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)

ANNOUNCEMENT OF 2016 INTERIM RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2016	Six months ended 30th June, 2015
	(Unaudited)	**(Unaudited)**
	HK$'000	**HK$'000**
Revenue	**9,856**	7,194
Gross profit	**7,569**	7,194
Profit/(Loss) for the period attributable to equity holders of the parent	**40,306**	(164,043)
Basic earnings/(loss) per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK0.61 cent**	HK(2.49) cents

	As at 30th June, 2016	As at 31st December, 2015
	(Unaudited)	**(Unaudited)**
Net asset value per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK$0.17**	HK$0.16

- **The Group attained for the period an unaudited consolidated profit attributable to shareholders of HK$40.3 million, as compared to a loss of HK$164.0 million recorded for the corresponding six months in 2015.**
- **The Group began to launch the presale of the residential units in its two composite development projects in the Hedong District in Tianjin and the Xindu District in Chengdu, Sichuan Province in October 2015 and in April 2016, respectively. Up to date, the Tianjin development project has secured contracted sales of approximately RMB968 million (equivalent to approximately HK$1,132 million) and for the Chengdu development project, approximately RMB166 million (equivalent to approximately HK$194 million).**
- **The Group will soon launch, in stages, the sale of the remaining residential tower, the commercial complex and the car parking spaces in the Tianjin project as well as the other six residential towers under construction in the Chengdu project.**
- **The Group is hopeful that substantial income and cash flows will be generated when these two major development projects currently undertaken by the Group are completed and sold.**

FINANCIAL RESULTS

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

The profit attained in the period under review was largely attributable to a gain of HK$89.8 million arising from the decrease in the fair value of the outstanding subscription option for the subscription of the optional convertible bonds due 2017, which was recognised as a reduction in financial liability in the Group's financial statements, as well as the recognition of a gain on bargain purchase of HK$30.3 million arising from the Group's acquisition of a

60% interest in a subsidiary investing in a licensed logistics services provider in Shanghai, the People's Republic of China. Both gains are mainly accounting in nature and do not have any immediate impact on the Group's cash flows. As explained in the Interim Report for 2015, the loss incurred for the first six months in 2015 was also primarily due to the change in the fair value of the above outstanding subscription option, which was then recognised as an increase in financial liability.

BUSINESS OVERVIEW

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

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

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

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

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

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

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

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

OUTLOOK

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The performance of the Group's property and other investment businesses during the period under review, their operating performance and future prospects are contained in the sections headed "Business Overview" and "Outlook" above as well as in this sub-section.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the above section headed "Business Overview" and this sub-section.

A brief review on the property projects and logistics business currently undertaken by the Group in the PRC is set out below.

Property Development

Chengdu Project

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, serviced apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres. The first stage of the development includes a hotel with about 306 hotel rooms and extensive facilities and three residential towers with 339 residential units with car parking spaces and ancillary commercial accommodation. While the business remodeling works in response to the current local market environment continue, the hotel is scheduled to open in phases from 2017. The second stage of the development comprises six residential towers with 957 units, the construction works for which are in progress. The completion of the residential towers in both the first and second stages of the development is expected to be in 2017. The presale of two residential towers in the first stage and one residential tower in the second stage, consisting of a total of 362 units, commenced in April 2016, and there have been contracted sales of approximately RMB 166 million. Presale of the remaining six residential towers with 934 units in both stages is scheduled to be launched in stages commencing from the fourth quarter of 2016. The other components within the development, comprising commercial, office, serviced apartments and residential units, will continue to be developed in stages.

Tianjin Project

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres, which is planned for a mixed use development comprising commercial, office and residential components with total gross floor area of about 145,000 square metres. The superstructure works of the four residential towers are progressing and the superstructure works of the commercial complex and the two office towers have already commenced. The presale of three residential towers, comprising 376 units, commenced in October 2015. Up to date, approximately 98% of the available units have been sold, realising contracted sales of approximately RMB 968 million. The remaining residential tower, comprising 136 units, the commercial complex, comprising mainly shops of about 19,000 square metres, and the car parking spaces are expected to be marketed for presale before the end of 2016. The entire development is anticipated to be completed in stages from 2017.

Xinjiang Project

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Group has re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site will be available for real estate development after the requisite inspection, land grant listing and tender procedures are completed.

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

Logistics Business

Shanghai Logistics Project

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

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

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

FINANCIAL REVIEW

ASSETS VALUE

As at 30th June, 2016, the Group's net assets attributable to equity holders of the parent amounted to HK$1,092.3 million, representing approximately HK$0.17 per share (including ordinary share and convertible preference share).

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

The acquisition of the two ongoing development projects in the PRC in 2013 has been financed by the vendors by way of deferred payment of the considerations payable for a period of 3 years, subject to the terms of the relevant sale and purchase agreements. The Group has recently reached agreements with the vendors to effectively (i) refinance the consideration payables owing to one of the vendors by way of new 5-year loan facilities, and (ii) to repay the consideration payable owing to the other vendor through its subscription of the optional convertible bonds to be issued by the Group, with an objective to align their due dates with the latest progress and completion schedules of the relevant development projects.

Completion of such agreements is inter-conditional and will also be conditional upon, among others, the requisite shareholders' approval.

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

Cash Flows

Net cash flows generated from operating activities during the period under review amounted to HK$221.8 million (2015 – net cash flows used in operating activities of HK$133.2 million). Net interest payment for the period amounted to HK$4.1 million (2015 – HK$4.2 million).

Borrowings and Gearing

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

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

Pledge of Assets

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

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2016 are shown in the condensed consolidated financial statements ("Interim Financial Statements") contained in the interim report for the six months ended 30th June, 2016 of the Company to be published on or before 30th September, 2016.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2016 are shown in the Interim Financial Statements.

DIVIDEND

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

HALF YEAR RESULTS

Condensed Consolidated Statement of Profit or Loss

	Six months ended 30th June, 2016	Six months ended 30th June, 2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
REVENUE (Notes 2 & 3)	**9,856**	7,194
Cost of sales	**(2,287)**	–
Gross profit	**7,569**	7,194
Other income (Note 3)	**16,068**	2,053
Fair value gain/(loss) on derivative financial instruments in relation to convertible bonds	**89,784**	(121,546)
Fair value gains/(losses) on other financial assets at fair value through profit or loss, net	**(19,025)**	15,405
Gain on bargain purchase (Note 11)	**30,272**	–
Property selling and marketing expenses	**(6,423)**	(629)
Administrative expenses	**(31,261)**	(26,600)
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION	**86,984**	(124,123)
Depreciation	**(6,281)**	(917)
OPERATING PROFIT/(LOSS) (Note 2)	**80,703**	(125,040)
Finance costs (Note 4)	**(54,644)**	(53,768)
Share of profit of a joint venture	**14,780**	14,765
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**40,839**	(164,043)

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

	Six months ended 30th June, 2016 (Unaudited) HK$'000	Six months ended 30th June, 2015 (Unaudited) HK$'000
Attributable to:		
Equity holders of the parent	**40,306**	(164,043)
Non-controlling interests	**533**	–
	40,839	(164,043)
EARNINGS/(LOSS) PER SHARE (INCLUDING ORDINARY SHARE AND CONVERTIBLE PREFERENCE SHARE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 7)		
Basic	**HK0.61 cent**	HK(2.49) cents
Diluted	**HK(0.63) cent**	HK(2.49) cents

Condensed Consolidated Statement of Comprehensive Income

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

Condensed Consolidated Statement of Financial Position

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

Condensed Consolidated Statement of Financial Position (Cont'd)

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

Notes:

1. Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2015, except as described below. In the current period, the Group has adopted the following revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2016.

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

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

In addition, during the current period, the Group acquired 60% effective interest in a group of companies operating logistics and related businesses in the PRC and accordingly certain additional accounting policies are adopted by the Group and are further described in the Company's interim report for the six months ended 30th June, 2016.

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

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

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

2. Operating Segment Information

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

(a) the property development and investment segment comprises the development and sale of properties and the leasing of properties;

(b) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments; and

(c) the logistics operations segment engages in the provision of logistics and related services.

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

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

	Property development and investment		Financial assets investments		Logistics operations		Consolidated	
	Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Segment revenue:								
Sales to external customers	-	-	6,139	7,194	3,717	-	9,856	7,194
Segment results before depreciation	(8,079)	(12,933)	(12,901)	22,470	29,100	-	8,120	9,537
Depreciation	(6,030)	(726)	-	-	(29)	-	(6,059)	(726)
Segment results	(14,109)	(13,659)	(12,901)	22,470	29,071	-	2,061	8,811
Unallocated interest income and unallocated non-operating and corporate gains							91,445	1,324
Unallocated non-operating and corporate expenses							(12,803)	(135,175)
Operating profit/(loss)							80,703	(125,040)
Finance costs	(37,462)	(37,420)	-	-	-	-	(37,462)	(37,420)
Unallocated finance costs							(17,182)	(16,348)
Share of profit of a joint venture	14,780	14,765	-	-	-	-	14,780	14,765
Profit/(Loss) for the period before allocation between equity holders of the parent and non-controlling interests							40,839	(164,043)
Attributable to:								
Equity holders of the parent							40,306	(164,043)
Non-controlling interests							533	-
							40,839	(164,043)

3. Revenue and other income are analysed as follows:

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

4. Finance costs of the Group are as follows:

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

5. Income tax

No provision for Hong Kong and overseas profits tax have been made as the Group did not generate any assessable profits arising in Hong Kong and overseas during the period (2015 – Nil).

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

6. Dividend

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

7. (a) Basic earnings per share

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

(b) Diluted loss per share

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

No adjustment had been made to the loss per share amount presented for the six months ended 30th June, 2015 in respect of a dilution, as the impact of the convertible bonds outstanding during that period had an anti-dilutive effect on the loss per share amount presented.

8. Debtors, deposits and prepayments are analysed as follows:

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

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

Notes:

(a) The amount related to the costs incurred in relation to a re-forestation project in Urumqi, Xinjiang Uygur Autonomous Region, the PRC. In accordance with the prevailing relevant policies and regulations, upon the agreed completion (and had been certified by the relevant government authorities) of re-forestation works in respect of that land, as well as the completion of the land listing and tender procedures in accordance with the relevant rules and regulations, the Group shall be either entitled to the land use right of 30% of the overall project area of such land for development purposes or reimbursed for the costs incurred in the re-forestation project.

In the prior years, the Group completed the milestones required by the relevant PRC government authorities and obtained affirmations to confirm the fulfillments of the conditions agreed with the relevant policies and regulations. Despite the delay in the progress of the re-forestation works, based on the latest legal opinion obtained, the legitimate interests of the Group in this re-forestation and land grant contract remain valid and effective and the Directors of the Company are of the opinion that costs incurred for the re-forestation works are fully recoverable in future in accordance with the applicable policies and regulations.

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

Credit terms

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

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

9. Creditors and accruals are analysed as follows:

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

Except for an aggregate amount of HK$330,000 (31st December, 2015 – HK$978,000) included in the amounts due to fellow subsidiaries which is unsecured, interest free and has no fixed terms of repayment, the amounts due to an intermediate holding company, a fellow subsidiary and a joint venture in an aggregate amount of HK$114,567,000 (31st December, 2015 – HK$43,031,000) included in current liabilities represent the accrued interest on the other payables and are secured by the pledge over the equity interest in the relevant holding companies of the Group's property development projects and repayable within one year.

10. Other payables are analysed as follows:

	30th June, 2016 (Unaudited) HK$'000	31st December, 2015 (Audited) HK$'000
Due to an intermediate holding company	**318,318**	318,318
Due to a fellow subsidiary	**1,372,711**	1,372,711
Due to a joint venture	**1,190,872**	1,190,872
	2,881,901	2,881,901

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

11. Business combination

On 31st May, 2016, the Group acquired from independent third parties 60% effective interest in a group of companies operating logistics and related businesses in the PRC.

The major assets acquired include, amongst others, property, plant and equipment, financial assets and intangible assets. Accordingly, the Group has initially recognised identifiable net assets of HK$80,576,000 and gain on bargain purchase of HK$30,272,000 in accordance with HKFRS 3 (Revised) "Business Combinations". The fair values of the considerations transferred and identifiable net assets acquired of the above business combination as at the date of acquisition are provisional amounts and are subject to the finalisation of the fair value estimation within 12 months from the date of acquisition.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2016.

REVIEW OF RESULTS

The Group's condensed consolidated financial statements for the six months ended 30th June, 2016 have not been audited, but have been reviewed by Ernst & Young, the Company's external auditors, whose review report is contained in the Company's interim report for the six months ended 30th June, 2016 to be despatched to shareholders.

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30th June, 2016, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30th June, 2016, except that:

(1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals, due to practical necessity to cater to the Group's corporate operating structure.

(2) The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Articles of Association of the Company, all Directors (including the Non-Executive Director and the 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.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises the following members:

Executive Directors:
Mr. LO Yuk Sui
(Chairman and Chief Executive Officer)
Mr. Jimmy LO Chun To
(Vice Chairman and Managing Director)
Miss LO Po Man
(Vice Chairman)
Mr. Kenneth WONG Po Man
(Chief Operating Officer)
Mr. Kelvin LEUNG So Po
(Chief Financial Officer)
Mr. Daniel BONG Shu Yin
Mr. Kenneth NG Kwai Kai

Non-Executive Director:
Mr. Francis BONG Shu Ying

Independent Non-Executive Directors:
Ms. Alice KAN Lai Kuen
Mr. LEE Choy Sang
Mr. David LI Ka Fai
Hon Abraham SHEK Lai Him, GBS, JP

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 23rd August, 2016