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 2017 INTERIM RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2017	Six months ended 30th June, 2016	% Change
	(Unaudited)	(Unaudited and restated)	
	HK$'000	HK$'000	
Revenue from continuing operations	**3,775**	6,139	**-38.5%**
Operating profit before depreciation, finance costs and tax from continuing operations	**98,547**	57,884	**+70.2%**
Profit for the period attributable to equity holders of the parent	**35,175**	13,107	**+168.4%**
Basic earnings per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK0.53 cent**	HK0.20 cent	**+165.0%**

	As at 30th June, 2017	As at 31st Dec., 2016	
	(Unaudited)	(Unaudited)	
Net asset value per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK$0.18**	HK$0.17	**+5.9%**

- **The Group attained for the period an unaudited consolidated profit attributable to shareholders of HK$35.2 million, as compared to HK$13.1 million (as restated) for the corresponding half year in 2016.**

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

- **The Group's two major development projects in China are making steady progress. Up to date, total contracted unit sales in Regal Renaissance in Tianjin aggregated to approximately RMB1,546 million (HK$1,813 million), while for Regal Cosmopolitan City in Chengdu, total contracted sales amounted to approximately RMB767 million (HK$900 million).**

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

- **Barring any unforeseen circumstances, the substantial profits to be derived from the contracted sales of the residential units in the Group's development projects in Tianjin and Chengdu will be accounted for in the financial results of the Group for the current financial year 2017.**

- **Consequently, it can be expected that the Group's results for the financial year ending 31st December, 2017 will be significantly better than that in the preceding year.**

- **When the remaining components of the Group's ongoing development projects in China are progressively completed and sold, they will contribute to the Group substantial profits and cash flow and provide forceful momentum for its further growth and prosperity in the years ahead.**

FINANCIAL RESULTS

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

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

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

BUSINESS OVERVIEW

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

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

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

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

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

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

OUTLOOK

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in property development and investment, investment in financial assets, logistics operations (disposed of in June 2017) and other investments.

The performance of the Group's property and other investment businesses during the period under review, their operating performance and future prospects are contained in the 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 currently undertaken by the Group in the PRC as well as an account of the disposal of the equity interest held in the logistics business in Shanghai is set out below.

Property Development

Chengdu Project – Regal Cosmopolitan City

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, serviced apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres (5,350,000 square feet). To cope with the changing market conditions, the business profile of the 311-room hotel has been revised and the corresponding interior design works are in progress. The hotel is scheduled to open in phases from 2018. The construction works of the nine residential towers in the first and second stages have progressed steadily and are expected to be completed in the latter part of 2017. Presales of the residential units commenced in April 2016 and response has been favourable. Up to date, a total of 1,205 residential units have been contracted to be sold, securing aggregate sales proceeds of approximately RMB767 million (equivalent to approximately HK$900 million). The planning approval of the remaining ten residential towers in the third stage of the development has been obtained and construction works are expected to commence by end of 2017, with units presale scheduled to commence in the latter part of 2018. The other components within the development, comprising commercial and office space and serviced apartments, will continue to be developed in stages.

Tianjin Project – Regal Renaissance

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres (341,000 square feet), which is planned for a mixed use development comprising commercial, office and residential components with total gross floor area of about 145,000 square metres (1,561,000 square feet). The superstructure works of the four residential towers and the commercial complex have been completed. Unit presales of the remaining residential tower have been launched since the 4th quarter of 2016. Up to date, 464 of the total 512 residential units comprised within the four residential towers have been sold, realising contracted sales of approximately RMB1,418 million (equivalent to approximately HK$1,663 million). The presale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), and 530 residential car parking spaces commenced in August 2016, and there have been contracted sales of approximately RMB128 million (equivalent to approximately HK$150 million). Under the present construction programme, the residential towers, the commercial complex and the residential car parking spaces are scheduled to be completed before the end of 2017. The superstructure works of the two office towers are temporarily suspended due to tightened government planning and environmental controls. The Group is conducting negotiations with the local government to resume the construction works as soon as possible.

Xinjiang Project

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

The Group has completed the site survey on the parcels of land within the project site which have been illegally occupied by trespassers and has commenced communications with the relevant government authority to initiate appropriate measures to settle the land disputes. Based on the legal advice obtained, the legitimate interests of the Group in this re-forestation and land grant contract remain valid and effective. The Group is planning to have the required remedial re-forestation works carried out as soon as practicable, such that the inspection and measurement of the reforested area by the relevant government authorities can be resumed and the final procedures leading to the land grant listing and tender of the development land may be concluded.

Logistics Business

Shanghai Logistics Project

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

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

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

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

FINANCIAL REVIEW

ASSETS VALUE

As at 30th June, 2017, the Group's net assets attributable to equity holders of the parent amounted to HK$1,205.7 million, representing approximately HK$0.18 per share (including ordinary share and convertible preference share).

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

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

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

Cash Flows

Net cash flows generated from operating activities during the period under review amounted to HK$647.9 million (2016 – HK$221.8 million). Net interest payment for the period amounted to HK$6.3 million (2016 – HK$4.1 million).

Borrowings and Gearing

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

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

Details of the maturity profile of the borrowings of the Group as of 30th June, 2017 are shown in the condensed consolidated financial statements ("Interim Financial Statements") contained in the interim report for the six months ended 30th June, 2017 of the Company to be published on or before 30th September, 2017.

Pledge of Assets

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

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2017 are shown in the Interim Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2017 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, 2017 (2016 – Nil).

HALF YEAR RESULTS

Condensed Consolidated Statement of Profit or Loss

	Six months ended 30th June, 2017 (Unaudited) HK$'000	Six months ended 30th June, 2016 (Unaudited and restated) HK$'000
CONTINUING OPERATIONS		
REVENUE (Notes 2 & 3)	**3,775**	6,139
Other income (Note 3)	**10,352**	16,065
Fair value gain on derivative financial instruments in relation to convertible bonds	**–**	89,784
Fair value gains/(losses) on other financial assets at fair value through profit or loss, net	**64,296**	(19,025)
Write-back of impairment loss on property under development	**53,000**	–
Property selling and marketing expenses	**(6,315)**	(6,423)
Administrative expenses	**(26,561)**	(28,656)
OPERATING PROFIT BEFORE DEPRECIATION	**98,547**	57,884
Depreciation	**(6,069)**	(6,252)
OPERATING PROFIT (Note 2)	**92,478**	51,632
Finance costs (Note 4)	**(40,988)**	(54,644)
Share of profit of a joint venture	**–**	14,780
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**51,490**	11,768
Income tax (Note 5)	**(13,250)**	–
Profit for the period from continuing operations	**38,240**	11,768
DISCONTINUED OPERATION		
Profit/(Loss) for the period from a discontinued operation (Note 11)	**(4,975)**	1,872
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**33,265**	13,640

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

	Six months ended 30th June, 2017 (Unaudited) HK$'000	Six months ended 30th June, 2016 (Unaudited and restated) HK$'000
Attributable to:		
Equity holders of the parent		
- For profit from continuing operations	**38,240**	11,768
- For profit/(loss) from a discontinued operation	**(3,065)**	1,339
- For profit for the period	**35,175**	13,107
Non-controlling interests	**(1,910)**	533
	33,265	13,640
EARNINGS/(LOSS) PER SHARE (INCLUDING ORDINARY SHARE AND CONVERTIBLE PREFERENCE SHARE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 7)		
Basic		
- For profit from continuing operations	**HK0.58 cent**	HK0.18 cent
- For profit/(loss) from a discontinued operation	**HK(0.05) cent**	HK0.02 cent
- For profit for the period	**HK0.53 cent**	HK0.20 cent
Diluted		
- For profit/(loss) from continuing operations	**HK0.58 cent**	HK(0.99) cent
- For profit/(loss) from a discontinued operation	**HK(0.05) cent**	HK0.01 cent
- For profit/(loss) for the period	**HK0.53 cent**	HK(0.98) cent

Condensed Consolidated Statement of Comprehensive Income

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

Condensed Consolidated Statement of Financial Position

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

Condensed Consolidated Statement of Financial Position (Cont'd)

	30th June, 2017 (Unaudited) HK$'000	31st December, 2016 (Audited) HK$'000
NON-CURRENT LIABILITIES		
Creditors and accruals	**(31,122)**	(32,782)
Other borrowings (Note 10)	**(1,350,000)**	(1,350,000)
Convertible bonds	**(922,862)**	(895,965)
Deferred tax liabilities	**(361,536)**	(374,543)
Total non-current liabilities	**(2,665,520)**	(2,653,290)
Net assets	**1,205,757**	1,139,657
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**13,193**	13,193
Reserves	**1,192,538**	1,094,329
	1,205,731	1,107,522
Non-controlling interests	**26**	32,135
Total equity	**1,205,757**	1,139,657

Notes:

1. Accounting Policies, Restatement and Comparative Amounts

Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2016, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2017.

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

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

Restatement and Comparative Amounts

(a) On 31st May, 2016, the Group acquired from independent third parties a 60% effective equity interest in 上海禾允投資咨詢有限公司 and its wholly owned subsidiary (the "SH Logistics Group"). The fair values of the considerations transferred and identifiable net assets acquired recognised in the Group's condensed consolidated financial statements for the six months ended 30th June, 2016 were provisional amounts. The fair value estimation was finalised in the Group's consolidated financial statements for the year ended 31st December, 2016. As a result, certain comparative amounts in the Group's condensed consolidated financial statements for the six months ended 30th June, 2017 were restated to reflect the adjustments to the provisional amounts in accordance with HKFRS 3 (Revised) *Business Combinations*.

(b) On 30th June, 2017, the Group completed the disposal of its 60% effective equity interest in the SH Logistics Group. Upon completion of the disposal, the Group ceased to engage in the logistics business and the results of the SH Logistics Group was presented as a discontinued operation for the six months ended 30th June, 2017 and 2016 in the condensed consolidated statement of profit or loss in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Further details of the results of the discontinued operation are presented in note 11.

The effects of the above changes are summarised below:

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

2. Operating Segment Information

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

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

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

Prior to the classification as a discontinued operation, the provision of logistics and related services was reported as a separate operating segment "Logistics operations" Further details of the results of the discontinued operation are disclosed in note 11.

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

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

3. Revenue and other income are analysed as follows:

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

4. Finance costs of the Group are as follows:

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

5. The income tax charge for the period arose as follows:

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

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

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

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

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

6. Dividend

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

7. (a) Basic earnings/(loss) per share

The calculation of the basic earnings per share is based on the profit for the period attributable to equity holders of the parent of HK$35,175,000 (2016 – HK$13,107,000, as restated) and on the weighted average of 6,596,414,000 (2016 – 6,596,414,000) shares of the Company in issue during the six months ended 30th June, 2017 (including ordinary shares and convertible preference shares).

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

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

(b) Diluted earnings/(loss) per share

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

The calculations of the diluted loss per share and the diluted loss per share from continuing operations for the period ended 30th June, 2016 were based on the profit and profit from continuing operations, respectively, for that period attributable to equity holders of the parent, adjusted to reflect the fair value gain on derivative financial instruments in relation to convertible bonds of HK$89,784,000. The weighted average number of shares used in the calculation was the aggregate of the number of ordinary shares and convertible preference shares in issue during that period, as used in the basic earnings per share calculation, and the weighted average number of 1,250,000,000 shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of the diluted earnings per share from a discontinued operation for the period ended 30th June, 2016 was based on the profit from a discontinued operation for that period attributable to equity holders of the parent. The weighted average number of shares used in the calculation was the aggregate of the number of ordinary shares and convertible preference shares in issue during that period, as used in the basic earnings per share calculation, and the weighted average number of 1,250,000,000 shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

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

Notes:

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

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

(b) The aged analysis of the trade debtors of the Group as at 31st December, 2016, based on the invoice date, was as follows:

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

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

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

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

10. Other borrowings are analysed as follows:

	30th June, 2017 (Unaudited) HK$'000	31st December, 2016 (Audited) HK$'000
Non-current		
Other borrowings	**1,350,000**	1,350,000
Current		
Other borrowings	**336,000**	500,000

Other borrowings, comprising term loan of HK$1,350 million (31st December, 2016 – HK$1,350 million) and revolving loan of HK$336 million (31st December, 2016 – HK$500 million) from a fellow subsidiary, are secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects and bear interest at 5% per annum. The loans are repayable on 12th October, 2021 but the revolving loan of HK$336 million (31st December, 2016 – HK$500 million) is classified as a short term borrowing.

11. Disposal of subsidiaries and discontinued operation

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

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

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

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

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2017.

REVIEW OF RESULTS

The Group's condensed consolidated financial statements for the six months ended 30th June, 2017 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, 2017 to be despatched to shareholders.

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30th June, 2017, 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, 2017, except that:

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

(2) The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Articles of Association of the Company, all Directors (including the Non-Executive Director and 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. 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, 24th August, 2017