801	431,087	(1,076)	(366,065)	1,107,522	32,135	1,139,657
Profit/(loss) for the period	-	-	-	-	-	-	-	-	35,175	35,175	(1,910)	33,265
Other comprehensive income for the period:												
Exchange differences on translating foreign operations	-	-	-	-	61,474	-	-	-	-	61,474	799	62,273
Reclassification adjustment on disposal of foreign operations	-	-	-	-	1,560	-	-	-	-	1,560	-	1,560
Total comprehensive income/(loss) for the period	-	-	-	-	63,034	-	-	-	35,175	98,209	(1,111)	97,098
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(30,998)	(30,998)
At 30th June, 2017	13,193	1,402,563*	209*	(118,444)*	(217,712)*	26,801*	431,087*	(1,076)*	(330,890)*	1,205,731	26	1,205,757

\* These reserve accounts comprise the consolidated reserves of HK\$1,497,095,000 (30th June, 2017 – HK\$1,192,538,000) in the condensed consolidated statement of financial position.

# The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Group's reorganisation in 1991, net of subsequent distributions therefrom. 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, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	Note	HK\$'000	HK\$'000
Net cash flows from/(used in) operating activities		<b>(102,926)</b>	647,884
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of subsidiaries	12	–	40,269
Purchases of items of property, plant and equipment		<b>(97)</b>	(992)
Increase in pledged bank balances		–	(2,032)
Interest received		<b>4,996</b>	10,317
Net cash flows from investing activities		<b>4,899</b>	47,562
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Drawdown of a bank loan		–	1,000
Drawdown of other borrowings		<b>6,000</b>	6,000
Repayment of other borrowings		–	(170,000)
Interest paid		<b>(15,028)</b>	(17,105)
Net cash flows used in financing activities		<b>(9,028)</b>	(180,105)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<b>(107,055)</b>	515,341
Cash and cash equivalents at beginning of period		<b>596,485</b>	529,180
Effect of foreign exchange rate changes, net		<b>(4,202)</b>	20,115
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<b>485,228</b>	1,064,636
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>449,565</b>	569,063
Non-pledged time deposits with original maturity of less than three months when acquired		<b>35,663</b>	495,573
		<b>485,228</b>	1,064,636

# Notes to Condensed Consolidated Financial Statements

## 1. Accounting Policies

The condensed consolidated financial statements for the six months ended 30th June, 2018 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 condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31st December, 2017. 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, 2017, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2018.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28

Other than the impacts of HKFRS 9 and HKFRS 15 as explained below, the adoption of the above new and revised standards has had no significant financial effect on the Group's condensed consolidated financial statements.

### **Impact of HKFRS 9 *Financial Instruments***

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1st January, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1st January, 2018 in accordance with the transition requirements. The impacts relate to the classification and measurement and the impairment requirements are summarised below.

#### (i) *Classification and measurement*

The adoption of HKFRS 9 has had no significant impact on the classification and measurement of its financial instruments.

#### (ii) *Impairment*

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applies the general approach and records twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The adoption of HKFRS 9 has had no significant impact on the impairment of its financial assets.



## **Impact of HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of accumulated losses as at 1st January, 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1st January, 2018, thus the comparative figures have not been restated.

## **Revenue recognition**

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

### **(i) Revenue from sales of properties**

Prior to the adoption of HKFRS 15, the Group accounted for revenue from sales of properties when significant risks and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession.

Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

The Group has assessed that most revenue from sale of properties is recognised at a point in time, when the purchasers obtain the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable. The adoption of HKFRS 15 has had no significant impact on the timing of revenue recognition.

### (ii) Significant financing component for sales of properties

Prior to the adoption of HKFRS 15, the Group presented sales proceeds received from customers in connection with the Group's pre-sales of properties as receipts in advance under deposits received in the consolidated statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

Upon adoption of HKFRS 15, the Group recognised contract liabilities for the interest on the sales proceeds received from customers with a significant financing component. The Group elected to apply the practical expedient and did not recognise the effects of a significant financing component with a customer if the time period is one year or less. The adoption of HKFRS 15 has had no significant impact on the opening accumulated losses as at 1st January, 2018. Significant financing component on the sales proceeds received in advance directly attributable to the construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, is capitalised as part of the cost of those assets. Advance payments from customers that were previously classified under deposits received have been reclassified to contract liabilities as at 1st January, 2018.

## 2. Revenue from Contracts with Customers and 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.

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.

### Disaggregation of Revenue from Contracts with Customers

All of the Group's revenue from contracts with customers for the six months ended 30th June, 2018 represented proceeds from sale of properties of HK\$2,023,814,000 in Mainland China included in the "Property development and investment" segment. The proceeds from sale of properties were recognised at a point in time.

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,		Six months ended 30th June,		Six months ended 30th June,	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	2,023,814	-	3,797	3,775	2,027,611	3,775
Segment results before depreciation	478,277	32,636	(31,506)	70,187	446,771	102,823
Depreciation	(5,956)	(5,832)	-	-	(5,956)	(5,832)
Segment results	472,321	26,804	(31,506)	70,187	440,815	96,991
Unallocated interest income and unallocated non-operating and corporate gains					5,012	10,315
Unallocated non-operating and corporate expenses					(13,518)	(14,828)
Operating profit					432,309	92,478
Finance costs	(19,815)	(10,959)	-	-	(19,815)	(10,959)
Unallocated finance costs					(29,127)	(30,029)
Profit before tax from continuing operations					383,367	51,490
Income tax					(144,651)	(13,250)
Profit for the period from continuing operations					238,716	38,240
Loss for the period from a discontinued operation					-	(4,975)
Profit for the period before allocation between equity holders of the parent and non-controlling interests					238,716	33,265
Attributable to:						
Equity holders of the parent					238,716	35,175
Non-controlling interests					-	(1,910)
					238,716	33,265

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

### 3. Revenue and Other Income

Revenue and other income from continuing operations are analysed as follows:

	Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	HK\$'000	HK\$'000
<u>Revenue</u>		
Proceeds from sale of properties	2,023,814	–
Dividend income from listed investments	3,797	3,278
Interest income from corporate bonds	–	497
	<u>2,027,611</u>	<u>3,775</u>
<u>Other income</u>		
Bank interest income	4,991	10,313
Others	217	39
	<u>5,208</u>	<u>10,352</u>

### 4. Finance Costs

Finance costs of the Group from continuing operations are as follows:

	Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	HK\$'000	HK\$'000
Interest on convertible bonds	29,127	30,024
Interest on a bank loan	–	5
Interest on other borrowings	27,886	41,844
Interest on contract liabilities	14,892	–
	<u>71,905</u>	<u>71,873</u>
Less: Finance costs capitalised	(22,963)	(30,885)
	<u>48,942</u>	<u>40,988</u>

**5. Income Tax**

	Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	HK\$'000	HK\$'000
Current – the People’s Republic of China (the “PRC”)		
Corporate income tax	64,709	–
Land appreciation tax	83,576	–
Deferred	(3,634)	13,250
Total tax charge for the period from continuing operations	<u>144,651</u>	13,250
Total tax credit for the period from a discontinued operation	<u>–</u>	<u>(1,088)</u>
	<u><u>144,651</u></u>	<u><u>12,162</u></u>

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

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

The PRC land appreciation tax is levied on the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for the sale of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

No provision for tax was required for the joint venture as no assessable profits were earned by the joint venture during the period (2017 – Nil).

**6. Dividend**

No dividend was paid or proposed during the six months ended 30th June, 2018, nor has any dividend been proposed since the end of the reporting period (2017 – 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 for the period ended 30th June, 2018 is based on the profit for the period attributable to equity holders of the parent of HK\$238,716,000 (2017 – HK\$35,175,000) and on the weighted average of 6,759,414,000 (2017 – 6,596,414,000) shares of the Company in issue during the six months ended 30th June, 2018 (including ordinary shares and convertible preference shares).

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

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

(b) Diluted earnings/(loss) per share

The calculation of the diluted earnings per share for the period ended 30th June, 2018 is based on the profit for the period attributable to equity holders of the parent, adjusted to reflect the imputed interest on the convertible bonds of HK\$29,127,000. The weighted average number of shares used in the calculation is the aggregate of the number of ordinary and convertible preference shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of 2,678,571,000 shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment was 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 that period had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

**8. Debtors, Deposits and Prepayments**

	30th June, 2018 (Unaudited)	31st December, 2017 (Audited)
	HK\$'000	HK\$'000
<b>Non-current</b>		
Prepayments (Note)	84,062	81,007
Deposits	51	116
	<u>84,113</u>	<u>81,123</u>
<b>Current</b>		
Contract assets	3,896	–
Prepayments	6,256	179,830
Deposits	1,634	1,839
Other receivables	4,299	6,739
	<u>16,085</u>	<u>188,408</u>

Note: 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 (which has to be 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 fulfilments 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.

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

### 9. Creditors and Accruals

		30th June, 2018 (Unaudited)	31st December, 2017 (Audited)
	Notes	HK\$'000	HK\$'000
<b>Non-current</b>			
Due to a joint venture	(a)	22,753	22,753
Deferred income		6,243	6,383
		<u>28,996</u>	<u>29,136</u>
<b>Current</b>			
Creditors		253,138	225,670
Accruals		12,261	16,286
Due to fellow subsidiaries	(b)	40,849	12,672
		<u>306,248</u>	<u>254,628</u>

Notes:

- (a) The amount due to a joint venture represents outstanding interest payable on advances from the joint venture which is unsecured, interest-free and not repayable within twelve months from the end of the reporting period.
- (b) Included in the balance is an amount due to a fellow subsidiary of HK\$40,336,000 (31st December, 2017 – HK\$12,450,000) 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.

10. Other Borrowings

	30th June, 2018 (Unaudited)	31st December, 2017 (Audited)
	HK\$'000	HK\$'000
<b>Non-current</b>		
Other borrowings	<u>1,062,000</u>	<u>1,062,000</u>
<b>Current</b>		
Other borrowings	<u>66,000</u>	<u>60,000</u>

Other borrowings, comprising term loan of HK\$1,062 million (31st December, 2017 – HK\$1,062 million) and revolving loan of HK\$66 million (31st December, 2017 – HK\$60 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 term loan is repayable on 12th October, 2021 and is classified as a non-current other borrowing. The revolving loan of HK\$66 million (31st December, 2017 – HK\$60 million) is classified as a short term borrowing.

## 11. Convertible Bonds

As at 30th June, 2018, the Group has issued a total of three (31st December, 2017 – three) tranches of convertible bonds. Further details of the convertible bonds are set out as follows:

Purpose	To provide additional capital to the Group		
	Extended CB 2017 (note (a))	CB 201A (note (b))	CB 201B (note (b))
Convertible bonds:			
Issue date:	11th October, 2016*	12th October, 2016	30th December, 2016
Maturity date:	18th August, 2021	18th August, 2021	18th August, 2021
Principal amount:	HK\$500,000,000	HK\$330,000,000	HK\$170,000,000
Coupon interest:	2.5% per annum, payable semi annually	3.5% per annum, payable semi annually	3.5% per annum, payable semi annually
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)
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
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
Status as at 30th June, 2018:	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) Extended CB 2017

On 18th August, 2014, the Company's wholly owned subsidiary, Apex Team Limited, issued convertible bonds with the principal amount of HK\$500,000,000 ("CB 2017") with a maturity date on 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") with an expiry date of 18th August, 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 originally contained 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. Such subscription options were fully exercised in 2016 as detailed below. 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.

### 12. 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 上海禾允投資諮詢有限公司 and its wholly owned subsidiary (the "SH Logistics Group") at a total consideration of HK\$71,000,000. The disposal was completed on 30th June, 2017 and 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)
	<hr/>
	61,138
Exchange equalisation reserve released	1,560
Gain on disposal of subsidiaries	152
	<hr/>
	<b>62,850</b>

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

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the SH Logistic Group was 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)
	<hr/>
Net inflow of cash and cash equivalents included in cash flows from investing activities	<b>40,269</b>

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

For the six months ended 30th June, 2017, the logistics business was classified as a discontinued operation and its results for that period were presented below:

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

### 13. Note to the Condensed Consolidated Statement of Cash Flows

Changes in liabilities arising from financing activities:

	<b>Other borrowings HK\$'000</b>	<b>Convertible bonds HK\$'000</b>	<b>Interest payable to a fellow subsidiary HK\$'000</b>
At 1st January, 2018	1,122,000	892,159	12,450
Changes from financing cash flows	6,000	(15,028)	–
Interest expense	–	29,127	27,886
At 30th June, 2018	1,128,000	906,258	40,336

## 14. 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:

	Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	HK\$'000	HK\$'000
A wholly owned subsidiary of the listed ultimate holding company:		
Management fees	5,245	4,262
Subsidiaries of the listed intermediate holding company:		
Interest income from listed debt investments	–	497
Interest expenses on other borrowings	27,886	41,844
Interest expenses on convertible bonds	29,127	28,236
	<u>29,127</u>	<u>28,236</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, 2017.

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

	Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	2,545	2,771
Staff retirement scheme contributions	174	168
Total compensation paid to key management personnel	<u>2,719</u>	<u>2,939</u>

## 15. Operating Lease Commitments

The Group leases certain office under operating lease arrangements. The leases are negotiated for terms ranging from 1 to 3 years.

At 30th June, 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30th June, 2018 (Unaudited)</b>	<b>31st December, 2017 (Audited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within one year	1,579	3,113
In the second to fifth years, inclusive	2,299	1,895
	<b>3,878</b>	<b>5,008</b>

## 16. Commitments

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

	<b>30th June, 2018 (Unaudited)</b>	<b>31st December, 2017 (Audited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Contracted, but not provided for: Property development projects	<b>1,073,466</b>	<b>713,125</b>



### 17. 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 RMB5,082,000 (HK\$6,014,000) (31st December, 2017 – RMB8,249,000 (HK\$9,895,000)) as contingent liabilities and no provision has been made in the condensed consolidated financial statements.

In addition, at the end of the reporting period, the Group has provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of the Group's properties amounting to approximately RMB424,078,000 (HK\$501,811,000) (31st December, 2017 – RMB356,023,000 (HK\$427,049,000)). The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates and the completion of the proper procedures to register the mortgages under the names of the relevant purchasers, which will generally complete within one to two years after the purchasers take possession of the relevant properties.

## 18. 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.

### 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, 2018*

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Financial assets at fair value through profit or loss:				
Listed equity investments	171,635	–	–	171,635

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

Assets measured at fair value as at 31st December, 2017

	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	206,938	–	–	206,938

There was no movements in fair value measurements within Level 3 during the period under review. The movements in fair value measurements within Level 3 for the year ended 31 December, 2017 was as follows:

	2017 (Audited) HK\$'000
At 1st January	10,268
Fair value loss recognised in profit or loss	(2,118)
Disposal of subsidiaries	(8,150)
At 31st December	–

The Group did not have any financial liabilities measured at fair value as at 30th June, 2018 (31st December, 2017 – 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, 2017 – Nil).

### 19. Events after the reporting period

On 16th August, 2018, the Group entered into a deposit agreement in relation to a possible investment by the Group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in China (the "Deposit Agreement"). Pursuant to the Deposit Agreement, the Group has paid a deposit of RMB70,000,000 (HK\$80,038,000) to the vendor parties and was granted an exclusivity period for a period of 18 months to conduct bona fide negotiations to settle the terms of the possible investment. The deposit will be refundable to the Group except in the case where the wholly owned subsidiary of the Group, as a party to the Deposit Agreement, breaches its own exclusivity undertakings.

If a formal binding agreement is settled and signed by the relevant parties, the Group is expected to acquire 60% interest, directly or indirectly, in the equity and/or the businesses of the logistics services provider. The consideration for such acquisition will be determined with reference to the anticipated net profit of the relevant business segments to be acquired by the Group, as warranted by the vendor parties. The estimated initial consideration is approximately RMB3.5 billion, subject to finalisation of the terms in the formal agreement, and is proposed to be settled by the Group through the issue of ordinary shares and convertible bonds of the Company to the vendor parties.

### 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 27th August, 2018.

# Other Information

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2018, 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, 2018)
			Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) (issued)	-	3,288,556,716 (Note e)	-	3,288,556,716
		(ii) (unissued)	-	5,024,058,784 (Note f)	-	5,024,058,784
					Total:	8,312,615,500 (188.34%)
		Preference (issued)	-	2,345,487,356 (Note f)	-	2,345,487,356 (99.99%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	-	-	2,269,101 (0.05%)
	Miss Lo Po Man	Ordinary (issued)	1,380,000	-	-	1,380,000 (0.03%)
2. Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	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%)

	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, 2018)
				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 (69.33%)
		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 62.81% shareholding interests. PHL held 69.25% 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 2,772,116,716 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 516,440,000 issued ordinary shares of the Company were held through wholly owned subsidiaries of RHIHL. PHL, in which CCIHL held 62.28% shareholding interests, held 69.25% 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 69.25% 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 62.81% 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 69.25% shareholding interests in RHIHL. Mr. Lo held 58.67% shareholding interests in CCIHL.

Save as disclosed herein, as at 30th June, 2018, 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, 2018, 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, 2018
YSL International Holdings Limited ("YSL Int'l") (Note i)	3,288,556,716	5,024,058,784	8,312,615,500	188.34%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	3,288,556,716	5,024,058,784	8,312,615,500	188.34%
CCIHL (Note iii)	3,288,556,716	5,024,058,784	8,312,615,500	188.34%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	3,288,556,716	5,024,058,784	8,312,615,500	188.34%
PHL (Note v)	3,288,556,716	5,024,058,784	8,312,615,500	188.34%
Paliburg Development BVI Holdings Limited (Note vi)	3,288,556,716	5,024,058,784	8,312,615,500	188.34%
RHIHL (Note vii)	3,288,556,716	5,024,058,784	8,312,615,500	188.34%
Regal International (BVI) Holdings Limited (Note viii)	3,288,556,716	5,024,058,784	8,312,615,500	188.34%
Capital Merit Investments Limited (Note vi)	2,772,116,716	5,024,058,784	7,796,175,500	176.63%
Regal Hotels Investments Limited (Note viii)	2,772,116,716	5,024,058,784	7,796,175,500	176.63%
P&R Holdings (Note ix)	2,772,116,716	5,024,058,784	7,796,175,500	176.63%
Interzone Investments Limited (Note x)	–	1,428,571,428	1,428,571,428	32.37%
Alpha Advantage Investments Limited (Note x)	–	1,250,000,000	1,250,000,000	28.32%
Valuegood International Limited (Note x)	953,625,000	179,031,239	1,132,656,239	25.66%
Lendas Investments Limited (Note x)	294,107,609	647,915,205	942,022,814	21.34%
Jumbo Pearl Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.09%
Sun Joyous Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.09%
Time Crest Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.09%
Well Mount Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.09%
Tenshine Limited (Note viii)	516,440,000	–	516,440,000	11.70%
Winart Investments Limited (Note x)	270,000,000	4,643,905	274,643,905	6.22%

**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 69.25% 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, 2018, 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, 2017 is set out below:

Name of Director	Details of changes
<i>Independent Non-Executive Directors:</i>	
Ms. Alice Kan Lai Kuen	<ul style="list-style-type: none"><li>• Retired as an independent non-executive director of Shougang Concord International Enterprises Company Limited, a company listed on the Stock Exchange, with effect from the conclusion of its annual general meeting held on 18th May, 2018.</li></ul>
Mr. David Li Ka Fai	<ul style="list-style-type: none"><li>• Ceased to be a fellow member of The Institute of Chartered Secretaries and Administrators, UK with effect from 1st July, 2018.</li></ul>
Hon Abraham Shek Lai Him, GBS, JP	<ul style="list-style-type: none"><li>• Appointed as an independent non-executive director of CSI Properties Limited, a company listed on the Stock Exchange, with effect from 20th July, 2018.</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, 2018, 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 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 during the six months ended 30th June, 2018.

**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, 2018.

**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, 2018, in conjunction with the external auditors. The review report of the external auditors is set out on page 48 of this report.



# Report on Review of Interim Financial Information



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

## Introduction

We have reviewed the interim financial information of Cosmopolitan International Holdings Limited (the "Company") and its subsidiaries set out on pages 12 to 39, which comprises the condensed consolidated statement of financial position as at 30th June, 2018 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

27th August, 2018





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