COSMOPOLITAN
INTERNATIONAL HOLDINGS LTD

# 四海國際集團有限公司*
# COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 120)**

## 2012 INTERIM RESULTS ANNOUNCEMENT

## GROUP FINANCIAL RESULTS

Cosmopolitan International Holdings Limited (the "Company") together with its subsidiaries (the "Group") achieved an unaudited consolidated profit of HK$14,546,000 for the six months ended 30 September 2012, as compared to an unaudited consolidated profit of HK$582,710,000 recorded in the six months ended 30 September 2011.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The Company made a profit warning announcement on 13 November 2012 informing the shareholders that the Group would expect to record substantial decrease in the unaudited consolidated profit for the six months ended 30 September 2012, as compared to the unaudited consolidated profit of HK$582,710,000 recorded for the corresponding six months ended 30 September 2011. The decrease in the reported profit was primarily due to the fact that in the comparative half year in 2011, the profit attained included the share of a substantial one-off gain realized by the jointly controlled entities of the Group from a disposal transaction, the details of which have been disclosed in the Company's announcement dated 30 June 2011 and the 2012 Annual Report.

The achievement of the unaudited consolidated profit of HK$14,546,000 for the period under review was attributed mainly to the following factors:-

(i) After the recognition of the decrease in the fair value of the derivative financial liability relating to the subscription options for the convertible bonds due 2013, as offset by the decrease in the fair value of the financial instruments in the portfolio of the Group, there was a net gain of HK$25,530,000 on changes in the overall fair value of the financial instruments for the six months ended 30 September 2012, as compared to a net loss of HK$6,458,000 for the six months ended 30 September 2011.

(ii) There was a net gain of HK$16,202,000 realized on the disposal of financial assets at fair value through profit or loss, as compared to HK$1,365,000 recorded in the last corresponding period.

(iii) There was a loss of HK$743,000 in the share of the results of jointly controlled entities, as compared to a gain of HK$585,501,000 for the six months ended 30 September 2011.

(iv) There was an increase in administration expenses, mainly due to the further amounts invested in the Group's Xinjiang project which have not been capitalised as project costs.

(v) There was no income tax credit for the six months period under review, as compared to HK$22,265,000 recorded in the six months ended 30 September 2011.

## BUSINESS REVIEW

### General

The principal activities of the Group during the period under review continued to be property development and investment, securities investments and other investments. The economic climate and business sentiment remain to be quite unstable with uncertainties on the effect of further loosening of government credit policy and increase in the money supply in the major economies like the US, major European countries and Japan. The Hong Kong and the PRC economies seemed to have performed better than their counterparts in the US and Europe in the past twelve months, especially in Hong Kong where the property prices have in general risen to record high levels due to the strong demand and the inflow of capital, as the global money supply and liquidity have increased substantially. The government of Hong Kong has recently imposed measures to dampen speculations on residential properties, especially by foreign buyers. It is difficult to predict if those economic woes in other parts of the world that may continue for some time would eventually affect the economic development in Asia including Hong Kong. The investment environments could become more volatile depending on the political and economic developments worldwide, especially in the developed economies, and these factors have posted a challenge to the management of the Group and other investors in the markets.

On 16 November 2012, the Group entered into extension agreements with the holders of the convertible bonds due 14 February 2013 (**CB2013**) issued in February 2008 in the outstanding principal amount of HK$200 million to extend the maturity date to 30 September 2013, and with the option holders who have the rights to subscribe for additional CB2013 for a principal amount of up to HK$200 million for a corresponding extension of the expiry date of such options from 16 November 2012 to 2 July 2013. Separate extension agreement was also entered with the holder of the convertible bonds which were issued in May 2007 in the outstanding principal amount of HK$141.45 million, the maturity date of which had been previously extended in April 2011 to 14 February 2013, to further extend the maturity date to 30 September 2013. Details of the proposed extensions, which will be subject to the approval by the independent shareholders of the Company at a forthcoming extraordinary general meeting ("**EGM**") to be convened, were contained in the Company's announcement dated 16 November 2012. The aforesaid extensions, if approved, will enable the Group to extend the maturity dates of the convertible bonds at the same interest rates for a further term up to 30 September 2013, which otherwise will fall due in February 2013.

As at 30 September 2012, cash and bank balances, pledged bank deposit and deposits placed with securities brokers within the Group amounted to HK$383,237,000. Since April 2012, the Group has disposed of certain part of its securities portfolio to build up its cash position. With further consideration payments anticipated to be received from the disposal of the joint venture project in Chengdu in 2013 and 2014, and depending on the outcome of the approval of the extensions of the expiry dates of the convertible bonds and the relating options as mentioned in the preceding paragraph, the management is considering that the Group may use the surplus financial resources to take up suitable investments when opportunities arise.

## Property Investments and Development Projects

### Chengdu Project

As mentioned in our 2011 and 2012 annual reports, this development project in Xindu District, Chengdu City, Sichuan Province, the PRC was originally operating through a jointly controlled entity that is 50% owned by each of the Group and Regal Hotels International Holdings Limited ("Regal"). The 70% interest in this project was disposed of to P&R Holdings Limited ("P&R Holdings") in June 2011 by this jointly controlled entity for a total consideration of HK$1,000 million. Details of this disposal transaction were contained in the announcement of the Company dated 30 June 2011. The remaining 30% interest in this project continues to be held by the jointly controlled entity.

This project in Chengdu is a mixed use development planned to consist of hotel, commercial, office and residential components. The project has an overall total gross floor area of approximately 5,360,000 square feet and will be developed in stages. The first stage now primarily comprises a five-star hotel and three residential towers, to be constructed on two separate land parcels. The hotel will have 306 hotel rooms and extensive facilities, with total gross floor area above ground of approximately 438,000 square feet. The structural frame for the hotel development has been completed and the first phase of hotel is presently scheduled to be soft opened in the first quarter of 2014. The three residential towers included in the first stage will have about 340 apartment units with car parks and some ancillary commercial accommodation, commanding total gross floor area of approximately 489,000 square feet. The structural frames for this part of the development have also been completed, with overall construction works scheduled to be completed in the third quarter of 2013; and presale of the residential units is anticipated to be launched in the second quarter of 2013. Development works for the other stages are planned to be carried out progressively.

### Xinjiang Project

The Xinjiang subsidiary is undertaking this project involving re-forestation for swap of development land in Urumqi City, Xinjiang Uygur Autonomous Region, the PRC. The Group has continued to negotiate with the relevant government authorities and is committing additional resources to maintain and undertake re-forestation for further enhancing the potential value of the project. The further amounts invested so far have not been capitalised as project costs and were included as administration expenses.

### Rainbow Lodge

The Group owns ten duplex apartment units plus fourteen carparks in Rainbow Lodge located at No. 9 Ping Shan Lane, Yuen Long, New Territories. Several units have been renovated and four units have been leased out since the beginning of this year for rental purposes. The Group is also considering to renovate some of the units with a view to enhancing their market value.

## Securities Investments

The Group continues to maintain an active investment portfolio of listed securities. Total financial assets at fair value through profit or loss stood at HK$85,994,000 as at 30 September 2012.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Current assets and current liabilities of the Group as at 30 September 2012 were HK$472,616,000 and HK$496,542,000, respectively (31 March 2012: HK$368,047,000 and HK$504,242,000, respectively). Included within the current liabilities as at 30 September 2012 was an amount of HK$12,069,000 (31 March 2012: HK$49,894,000) which represented the derivative financial liabilities relating to the subscription options for the subscription of additional CB2013. As explained in earlier reports of the Company, these amounts were only recognized as derivative financial liabilities in compliance with the applicable accounting standards and the Group will in no event be obliged to settle any such liability by incurring any cash payout or otherwise by using any of its assets. Cash and bank balances, pledged bank deposit and deposits placed with securities brokers stood at HK$383,237,000 as at 30 September 2012, as compared to HK$129,958,000 as at 31 March 2012.

The Group's gearing ratio as at 30 September 2012, based on net borrowings (represented by convertible bonds and bank borrowings net of cash and bank deposits (excluding pledged bank deposits)) as a percentage of total assets, was approximately 14% (31 March 2012: 34%).

During the period under review, the Group did not use any financial instruments for hedging purposes and there was no hedging instrument outstanding as at 30 September 2012 (31 March 2012: Nil).

As at 30 September 2012, the total issued ordinary shares remained unchanged from 31 March 2012 at 11,785,130,951 shares with a par value of HK$0.0002 each.

## CONTINGENT LIABILITIES

There was no outstanding contingent liability of the Group as at 30 September 2012 (31 March 2012: Nil).

## CAPITAL COMMITMENT

The Group has capital commitment of HK$240,747,000 outstanding as at 30 September 2012 (31 March 2012: HK$143,529,000).

In November 2007, the Group entered into a shareholders agreement with a wholly-owned subsidiary of Regal in respect of an investment in Faith Crown Holdings Limited ("Faith Crown"), a jointly controlled entity of the Group, and its subsidiaries with a capital commitment of HK$250,000,000 for either party in relation to a property development project in Chengdu, the PRC.

The increase in the capital commitment for the period under review is mainly because of the partial repayment of a loan in the amount of HK$100 million from Faith Crown to the Group pursuant to the disposal of a 70% interest in the Chengdu project by Faith Crown. Such repayment amount has correspondingly reduced the actual amount invested by the Group in the Chengdu project, while the capital commitment by the Group under such shareholders agreement remains at HK$250,000,000.

## OUTLOOK

During the period under review, the global economic sentiment has generally remained to be quite unstable. The sovereign debt crisis in several European countries and the lackluster performance of US economy, together with the substantial increase in global liquidity and money supply have added uncertainties to the future direction of the global economy. The restrictive and monetary measures taken in the PRC and Hong Kong on the property sector have dampened slightly the market demand and the general sentiment, which is counter-balanced by real demand for housing and the demand created by inflow of foreign capital. As a result of these combining factors, the property prices in Hong Kong has risen to new high levels, which have led to recent government intervention to dampen speculation by imposing special stamp duties on residential properties and other measures including speeding up the supply of land.

Investors in general seem to take on a risk-off strategy and to increase the percentage of their portfolio to investment in fixed income instruments and securities. The investment markets are also re-focusing on the possible outcome of the "fiscal cliff" in the US at the end of the 2012, as a result of the political disagreement between the Democrats and Republicans on budget deficits and tax packages. However, the Group remains optimistic of the medium to longer term prospects of the property sector in Hong Kong and the PRC and continues to be committed to those projects that are being undertaken by the Group. Meanwhile, the Group is also considering investing in property investment projects in Hong Kong and the PRC, especially in some second-tier cities. On the other hand, the Group will continue the negotiation with the relevant government authorities under the latest state policies as regards the Xinjiang project and is hopeful that a satisfactory result could eventually be achieved. The disposal in 2011 by the 50% owned jointly controlled entity of a 70% interest in the Chengdu project has reduced the funding requirement for such project from the Group and has strengthened the Group's overall cash flow. As mentioned earlier, the Group's management considers that the proposed extensions of the maturity dates of the outstanding convertible bonds, which are subject to approval at the forthcoming EGM and the relevant approval of the Hong Kong Stock Exchange on the listing of the converted shares, would assist the Group in its overall financing planning. The Group is actively reviewing other potential investment opportunities with a view to achieving for the Group asset growth and profitability.

The Directors are confident that with the resources available at present, the Group will be able to progress ahead and to create long term value to the shareholders.

## HUMAN RESOURCES

As at 30 September 2012, the Group had two Executive Directors, four Non-executive Directors and three Independent Non-executive Directors. There are thirty-five full time employees working in Hong Kong and the PRC. Management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with the market norm.

## 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 30 September 2012.

## CORPORATE GOVERNANCE

### Code of Corporate Governance Practices

The Company has complied with the Corporate Governance Code (effective from 1st April 2012) as set out in Appendix 14 of the Listing Rules during the six months ended 30 September 2012, except that:

(1) The roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual; and

(2) The Non-executive Directors and the Independent Non-executive Directors should be appointed for specific terms.

The deviation in item (1) above is due to the practical necessity and effective management on account of the Group's corporate operating structure.

Although the Non-executive Directors and the Independent Non-executive Directors of the Company were not appointed for specific terms, arrangements have been put in place such that all Directors would retire and are subject to re-election, either in accordance with the articles of association of the Company or on a voluntary basis, at least once every three years.

### Model Code for Securities Transactions by Directors

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Listing Rules as a code of conduct regarding securities transactions by Directors. Upon specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2012.

## REVIEW OF RESULTS

The Audit Committee of the Company currently comprises Mr. Li Ka Fai, David (Chairman of the Committee), Mr. Lee Choy Sang and Ms. Ka Kit, all Independent Non-executive Directors of the Company.

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group as well as the auditing, internal control and financial reporting matters, including the review of the unaudited consolidated financial statements for the six months period ended 30 September 2012.

## REMUNERATION COMMITTEE

A remuneration committee was established by the Company on 20 December 2005 and a copy of its latest terms of reference adopted by the Board is posted on the website of the Company and the Stock Exchange. In compliance with the amendments to the Listing Rules effective on 1 April 2012, Mr. Bong Shu Yin, Daniel has ceased to act as the chairman of the remuneration committee with effect from 29 March 2012 and remains a member of the remuneration committee, and Mr. Lee Choy Sang has been appointed as the chairman of the remuneration committee with effect from the same date. The remuneration committee presently comprises the Chairman, Mr. Lee Choy Sang (an independent non-executive director), Mr. Bong Shu Yin, Daniel (an executive director and chairman of the Board) and Mr. Li Ka Fai (an independent non-executive director). The remuneration committee holds at least one meeting every year. The principal responsibilities of the remuneration committee include the formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the Executive Directors and members of the senior management. The remuneration and the employment contracts of any newly appointed Directors and any compensation for removal and dismissal of Directors have also to be reviewed and approved by the remuneration committee.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

| | *NOTES* | **Six months ended 30 September 2012 Unaudited *HK$'000*** | Six months ended 30 September 2011 Unaudited *HK$'000* |
|---|---|---|---|
| Turnover | 3 | **172,855** | 29,916 |
| Revenue | | **5,011** | 6,596 |
| Net gain on disposal of financial assets at fair value through profit or loss | | **16,202** | 1,365 |
| Other operating income | | **994** | 368 |
| Gain (loss) on changes in fair value of financial instruments, net | 4 | **25,530** | (6,458) |
| Administration expenses | | **(13,665)** | (9,560) |
| Share of results of jointly controlled entities | | **(743)** | 585,501 |
| Finance costs | | **(18,783)** | (17,367) |
| Profit before tax | 5 | **14,546** | 560,445 |
| Income tax credit | 6 | **—** | 22,265 |
| Profit for the period | | **14,546** | 582,710 |
| **Other comprehensive expense** | | | |
| Exchange difference arising on translating foreign subsidiaries during the period | | **(83)** | (207) |
| **Total comprehensive income for the period** | | **14,463** | 582,503 |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*(Continued)*
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

| | NOTE | **Six months ended 30 September 2012 Unaudited HK$'000** | Six months ended 30 September 2011 Unaudited HK$'000 |
|---|---|---|---|
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | **14,577** | 582,726 |
| Non-controlling interests | | **(31)** | (16) |
| | | **14,546** | 582,710 |
| Total comprehensive income (expense) attributable to: | | | |
| Owners of the Company | | **14,494** | 582,519 |
| Non-controlling interests | | **(31)** | (16) |
| | | **14,463** | 582,503 |
| Earnings (loss) per share | 8 | | |
| – Basic | | **0.12 HK cent** | 4.94 HK cents |
| – Diluted | | **(0.15) HK cent** | 2.11 HK cents |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
AS AT 30 SEPTEMBER 2012

| | **30 September 2012 Unaudited** | 31 March 2012 Audited |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Non-current assets** | | |
| Plant and equipment | **512** | 355 |
| Investment properties | **80,000** | 80,000 |
| Interests in jointly controlled entities | **530,568** | 628,531 |
| | **611,080** | 708,886 |
| **Current assets** | | |
| Deposits and other receivables | **1,177** | 1,011 |
| Financial assets at fair value through profit or loss | **85,994** | 233,369 |
| Tax recoverable | **2,208** | 3,709 |
| Pledged bank deposits | **55,402** | 43,190 |
| Deposits placed with securities brokers | **42,417** | 1,086 |
| Cash and bank balances | **285,418** | 85,682 |
| | **472,616** | 368,047 |
| **Current liabilities** | | |
| Accrued liabilities and other payables | **4,369** | 4,824 |
| Bank borrowings | **49,205** | 36,993 |
| Derivative financial liabilities | **12,069** | 49,894 |
| Income tax payable | **1,288** | 1,288 |
| Convertible bonds | **429,611** | 411,243 |
| | **496,542** | 504,242 |
| **Net current liabilities** | **(23,926)** | (136,195) |
| **Total assets less current liabilities** | **587,154** | 572,691 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*(Continued)*
AS AT 30 SEPTEMBER 2012

| | **30 September 2012** | 31 March 2012 |
|---|---|---|
| | **Unaudited** | Audited |
| | ***HK$'000*** | *HK$'000* |
| **Capital and reserves** | | |
| Share capital | **2,357** | 2,357 |
| Reserves | **585,216** | 570,722 |
| **Equity attributable to owners of the Company** | **587,573** | 573,079 |
| **Non-controlling interests** | **(419)** | (388) |
| **Total equity** | **587,154** | 572,691 |

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

## 1. GENERAL

The Company is an exempted limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the interim report for the six months ended 30 September 2012.

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2012 ("Interim Financial Information") is presented in Hong Kong dollar ("HK$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries is HK$.

The principal activities of the Company and the subsidiaries (collectively referred as the "Group") are property investment, property development, securities investment and other investments.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated financial statements have been prepared on the historical costs basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012.

The condensed consolidated financial statements have been prepared on a going concern basis notwithstanding that the Group had the net current liabilities of approximately HK$23,926,000 as at 30 September 2012. However, in the opinion of the Directors of the Company, the liquidity of the Group can be maintained in the coming twelve months as the Directors of the Company had taken into consideration of the following facts and circumstances:

a) As at 30 September 2012, included in the current liabilities of the Group was derivative financial liabilities of approximately HK$12,069,000 which represented options to entitle the holders to subscribe for convertible bonds to be issued with a maturity date within twelve months after 30 September 2012. Such derivative financial liabilities shall not have any cash outflow to the Group; and

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) The Directors of the Company will consider, if required, to dispose for cash the financial assets carried at fair value through profit or loss and certain non-current assets including the disposal of the investment properties so as to meet any financial obligations as and when they fall due.

Accordingly, the Directors of the Company considered that the Group has sufficient working capital to meet its financial obligations as and when they fall due. The condensed consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group not able to continue as a going concern.

In the current interim period, the Group has applied, for the first time, the following amendments to the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

| | |
|---|---|
| Amendment to HKFRS 1 | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters |
| Amendments to HKFRS 7 | Disclosures – Transfers of Financial Assets |
| Amendments to HKAS 12 | Deferred Tax – Recovery of Underlying Assets |

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 3. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods and investments.

The Group's reportable segments under HKFRS 8 are as follows:

(a) Securities trading – engaged in trading of equity securities; and

(b) Property investment and development – engaged in property investment and property development.

3. **SEGMENT INFORMATION** *(Continued)*

The following is an analysis of the unaudited Group's turnover and results by reportable segments for the six months ended 30 September 2012 and 2011:

| | Securities trading | | Property investment and development | | Total | |
|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Segment turnover | **172,387** | 29,916 | **468** | — | **172,855** | 29,916 |
| Revenue External | **4,543** | 6,596 | **468** | — | **5,011** | 6,596 |
| Segment profit (loss) | **8,393** | (135,140) | **(4,958)** | (4,699) | **3,435** | (139,839) |
| Other operating income | | | | | **994** | 368 |
| Gain on changes in fair value of derivative financial instrument related to convertible bonds | | | | | **37,825** | 136,588 |
| Unallocated expenses | | | | | **(8,182)** | (4,806) |
| Finance costs | | | | | **(18,783)** | (17,367) |
| Share of results of jointly controlled entities | **—** | — | **(743)** | 585,501 | **(743)** | 585,501 |
| Income tax credit | | | | | **—** | 22,265 |
| Profit for the period | | | | | **14,546** | 582,710 |

The following is an analysis of the Group's assets by reportable segment.

| | **30 September 2012** | 31 March 2012 |
|---|---|---|
| | **Unaudited** | Audited |
| | ***HK$'000*** | *HK$'000* |
| Securities trading | **128,411** | 234,455 |
| Property investment and development | **80,380** | 80,493 |
| Total segment assets | **208,791** | 314,948 |
| Unallocated corporate assets | **874,905** | 761,985 |
| Total assets | **1,083,696** | 1,076,933 |

For the purpose of monitoring segment performances and allocating resources between segments:

– All assets are allocated to operating segments other than interests in jointly controlled entities, tax recoverable, pledged bank deposits, cash and bank balances and assets for central administration.

## 4. GAIN (LOSS) ON CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS, NET

| | **Six months ended 30 September 2012 Unaudited** ***HK$'000*** | Six months ended 30 September 2011 Unaudited *HK$'000* |
|---|---|---|
| Decrease in fair value of financial assets at fair value through profit or loss | **(12,295)** | (143,046) |
| Decrease in fair value of derivative financial liabilities | **37,825** | 136,588 |
| | **25,530** | (6,458) |

## 5. PROFIT BEFORE TAX

Profit before tax is stated after charging:

| | **Six months ended 30 September 2012 Unaudited** ***HK$'000*** | Six months ended 30 September 2011 Unaudited *HK$'000* |
|---|---|---|
| Depreciation on property and equipment | **53** | 41 |
| Operating lease charges on rented premises | **655** | 668 |
| Foreign exchange gain, net | **(268)** | (248) |

## 6. INCOME TAX CREDIT

No provision for Hong Kong Profits Tax has been made for the six months ended 30 September 2012 as the assessable profit is wholly absorbed by tax losses brought forward.

No provision for Hong Kong Profits Tax has been made for the six months ended 30 September 2011 as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the six months ended 30 September 2011.

### 6. INCOME TAX CREDIT *(Continued)*

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. No income tax is payable for other jurisdictions as the subsidiaries did not derive any assessable profits for the six months ended 30 September 2012 and 2011.

| | **Six months ended 30 September 2012 Unaudited** ***HK$'000*** | Six months ended 30 September 2011 Unaudited *HK$'000* |
|---|---|---|
| Current tax credit: | | |
| - Over-provision in previous years | **—** | 22,265 |

During the six months ended 30 September 2011, the Group finalised with Inland Revenue Department (the "IRD") that the income tax payables recorded as at 31 March 2008 in relation to the income tax provision of approximately HK$22,265,000 for the years of assessment 2006/07 to 2008/09 was no longer payable. Over provision of the related income tax has been credited to profit or loss for the six months ended 30 September 2011.

### 7. DIVIDENDS

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2012 (2011: Nil).

### 8. EARNINGS (LOSS) PER SHARE

The calculations of basic and diluted earnings (loss) per share attributable to owners of the Company are based on the following data:

| | **Six months ended 30 September 2012 Unaudited** ***HK$'000*** | Six months ended 30 September 2011 Unaudited *HK$'000* |
|---|---|---|
| *Profit* | | |
| Profit for the purpose of basic earnings per share | **14,577** | 582,726 |
| Effect of dilutive potential ordinary shares : | | |
| – Gain on change in fair value of derivative financial liabilities | **(37,825)** | (136,588) |
| – Imputed interest expense on convertible bonds | **—** | 17,348 |
| (Loss) profit for the purpose of diluted earnings (loss) per share | **(23,248)** | 463,486 |

**8. EARNINGS (LOSS) PER SHARE** *(Continued)*

| | Six months ended 30 September 2012 Unaudited *'000* | Six months ended 30 September 2011 Unaudited *'000* |
|---|---|---|
| *Number of ordinary shares* | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **11,785,131** | 11,785,131 |
| Effect of dilutive potential ordinary shares : | | |
| – Options to subscribe for additional convertible bonds | **3,333,333** | 3,333,333 |
| – Convertible bonds | **—** | 6,869,583 |
| Weighted average number of ordinary shares for the purpose of dilutive earnings (loss) per share | **15,118,464** | 21,988,047 |

The diluted loss per share would reduce if the convertible bonds outstanding as at 30 September 2012 were taken into account, as those convertible bonds had an anti-dilutive effect and were hence ignored in the calculation of diluted loss per share for the six months ended 30 September 2012.

By Order of the Board
**Cosmopolitan International Holdings Limited**
**Bong Shu Yin, Daniel**
*Chairman and Executive Director*

Hong Kong, 27 November 2012

*As at the date of this announcement, the Board comprises nine Directors, namely Mr. Bong Shu Yin, Daniel (Chairman) and Mr. Cheng Sui Sang, who are the Executive Directors, and Mr. Bong Shu Ying, Francis, Mr. Ng Kwai Kai, Kenneth, Mr. Leung So Po, Kelvin and Mr. Wong Po Man, Kenneth, who are the Non-executive Directors, and Mr. Li Ka Fai, David, Mr. Lee Choy Sang and Ms. Ka Kit, who are the Independent Non-executive Directors.*

* *for identification purpose only*