

INTERIM REPORT 2019



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Corporate Information

DIRECTORS

Executive Directors

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Jimmy Lo Chun To

(Vice Chairman and Managing Director)

Lo Po Man (Vice Chairman)

Kenneth Wong Po Man (Chief Operating Officer)

Kelvin Leung So Po (Chief Financial Officer)

Kenneth Ng Kwai Kai

Non-Executive Director

Francis Bong Shu Ying, OBE, JP

Independent Non-Executive Directors

Alice Kan Lai Kuen

Lee Choy Sang

David Li Ka Fai

Abraham Shek Lai Him, GBS, JP

AUDIT COMMITTEE

David Li Ka Fai (Chairman)

Alice Kan Lai Kuen

Lee Choy Sang

Abraham Shek Lai Him, GBS, JP

REMUNERATION COMMITTEE

Alice Kan Lai Kuen (Chairman)

Lo Yuk Sui

Lee Choy Sang

David Li Ka Fai

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Alice Kan Lai Kuen

Lee Choy Sang

David Li Ka Fai

Abraham Shek Lai Him, GBS, JP

SECRETARY

Eliza Lam Sau Fun

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

The Bank of East Asia, Limited

Industrial and Commercial Bank of China (Asia) Limited

Australia and New Zealand Banking Group Limited

Deutsche Bank A.G.

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

SHARE REGISTRAR IN THE CAYMAN ISLANDS

Maples Fund Services (Cayman) Limited

P.O. Box 1093, Boundary Hall

Cricket Square

Grand Cayman, KY1-1102

Cayman Islands

SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wan Chai

Hong Kong

REGISTERED OFFICE

PO Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street

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Directors' Profile

Mr. Lo Yuk Sui, aged 74; *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. He 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. Lo Chun To (Alias: Jimmy), aged 45; *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. Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. Mr. Lo joined the Century City Group in 1998. He 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. Mr. Lo is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Miss Lo Po Man, aged 39; *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. Wong Po Man (Alias: Kenneth), aged 53; *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. Kenneth Wong is also an executive director of PHL. 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. He is a qualified architect and has over 28 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. Leung So Po (Alias: Kelvin), aged 47; 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. Kelvin 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 23 years of experience in accounting and corporate finance field.

Mr. Ng Kwai Kai (Alias: Kenneth), aged 65; Executive Director — Appointed to the Board in 2008 as a Non-Executive Director and re-designated as an Executive Director in 2013. Mr. Kenneth 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. Bong Shu Ying, Francis, OBE, JP, aged 77; 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. 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. 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. Kan Lai Kuen, Alice, aged 64; Independent Non-Executive Director — Invited to the Board as an Independent Non-Executive Director in 2013. Ms. Alice 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, Jolimark 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 82; *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. Li Ka Fai, David, aged 64; *Independent Non-Executive Director* — Invited to the Board as an Independent Non-Executive Director in 2006. Mr. David 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. Mr. Li 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 Shek Lai Him, Abraham (Alias: Abraham Razack), GBS, JP, aged 74; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2013. Mr. Abraham Shek is also an independent non-executive director of PHL and RPML. Mr. Shek holds a Bachelor's Degree of Arts. Mr. Shek 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 Honorary Chairman, an independent non-executive director and the chairman of the audit committee 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, Far East Consortium International 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 and Lai Fung Holdings 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 2019 Interim Report of the Company.

FINANCIAL RESULTS

For the six months ended 30th June, 2019, the Group recorded an unaudited consolidated loss attributable to shareholders of HK\$57.5 million, as compared to a consolidated profit of HK\$238.7 million attained for the corresponding period in 2018.

The Group's core assets presently comprise two composite development projects in Tianjin and Chengdu in the People's Republic of China. As these projects are being developed in stages, the profit contribution from the disposals of their component parts is effectively linked to their respective completion dates and sales status. Consequently, due to the different timing in the recognition of profit generated from such property disposals, the results of the Group could fluctuate between individual financial reporting periods.

As mentioned in the profit warning announcement published by the Company on 21st August, 2019, the loss recorded for the period under review was mainly due to the finance costs incurred, particularly that the amount of finance costs presently capitalised to the Group's development projects is lower than the levels in previous financial years. Moreover, despite the contracted pre-sales of the residential units in the third stage of the Group's composite development in Chengdu, the profits recognised from property sales for the period were relatively small, as profits from property sales will only be recognised when the properties sold are handed over to the respective purchasers after completion of the relevant sales. Whereas for the corresponding half year period in 2018, the aggregate amount of profit contribution from property disposals was over HK\$470 million.

BUSINESS OVERVIEW

During the period under review, China's economy expanded by 6.3% over the same period in 2018. However, weighed down by the softness in manufacturing output due to the escalated trade disputes with the United States, trade flows have been weak. Regarding the property sector in China, the central government continued to implement administrative policies to regulate the supply and demand and, in some cases, the sale prices of residential commodity units, with a view to controlling speculative activities. For the first six months of 2019, the property market was operating steadily. The price of residential properties on the whole increased moderately, but at a slower pace than in the comparative period in 2018.

The development works of the third stage of Regal Cosmopolitan City in Chengdu, comprising ten residential towers with a total of 1,555 units, are in steady progress. Presale of two residential towers with 314 units within this third stage was commenced in March 2019 and, up to date, 268 units have been contracted as sold. The Group has further launched the presale of another three residential towers with 472 units recently this August and the response is favourable. In the meantime, the business remodeling works of the hotel within this composite development have been completed and the hotel is scheduled to be opened in phases from the end of 2020. The development works of the other remaining component parts, consisting of a commercial complex and five towers of office accommodation, are also in progress.

As regarding the Group's Regal Renaissance development project in Tianjin, the sale of the commercial complex is continuing and certain parts have been leased out for rental income. The superstructure works of the two office towers have resumed since June 2019 and unit presale is anticipated to commence in the second quarter of 2020.

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

As previously disclosed, the Group entered into certain deposit agreements and loan agreements in August and September 2018 with independent third parties for 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 the PRC. Latest update on this possible investment is also contained in the "Management Discussion and Analysis" section.

With an objective to broaden its business spectrum, the Group entered into a memorandum of understanding (MOU) with certain independent third parties for the possible investment by the Group in an operating company principally engaged in the management and trading of tradable or transferable China Certified Emissions Reduction (Carbon Assets) in China. If the investment proposal materialises, the operating company will become an associate of the Group. Save for the provisions in relation to, among others, due diligence review and exclusivity period, the MOU does not constitute legally-binding commitment on the parties. Further details on the terms of the MOU are contained in the joint announcement by the Company dated 26th June, 2019. The Group is presently undertaking due diligence review on the operating company and its business, and in the meantime, conducting negotiations on the final terms of the proposed investment. Further announcement will be made in the event that a formal agreement on the investment proposal is signed by the parties or as and when required.

More recently, in July 2019, a wholly owned subsidiary of the Company acquired an 80% equity interest in a PRC-incorporated company, which has contractual right to acquire a 10% interest in another PRC-incorporated real estate company that partners with various reputable real estate developers and undertakes joint developments for both industry specific real estate and residential/commercial real estate in China.

OUTLOOK

Faced with the complex external environment, the central government of China has put into effect various accommodative fiscal policies and tax cuts to support domestic spending, with a view to maintaining the growth in its gross domestic product within the targeted range of 6 to 6.5 percent for the full year of 2019. Under the ongoing business remodeling process in the economy of China, it is expected that the performance of the property market in the first and second tier cities will continue to outpace the peripheral cities.

When the remaining component parts of the Group's development projects in Chengdu and Tianjin, both being major second tier cities, are gradually completed and sold, they will continue to contribute substantial cash flow and profits to the Group in the coming years. With an objective to enhance and broaden its earnings base, the Group is actively working on new investment opportunities that can widen its business spectrum.

LO YUK SUI

Chairman

Hong Kong
26th August, 2019

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in property development and investment and other investments, which are mainly focused in the People's Republic of China (the "PRC"), and investment in financial assets.

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 as well as the possible investment in logistics business by the Group in the PRC 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).

While the nine residential towers in the first and second stages of the Chengdu project have been completed, the superstructure works of the third stage of the development consisting of ten residential towers of total 1,555 units, about 4,100 square metres (44,100 square feet) of commercial accommodations and 1,941 car parking spaces are in steady progress. Presale of two residential towers consisting of 314 units in the third stage of the development was commenced in March 2019. Up to date, a total of 268 residential units have been contracted as sold, securing aggregate sales proceeds of approximately RMB334 million (equivalent to approximately HK\$365 million). The presale of another three residential towers consisting of 472 units has further been launched recently this August and the response is favourable.

The business remodeling works of the hotel have been completed and corresponding interior design works are progressing. The interior fitting-out works are scheduled to commence in early 2020 and the hotel is scheduled to open in phases from the end of 2020.

The updated scheme design of the remaining commercial components within the development, comprising a six-storey commercial complex of about 48,000 square metres (516,700 square feet) and five towers of office accommodations of about 90,500 square metres (974,100 square feet), have been approved by the local authority and the detailed design works have also commenced. The construction works are planned to be started in late 2019 and the associated presale programme is expected to be launched in late 2020.

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 sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), is continuing steadily and contracts for sale have been secured for some of the shop units. Certain parts of the commercial complex have in the meantime been leased out for rental income.

The superstructure works of the two office towers have resumed since June 2019. The presale of the office accommodations is planned to be launched in the second quarter of 2020.

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 would be available for real estate development after the requisite inspection, land grant listing and tender procedures are completed.

The Group continues to maintain the re-forested area and communicate with the relevant government authority to initiate appropriate measures to settle the disputes over certain portions of the land in the project site that have been illegally occupied. Based on the legal advice obtained, the legitimate interests of the Group in this re-forestation and land grant contract remain valid and effective.

Logistics Business

Possible Investment in a Logistics Group

As previously disclosed, the Group entered into certain deposit agreements and loan agreements in August and September 2018 with independent third parties for 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 the PRC. The Group has paid deposits to the vendor and the target investee group in a total amount of RMB170 million and also granted loans to the target investee group in an aggregate sum of RMB150 million due for repayment in November 2018. Together with the interest accrued on the loans, the total amount of such deposits and loans amounted to RMB360.7 million in the books of the Group as at 30th June, 2019.

Due to the complex operating structure and the financial status of the target investee group, the negotiations on the final terms of the proposed investment by the Group in the target investee group and certain of its selected businesses have not progressed as smoothly as initially envisaged. The Group is still continuing its discussions with the vendor and the target investee group on the investment proposal and, in the meantime, is also conducting negotiations with a potential investor for its possible investment in these logistics businesses. Further announcement will be made as and when an investment proposal is finalised.

In the meantime, the deposits and the loan amounts (together with the interest accrued) continue to be secured primarily by equity pledges over certain PRC companies associated with the vendor, guarantees provided by the vendor and certain of his associates, and pledges over the receivables of the target investee group and certain associates of the vendor.

FINANCIAL REVIEW

ASSETS VALUE

As at 30th June, 2019, the Group's net assets attributable to equity holders of the parent amounted to HK\$1,353.4 million, representing approximately HK\$0.20 per share (including ordinary share and convertible preference share).

Management Discussion and Analysis (Cont'd)

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

The acquisition of the two ongoing development projects in the PRC in 2013 had been financed by the vendors by way of deferred payment of the considerations payable for a period of 3 years, subject to the terms of the relevant sale and purchase agreements. With an objective to align the due dates of the considerations payable with the latest progress and completion schedules of the two development projects, by virtue of the agreements entered into between the Group and the vendors and completed in 2016, (i) the consideration payables owing to one of the vendors were refinanced by new 5-year loan facilities, and (ii) the consideration payable owing to the other vendor was repaid through its subscription of the optional convertible bonds issued by the Group.

Construction and related costs for the property projects for the time being are principally financed by internal resources and proceeds from the presale of the units. Project financing may be arranged on appropriate terms to cover a portion of the land cost and/or the construction cost, with the loan maturity matching with the estimated project completion date.

Cash Flows

Net cash flows used in operating activities during the period under review amounted to HK\$134.1 million (2018 – HK\$102.9 million). Net interest payment for the period amounted to HK\$14.6 million (2018 – HK\$10.0 million).

Borrowings and Gearing

As at 30th June, 2019, the Group had cash and bank balances and deposits of HK\$270.1 million (31st December, 2018 – HK\$336.2 million) and the Group's borrowings including convertible bonds, net of cash and bank balances and deposits, amounted to HK\$1,957.2 million (31st December, 2018 – HK\$1,914.4 million).

As at 30th June, 2019, the gearing ratio of the Group was 41.3% (31st December, 2018 – 41.3%), representing the Group's borrowings including convertible bonds, net of cash and bank balances and deposits of HK\$1,957.2 million (31st December, 2018 – HK\$1,914.4 million), as compared to the total assets of the Group of HK\$4,741.2 million (31st December, 2018 – HK\$4,638.6 million).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2019 are shown in notes 12, 13 and 14 to the condensed consolidated financial statements.

Lease liabilities

As at 30th June, 2019, the Group had lease liabilities of HK\$1.5 million.

Pledge of Assets

As at 30th June, 2019, certain of the Group's bank deposits and financial assets at fair value through profit or loss in the amount of HK\$26.3 million (31st December, 2018 - Nil) were pledged to secure general banking facilities granted to the Group.

In addition, the Group's equity interests in the relevant holding companies of the Group's property development projects were pledged to secure the other 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, 2019 are shown in note 17 to the condensed consolidated financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2019 are shown in note 18 to the condensed consolidated financial statements.

Share Capital and Convertible Bonds

During the period under review, a total of 6,367 convertible preference shares of the Company were converted into 6,367 ordinary shares of the Company in accordance with the terms of the convertible preference shares and there was no change in the convertible bonds of the Group.

DIVIDEND

The Directors have resolved not to declare an interim dividend for the financial year ending 31st December, 2019 (2018 – 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, 2019 (Unaudited)	Six months ended 30th June, 2018 (Unaudited)
	Notes	HK\$ million	HK\$ million
REVENUE	2, 3	48.9	2,027.6
Cost of sales		(27.7)	(1,510.6)
Gross profit		21.2	517.0
Other income	3	34.2	5.2
Fair value gains on investment properties, net		2.7	–
Fair value losses on financial assets at fair value through profit or loss, net		(5.6)	(35.3)
Gain on disposal of an investment property		1.8	–
Property selling and marketing expenses		(7.8)	(17.5)
Administrative expenses		(28.4)	(30.9)
OPERATING PROFIT BEFORE DEPRECIATION		18.1	438.5
Depreciation		(0.9)	(6.2)
OPERATING PROFIT	2, 4	17.2	432.3
Finance costs	5	(66.6)	(48.9)
PROFIT/(LOSS) BEFORE TAX		(49.4)	383.4
Income tax	6	(8.1)	(144.7)
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		(57.5)	238.7
Attributable to:			
Equity holders of the parent		(57.5)	238.7
Non-controlling interests		–	–
		(57.5)	238.7
EARNINGS/(LOSS) PER SHARE (INCLUDING ORDINARY SHARE AND CONVERTIBLE PREFERENCE SHARE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic		HK(0.85) cent	HK3.53 cents
Diluted		HK(0.85) cent	HK2.84 cents

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2019 (Unaudited)	Six months ended 30th June, 2018 (Unaudited)
	HK\$ million	HK\$ million
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	(57.5)	238.7
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	(2.2)	(40.7)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>(59.7)</u>	<u>198.0</u>
Attributable to:		
Equity holders of the parent	(59.7)	198.0
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>(59.7)</u>	<u>198.0</u>

Condensed Consolidated Statement of Financial Position

		30th June, 2019 (Unaudited)	31st December, 2018 (Audited)
	Notes	HK\$ million	HK\$ million
NON-CURRENT ASSETS			
Property, plant and equipment		12.8	1.8
Right-of-use asset		1.5	–
Investment properties		116.2	134.5
Properties under development		906.0	905.7
Investment in a joint venture		2.4	2.4
Deposits and prepayments	9	285.4	280.8
Goodwill		235.1	235.1
Total non-current assets		<u>1,559.4</u>	<u>1,560.3</u>
CURRENT ASSETS			
Properties under development		1,860.1	1,705.8
Properties held for sale		605.1	638.3
Loans receivable	10	170.6	170.8
Deposits, prepayments and other assets	9	103.8	49.5
Financial assets at fair value through profit or loss		172.1	177.7
Restricted cash		114.8	6.5
Pledged bank balances		0.4	–
Time deposits		20.5	4.8
Cash and bank balances		134.4	324.9
Total current assets		<u>3,181.8</u>	<u>3,078.3</u>
CURRENT LIABILITIES			
Creditors and accruals	11	(277.3)	(323.9)
Contract liabilities		(512.6)	(257.4)
Deposits received		(4.9)	(0.7)
Interest bearing bank borrowing	12	(7.5)	–
Other borrowings	13	(221.5)	(267.3)
Lease liabilities		(0.8)	–
Tax payable		(25.7)	(54.7)
Total current liabilities		<u>(1,050.3)</u>	<u>(904.0)</u>
NET CURRENT ASSETS		<u>2,131.5</u>	<u>2,174.3</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,690.9</u>	<u>3,734.6</u>

Condensed Consolidated Statement of Financial Position (Cont'd)

		30th June, 2019 (Unaudited)	31st December, 2018 (Audited)
	Notes	HK\$ million	HK\$ million
NON-CURRENT LIABILITIES			
Creditors and accruals	11	(29.0)	(29.0)
Deposits received		(2.4)	(1.6)
Other borrowings	13	(1,062.0)	(1,062.0)
Convertible bonds	14	(936.3)	(921.3)
Lease liabilities		(0.7)	–
Deferred tax liabilities		(307.1)	(307.6)
Total non-current liabilities		<u>(2,337.5)</u>	<u>(2,321.5)</u>
Net assets		<u>1,353.4</u>	<u>1,413.1</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		13.5	13.5
Reserves		1,339.9	1,399.6
		<u>1,353.4</u>	<u>1,413.1</u>
Non-controlling interests		–	–
Total equity		<u>1,353.4</u>	<u>1,413.1</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2019

	Attributable to equity holders of the parent									
	Issued capital (Unaudited) HK\$ million	Share premium account (Unaudited) HK\$ million	Capital redemption reserve (Unaudited) HK\$ million	Capital reserve (Unaudited) HK\$ million	Exchange equalisation reserve (Unaudited) HK\$ million	Contributed surplus [#] (Unaudited) HK\$ million	Equity component of convertible bonds (Unaudited) HK\$ million	Other reserve (Unaudited) HK\$ million	Accumulated losses (Unaudited) HK\$ million	Total equity (Unaudited) HK\$ million
At 1st January, 2019	13.5	1,479.4	0.2	(118.4)	(236.2)	26.8	399.4	(1.1)	(150.5)	1,413.1
Loss for the period	-	-	-	-	-	-	-	-	(57.5)	(57.5)
Other comprehensive loss for the period:										
Exchange differences on translating foreign operations	-	-	-	-	(2.2)	-	-	-	-	(2.2)
Total comprehensive loss for the period	-	-	-	-	(2.2)	-	-	-	(57.5)	(59.7)
At 30th June, 2019	13.5	1,479.4*	0.2*	(118.4)*	(238.4)*	26.8*	399.4*	(1.1)*	(208.0)*	1,353.4

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

For the six months ended 30th June, 2019

	Attributable to equity holders of the parent									
	Issued capital (Unaudited) HK\$ million	Share premium account (Unaudited) HK\$ million	Capital redemption reserve (Unaudited) HK\$ million	Capital reserve (Unaudited) HK\$ million	Exchange equalisation reserve (Unaudited) HK\$ million	Contributed surplus [#] (Unaudited) HK\$ million	Equity component of convertible bonds (Unaudited) HK\$ million	Other reserve (Unaudited) HK\$ million	Accumulated losses (Unaudited) HK\$ million	Total equity (Unaudited) HK\$ million
At 1st January, 2018	13.5	1,479.4	0.2	(118.4)	(134.8)	26.8	399.4	(1.1)	(352.4)	1,312.6
Profit for the period	-	-	-	-	-	-	-	-	238.7	238.7
Other comprehensive loss for the period:										
Exchange differences on translating foreign operations	-	-	-	-	(40.7)	-	-	-	-	(40.7)
Total comprehensive income/(loss) for the period	-	-	-	-	(40.7)	-	-	-	238.7	198.0
At 30th June, 2018	13.5	1,479.4*	0.2*	(118.4)*	(175.5)*	26.8*	399.4*	(1.1)*	(113.7)*	1,510.6

* These reserve accounts comprise the consolidated reserves of HK\$1,339.9 million (30th June, 2018 – HK\$1,497.1 million) 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, 2019 (Unaudited)	Six months ended 30th June, 2018 (Unaudited)
	HK\$ million	HK\$ million
Net cash flows used in operating activities	<u>(134.1)</u>	<u>(102.9)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of an investment property	12.6	–
Purchases of items of property, plant and equipment	(1.4)	(0.1)
Increase in pledged bank balances	(0.4)	–
Interest received	1.3	5.0
Net cash flows from investing activities	<u>12.1</u>	<u>4.9</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of a bank loan	7.5	–
Drawdown of other borrowings	6.0	6.0
Repayment of other borrowings	(51.8)	–
Principal portion of lease payments	(0.4)	–
Interest paid	(15.9)	(15.0)
Net cash flows used in financing activities	<u>(54.6)</u>	<u>(9.0)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(176.6)	(107.0)
Cash and cash equivalents at beginning of period	329.7	596.5
Effect of foreign exchange rate changes, net	1.8	(4.3)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>154.9</u>	<u>485.2</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	134.4	449.5
Non-pledged time deposits with original maturity of less than three months when acquired	20.5	35.7
	<u>154.9</u>	<u>485.2</u>

Notes to Condensed Consolidated Financial Statements

1. Accounting Policies

The condensed consolidated financial statements for the six months ended 30th June, 2019 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, 2018. 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, 2018, 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, 2019.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16, the adoption of the above new and revised standards are not relevant to the preparation of the Group’s condensed consolidated financial statements.

The nature and impact of the new and revised HKFRSs are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1st January, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses at 1st January, 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1st January, 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for certain office premises and staff quarters. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1st January, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1st January, 2019.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1st January, 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets and lease liabilities separately in the statement of financial position.

Notes to Condensed Consolidated Financial Statements (Cont'd)

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1st January, 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1st January, 2019:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1st January, 2019 are as follows:

	Increase (Unaudited) HK\$ million
Assets	
Right-of-use assets	<u>2.4</u>
Liabilities	
Lease liabilities	<u>2.4</u>

The lease liabilities as at 1st January, 2019 reconciled to the operating lease commitments as at 31st December, 2018 is as follows:

	(Unaudited) HK\$ million
Operating lease commitments as at 31st December, 2018	2.7
Weighted average incremental borrowing rate as at 1st January, 2019	5.0%
Discounted operating lease commitments as at 1st January, 2019	2.5
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31st December, 2019	<u>(0.1)</u>
Lease liabilities as at 1st January, 2019	<u>2.4</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31st December, 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1st January, 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Notes to Condensed Consolidated Financial Statements (Cont'd)

Amounts recognised in the condensed consolidated statement of financial position and condensed consolidated statement of profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	<u>Right-of-use assets</u>	
	Leased premises (Unaudited) HK\$ million	Lease liabilities (Unaudited) HK\$ million
As at 1st January, 2019	2.4	2.4
Termination of a lease	(0.5)	(0.5)
Depreciation charge	(0.4)	–
Payments	–	(0.4)
	<hr/>	<hr/>
As at 30th June, 2019	<u>1.5</u>	<u>1.5</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

2. Operating Segment Information

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

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

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

Notes to Condensed Consolidated Financial Statements (Cont'd)

The following table presents revenue and 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,	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Segment revenue (Note 3):						
Sales to external customers	44.3	2,023.8	4.6	3.8	48.9	2,027.6
Segment results before depreciation	(1.8)	478.3	(0.9)	(31.5)	(2.7)	446.8
Depreciation	(0.7)	(6.0)	-	-	(0.7)	(6.0)
Segment results	(2.5)	472.3	(0.9)	(31.5)	(3.4)	440.8
Unallocated interest income and unallocated non-operating and corporate gains					34.0	5.0
Unallocated non-operating and corporate expenses					(13.4)	(13.5)
Operating profit					17.2	432.3
Finance costs	(36.5)	(19.8)	-	-	(36.5)	(19.8)
Unallocated finance costs					(30.1)	(29.1)
Profit/(Loss) before tax					(49.4)	383.4
Income tax					(8.1)	(144.7)
Profit/(Loss) for the period before allocation between equity holders of the parent and non-controlling interests					(57.5)	238.7
Attributable to:						
Equity holders of the parent					(57.5)	238.7
Non-controlling interests					-	-
					(57.5)	238.7

Notes to Condensed Consolidated Financial Statements (Cont'd)

3. Revenue and Other Income

Revenue and other income are analysed as follows:

	Six months ended 30th June, 2019 (Unaudited)	Six months ended 30th June, 2018 (Unaudited)
	HK\$ million	HK\$ million
<u>Revenue</u>		
<i>Revenue from contracts with customers</i>		
Proceeds from sale of properties	42.8	2,023.8
<i>Revenue from other sources</i>		
Rental income	1.5	–
Dividend income from listed investments	4.6	3.8
	<u>48.9</u>	<u>2,027.6</u>
<u>Other income</u>		
Bank interest income	1.3	5.0
Other interest income	32.6	–
Others	0.3	0.2
	<u>34.2</u>	<u>5.2</u>

Disaggregation of Revenue from Contracts with Customers

All of the Group's revenue from contracts with customers for the six months ended 30th June, 2019 represented proceeds from sale of properties to external customers of HK\$42.8 million (2018 – HK\$2,023.8 million) in Mainland China included in the "Property development and investment" segment. The proceeds from sale of properties were recognised at a point in time.

Notes to Condensed Consolidated Financial Statements (Cont'd)

4. An analysis of profit on sale of properties and depreciation of the Group is as follows:

	Six months ended 30th June, 2019 (Unaudited)	Six months ended 30th June, 2018 (Unaudited)
	HK\$ million	HK\$ million
Profit on disposal of properties	17.5	513.2
Depreciation of property, plant and equipment	0.5	6.2
Depreciation of right-of-use asset	0.4	–
	<u>0.9</u>	<u>6.2</u>

5. Finance Costs

Finance costs of the Group are as follows:

	Six months ended 30th June, 2019 (Unaudited)	Six months ended 30th June, 2018 (Unaudited)
	HK\$ million	HK\$ million
Interest on convertible bonds	30.1	29.1
Interest on other borrowings	32.0	27.9
Interest expense arising from revenue contracts	9.1	14.9
	<u>71.2</u>	<u>71.9</u>
Less: Finance costs capitalised	(4.6)	(23.0)
	<u>66.6</u>	<u>48.9</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

6. Income Tax

	Six months ended 30th June, 2019 (Unaudited)	Six months ended 30th June, 2018 (Unaudited)
	HK\$ million	HK\$ million
Current – the People’s Republic of China (the “PRC”)		
Corporate income tax	8.1	64.7
Land appreciation tax	0.5	83.6
Deferred	<u>(0.5)</u>	<u>(3.6)</u>
Total tax charge for the period	<u><u>8.1</u></u>	<u><u>144.7</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 (2018 – Nil).

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 (2018 – Nil).

7. Dividend

No dividend was paid or proposed during the six months ended 30th June, 2019, nor has any dividend been proposed since the end of the reporting period (2018 – Nil).

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

(a) Basic earnings/(loss) per share

The calculation of basic loss per share for the period ended 30th June, 2019 is based on the loss for the period attributable to equity holders of the parent of HK\$57.5 million (2018 – profit of HK\$238.7 million) and on the weighted average of 6,759.4 million (2018 – 6,759.4 million) shares of the Company in issue during the six months ended 30th June, 2019 (including ordinary shares and convertible preference shares).

(b) Diluted earnings/(loss) per share

No adjustment has been made to the loss per share amount presented for the period ended 30th June, 2019 in respect of a dilution, as the impact of the convertible bonds issued during the period had an anti-dilutive effect on the loss per share amount presented.

The calculation of the diluted earnings per share for the period ended 30th June, 2018 was 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\$29.1 million. 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 2,678.6 million shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

Notes to Condensed Consolidated Financial Statements (Cont'd)

9. Deposits, Prepayments and Other Assets

		30th June, 2019 (Unaudited)	31st December, 2018 (Audited)
	Notes	HK\$ million	HK\$ million
Non-current			
Prepayments	(a)	92.0	87.1
Investment deposits	(b)	193.3	193.6
Deposits		0.1	0.1
		<u>285.4</u>	<u>280.8</u>
Current			
Contract costs		0.6	0.8
Prepayments		44.4	30.0
Deposits		0.3	0.4
Other receivables		58.5	18.3
		<u>103.8</u>	<u>49.5</u>

Notes:

- (a) The amount related to the costs incurred in relation to a re-forestation project in Urumqi, Xinjiang Uygur Autonomous Region, the PRC. In accordance with the prevailing relevant policies and regulations, upon the agreed completion (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 fulfillments of the conditions agreed with the relevant policies and regulations. Despite the delay in the progress of the re-forestation works, based on the latest legal opinion obtained, the legitimate interests of the Group in this re-forestation and land grant contract remain valid and effective and the Directors of the Company are of the opinion that costs incurred for the re-forestation works are fully recoverable in future in accordance with the applicable policies and regulations.

- (b) The amount related to the deposits in an aggregate amount of RMB170 million (HK\$193.3 million) (31st December, 2018 – RMB170 million (HK\$193.6 million)) paid 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 the PRC, further details of which are disclosed in note 10 to the condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements (Cont'd)

10. Loans Receivable

	30th June, 2019 (Unaudited)	31st December, 2018 (Audited)
	HK\$ million	HK\$ million
Short term secured loans	<u>170.6</u>	<u>170.8</u>

On 16th August, 2018, the Group entered into a deposit agreement (the "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 the PRC. Pursuant to the Deposit Agreement, the Group has paid a deposit of RMB70 million (HK\$79.6 million) to the vendor and was granted an exclusivity period of 18 months to conduct bona fide negotiations to settle the terms of the possible investment. Following further negotiations with the vendor, the Group has agreed to increase the deposit under the Deposit Agreement from RMB70 million (HK\$79.6 million) to RMB170 million (HK\$193.3 million). The Group also granted loan facilities to the target investee group in an aggregate loan amount of RMB150 million (HK\$170.6 million) which were fully utilised as at 30th June, 2019 (31st December, 2018 – RMB150 million (HK\$170.8 million)).

The short term secured loans bear interest at 18% to 24% per annum. The deposits and the loan amounts outstanding under the loan facilities are primarily secured by equity pledges over certain PRC companies associated with the vendor, guarantees provided by the vendor and certain of his associates, and pledges over the receivables of the target investee group and certain associates of the vendor.

The short term secured loans were overdue as at 30th June, 2019 and the negotiations with the vendor on the detailed terms of the proposed investment are still ongoing.

Notes to Condensed Consolidated Financial Statements (Cont'd)

11. Creditors and Accruals

		30th June, 2019 (Unaudited)	31st December, 2018 (Audited)
	Notes	HK\$ million	HK\$ million
Non-current			
Due to a joint venture	(a)	22.8	22.8
Deferred income		6.2	6.2
		<u>29.0</u>	<u>29.0</u>
Current			
Creditors		215.1	282.5
Accruals		7.9	25.2
Due to fellow subsidiaries	(b)	54.3	16.2
		<u>277.3</u>	<u>323.9</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\$45.9 million (31st December, 2018 – HK\$14.7 million) 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 repayable on demand.

Notes to Condensed Consolidated Financial Statements (Cont'd)

12. Interest Bearing Bank Borrowing

	30th June, 2019 (Unaudited)	
	Maturity	HK\$ million
Current		
Bank loan – secured	2019	<u>7.5</u>
Analysed into:		
Bank loan repayable within one year		<u>7.5</u>

The Group's facilities amounting to HK\$20.0 million, of which HK\$7.5 million had been utilised at 30th June, 2019, were secured by the pledge of certain of the Group's bank balances and financial assets at fair value through profit or loss amounting to HK\$26.3 million in aggregate. As at 30th June, 2019, the outstanding loan facilities of the Group bore interest at the Hong Kong Interbank Offered Rate plus an interest margin of 1.25% per annum.

13. Other Borrowings

	30th June, 2019 (Unaudited)	31st December, 2018 (Audited)
	HK\$ million	HK\$ million
Non-current		
Other borrowings	<u>1,062.0</u>	<u>1,062.0</u>
Current		
Other borrowings	<u>221.5</u>	<u>267.3</u>

Other borrowings, comprising term loan of HK\$1,062.0 million (31st December, 2018 – HK\$1,062 million) and revolving loan of HK\$221.5 million (31st December, 2018 – HK\$267.3 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\$221.5 million (31st December, 2018 – HK\$267.3 million) is classified as a short term borrowing.

Notes to Condensed Consolidated Financial Statements (Cont'd)

14. Convertible Bonds

As at 30th June, 2019, the Group has issued a total of three (31st December, 2018 – 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 2021A (note (b))	CB 2021B (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, 2019:	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\$500.0 million ("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\$500.0 million ("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\$330.0 million ("CB 2021A") and HK\$170.0 million ("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.

Notes to Condensed Consolidated Financial Statements (Cont'd)

15. Related Party Transactions

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

	Six months ended 30th June, 2019 (Unaudited)	Six months ended 30th June, 2018 (Unaudited)
	HK\$ million	HK\$ million
A wholly owned subsidiary of the listed ultimate holding company: Management fees	5.6	5.3
Subsidiaries of the listed intermediate holding company: Interest expenses on other borrowings	32.0	27.9
Interest expenses on convertible bonds	<u>30.1</u>	<u>29.1</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, 2018.

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

	Six months ended 30th June, 2019 (Unaudited)	Six months ended 30th June, 2018 (Unaudited)
	HK\$ million	HK\$ million
Short term employee benefits	2.7	2.5
Staff retirement scheme contributions	<u>0.2</u>	<u>0.2</u>
Total compensation paid to key management personnel	<u>2.9</u>	<u>2.7</u>

16. Pledge of Assets

As at 30th June, 2019, certain of the Group's bank deposits and financial assets at fair value through profit or loss in the amount of HK\$26.3 million (31st December, 2018 - Nil) were pledged to secure general banking facilities granted to the Group.

Notes to Condensed Consolidated Financial Statements (Cont'd)

17. Commitments

The Group had the following commitments at the end of the reporting period:

	30th June, 2019 (Unaudited)	31st December, 2018 (Audited)
	HK\$ million	HK\$ million
Contracted, but not provided for: Property development projects	<u>609.7</u>	<u>728.6</u>

18. Contingent Liabilities

A subsidiary of the Group received claims for compensation from certain purchasers of the residential units of the Group's property development project in Tianjin in relation to the alleged delay in handing over the completed units. The total amount of the claims amounted to approximately RMB2.1 million (HK\$2.4 million) (31st December, 2018 – RMB2.1 million (HK\$2.4 million)) and the arbitration proceeding has recently commenced. Based on the legal opinion obtained, management considered there are reasonably good grounds to defend against the allegations and, accordingly, no provision has been made in the condensed consolidated financial statements.

In addition, at the end of the reporting period, the Group had provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of the Group's properties amounting to approximately RMB366.5 million (HK\$416.8 million) (31st December, 2018 – RMB316.3 million (HK\$360.1 million)). 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.

No provision has been made in the condensed consolidated financial statements for the guarantees in connection with the mortgage facilities as management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of any default in payments.

Notes to Condensed Consolidated Financial Statements (Cont'd)

19. Fair Value and Fair Value Hierarchy of Financial Instruments

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

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

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

The fair values of the non-current portion of financial assets included in deposits, prepayments and other assets, financial liabilities included in creditors and accruals, other borrowings and lease liabilities 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 determined 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, 2019

	Fair value measurement using			Total (Unaudited) HK\$ million
	Quoted prices in active markets (Level 1) (Unaudited) HK\$ million	Significant observable inputs (Level 2) (Unaudited) HK\$ million	Significant unobservable inputs (Level 3) (Unaudited) HK\$ million	
Financial assets at fair value through profit or loss: Listed equity investments	172.1	-	-	172.1

Notes to Condensed Consolidated Financial Statements (Cont'd)

Assets measured at fair value as at 31st December, 2018

	Fair value measurement using			Total (Audited) HK\$ million
	Quoted prices in active markets (Level 1) (Audited) HK\$ million	Significant observable inputs (Level 2) (Audited) HK\$ million	Significant unobservable inputs (Level 3) (Audited) HK\$ million	
Financial assets at fair value through profit or loss:				
Listed equity investments	177.7	–	–	177.7

There was no movements in fair value measurements within Level 3 during the period (year ended 31st December, 2018 – Nil).

The Group did not have any financial liabilities measured at fair value as at 30th June, 2019 (31st December, 2018 – 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, 2018 – Nil).

20. Event After the Reporting Period

On 18th July, 2019, the Group acquired an 80% equity interest in a PRC-incorporated company at a consideration of approximately RMB21.6 million (HK\$24.5 million) and also provided pro rata shareholder's loan of approximately RMB13.2 million (HK\$15.0 million) to that investee company. The investee company has a contractual right to acquire a 10% equity interest in another PRC-incorporated real estate company that partners with various reputable real estate developers and undertakes joint developments for both industry specific real estate and residential/commercial real estate in China.

21. 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 26th August, 2019.

Other Information

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2019, 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, 2019)
			Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) (issued)	-	2,952,074,716 (Note e)	-	2,952,074,716
		(ii) (unissued)	-	5,024,058,784 (Note f)	-	5,024,058,784
					Total:	7,976,133,500 (180.71%)
		Preference (issued)	-	2,345,487,356 (Note f)	-	2,345,487,356 (99.99%)
2. Century City International Holdings Limited ("CCIHL")	Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	-	-	2,269,101 (0.05%)
	Miss Lo Po Man	Ordinary (issued)	1,380,000	-	-	1,380,000 (0.03%)
	Mr. Lo Yuk Sui	Ordinary (issued)	110,867,396	1,769,164,691 (Note a)	380,683	1,880,412,770 (58.69%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	-	-	251,735 (0.008%)
	Miss Lo Po Man	Ordinary (issued)	112,298	-	-	112,298 (0.004%)
	Mr. Kenneth Wong Po Man	Ordinary (issued)	200	-	-	200 (0.000%)

Other Information (Cont'd)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2019)
				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. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
		Mr. Kelvin Leung So Po	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 58.68% 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 58.68% 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 54.88% 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 2,422,316,716 issued ordinary shares of the Company were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries. The interests in the other 529,758,000 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 58.68% 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 58.68% 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 was held as to 54.88% 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 58.68% shareholding interests in CCIHL.

Save as disclosed herein, as at 30th June, 2019, 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, 2019, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares held (unissued)	Total number of ordinary shares (issued and underlying (unissued)) held	Approximate percentage of issued ordinary shares as at 30th June, 2019
YSL International Holdings Limited ("YSL Int'l") (Note i)	2,952,074,716	5,024,058,784	7,976,133,500	180.71%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	2,952,074,716	5,024,058,784	7,976,133,500	180.71%
CCIHL (Note iii)	2,952,074,716	5,024,058,784	7,976,133,500	180.71%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	2,952,074,716	5,024,058,784	7,976,133,500	180.71%
PHL (Note v)	2,952,074,716	5,024,058,784	7,976,133,500	180.71%
Paliburg Development BVI Holdings Limited (Note vi)	2,952,074,716	5,024,058,784	7,976,133,500	180.71%
RHIHL (Note vii)	2,952,074,716	5,024,058,784	7,976,133,500	180.71%
Regal International (BVI) Holdings Limited (Note viii)	2,952,074,716	5,024,058,784	7,976,133,500	180.71%
Capital Merit Investments Limited (Note vi)	2,422,316,716	5,024,058,784	7,446,375,500	168.71%
Regal Hotels Investments Limited (Note viii)	2,422,316,716	5,024,058,784	7,446,375,500	168.71%
P&R Holdings (Note ix)	2,422,316,716	5,024,058,784	7,446,375,500	168.71%
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)	603,625,000	179,031,239	782,656,239	17.73%
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)	529,758,000	–	529,758,000	12.00%
Hu Yebi (Note xi)	373,451,500	–	373,451,500	8.46%
Hollyview International Limited (Note xi)	277,917,500	–	277,917,500	6.30%
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.
- (xi) Hollyview International Limited is wholly owned by Mr. Hu Yebi ("Mr. Hu") and its interests in the ordinary shares of the Company were included in the interests held by Mr. Hu. The interests in the other 95,534,000 ordinary shares of the Company were held through a company 50% owned by Mr. Hu.

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, 2019, 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.
- (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.

Other Information (Cont'd)

- (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, 2018 is set out below:

Name of Director

Details of changes

Independent Non-Executive Directors:

Ms. Alice Kan Lai Kuen	<ul style="list-style-type: none">• Appointed as an independent non-executive director of Jolimark Holdings Limited, a company listed on the Stock Exchange, with effect from the conclusion of its annual general meeting held on 21st May, 2019.
Hon Abraham Shek Lai Him, GBS, JP	<ul style="list-style-type: none">• Retired as the Chairman (but remains as an independent non-executive director) and appointed as the Honorary Chairman of Chuang's China Investments Limited, a company listed on the Stock Exchange, both with effect from 29th April, 2019.• Retired as an independent non-executive director of MTR Corporation Limited, a company listed on the Stock Exchange, with effect from the conclusion of its annual general meeting held on 22nd May, 2019.• Appointed as an independent non-executive director of Far East Consortium International Limited, a company listed on the Stock Exchange, with effect from 3rd June, 2019.

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, 2019, 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, 2019.

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, 2019.

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, 2019, in conjunction with the external auditor. The review report of the external auditor is set out on page 48 of this report.

Report on Review of Interim Financial Information



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

Introduction

We have reviewed the interim financial information of Cosmopolitan International Holdings Limited (the "Company") and its subsidiaries set out on pages 12 to 39, which comprises the condensed consolidated statement of financial position as at 30th June, 2019 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 other 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 ("HKICPA").

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 HKICPA. 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

26th August, 2019



www.cosmoholdings.com