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 2018 INTERIM RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2018	**Six months ended 30th June, 2017**	**% Change**
	(Unaudited)	**(Unaudited)**	
	HK$'000	**HK$'000**	
Revenue from continuing operations	**2,027,611**	3,775	**+53,611.5%**
Operating profit before depreciation, finance costs and tax from continuing operations	**438,491**	98,547	**+345.0%**
Profit for the period attributable to equity holders of the parent	**238,716**	35,175	**+578.7%**
Basic earnings per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK3.53 cents**	HK0.53 cent	**+566.0%**

	As at 30th June, 2018	**As at 31st Dec., 2017**	
	(Unaudited)	**(Unaudited)**	
Net asset value per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK$0.22**	HK$0.19	**+15.8%**

- **The Group attained for the period an unaudited consolidated profit attributable to shareholders of HK$238.7 million, an increase of approximately 5.8 times over that of the corresponding half year in 2017.**

- **The significant increase in the profit achieved was principally attributable to the profit derived from the completed sales of the residential units in the Group's composite development project in Tianjin, China.**

- **The construction works for the remaining ten residential towers in the third stage of the Group's development project in Chengdu have already commenced, which will provide a total of 1,555 residential units. The presale programme is scheduled to be launched in the fourth quarter of this year.**

- **The superstructure works of the two office towers in the Group's development project in Tianjin are experiencing some delay due to tightened planning controls and active negotiations are being conducted with the local government to resolve the issue.**

- **Most recently, on 16th August, 2018, the Group entered into a deposit agreement in relation to the possible investment by the Group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in China.**

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

- **The encouraging results achieved by the Group in the current period is a positive reflection of the underlying profit potential of the development projects undertaken by the Group in China.**

- **The Directors of the Company are optimistic that when the other components in these projects are gradually completed and disposed of in the course of the next few years, they should generate for the Group further substantial cash flows and profit earnings.**

FINANCIAL RESULTS

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

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

BUSINESS OVERVIEW

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

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

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

Shareholders could refer to the section headed “Management Discussion and Analysis” in this announcement which contains further detailed information on the Group’s property development projects being undertaken in China.

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

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

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

OUTLOOK

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The operating performance of the Group's property and other investment businesses during the period under review and future prospects are contained in the 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 previously held in a logistics business in Shanghai is set out below.

Property Development

Chengdu Project – Regal Cosmopolitan City

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of residential, hotel, commercial and office components, with an overall total gross floor area of approximately 495,000 square metres (5,330,000 square feet).

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

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

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

Tianjin Project – Regal Renaissance

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

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

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

Xinjiang Project

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

The Group has completed the site survey on the parcels of land within the project site which have been illegally occupied by trespassers and has commenced communications with the relevant government authority to initiate appropriate measures to settle the land disputes. Based on the legal advice obtained, the legitimate interests of the Group in this re-forestation and land grant contract remain valid and effective.

Logistics Business

Shanghai Logistics Business

As previously reported, on 30th June, 2017, the Group entered into a deed of arrangement with the joint venture partner of a group of companies operating logistics and related business in Shanghai, the PRC (the "Logistics Group"), in which the Group held a 60% effective interests, for the disposal of its entire interests in the Logistics Group for an aggregate consideration of HK$71.0 million. Details of this disposal transaction were disclosed in the circular of the Company dated 18th August, 2017. The Group received HK$45.6 million in cash upon completion of the disposal on 30th June, 2017. The balance of the consideration in the sum of HK$25.4 million was also received by the Group in the second half of 2017. The Group ceased to have any interest in the Logistics Group after completion of the related transactions and the results of the logistics business were presented as a discontinued operation in the Group's consolidated statement of profit or loss for the year ended 31st December, 2017. The convertible bonds issued by the Group in conjunction with its acquisition of the interests in the Logistics Group had been converted into ordinary shares of the Company before the year end in 2017.

FINANCIAL REVIEW

ASSETS VALUE

As at 30th June, 2018, the Group's net assets attributable to equity holders of the parent amounted to HK$1,510.6 million, representing approximately HK$0.22 per share (including ordinary share and convertible preference share).

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

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

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

Cash Flows

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

Borrowings and Gearing

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

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

Details of the maturity profile of the borrowings of the Group as of 30th June, 2018 are shown in the condensed consolidated financial statements contained in the interim report for the six months ended 30th June, 2018 of the Company ("Interim Financial Statements") to be published on or before 30th September, 2018.

Pledge of Assets

The Group's equity interests in the relevant holding companies of the Group's property development projects were pledged to secure the other borrowings and the related interest payable in respect of a loan facility from a fellow subsidiary.

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2018 are shown in the Interim Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2018 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, 2018 (2017 – Nil).

HALF YEAR RESULTS

Condensed Consolidated Statement of Profit or Loss

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

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

	Six months ended 30th June, 2018	Six months ended 30th June, 2017
	(Unaudited)	**(Unaudited)**
	HK$'000	**HK$'000**
Attributable to:		
Equity holders of the parent		
- For profit from continuing operations	**238,716**	38,240
- For loss from a discontinued operation	–	(3,065)
- For profit for the period	**238,716**	35,175
Non-controlling interests	–	(1,910)
	238,716	33,265
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	**HK3.53 cents**	HK 0.58 cent
- For loss from a discontinued operation	–	HK(0.05) cent
- For profit for the period	**HK3.53 cents**	HK 0.53 cent
Diluted		
- For profit from continuing operations	**HK2.84 cents**	HK 0.58 cent
- For loss from a discontinued operation	–	HK(0.05) cent
- For profit for the period	**HK2.84 cents**	HK 0.53 cent

Condensed Consolidated Statement of Comprehensive Income

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

Condensed Consolidated Statement of Financial Position

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

Condensed Consolidated Statement of Financial Position (Cont'd)

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

Notes:

1. Accounting Policies

The condensed consolidated financial statements for the six months ended 30th June, 2018 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2017, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2018.

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

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

Impact of HKFRS 9 *Financial Instruments*

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

(i) *Classification and measurement*

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

(ii) *Impairment*

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

Impact of HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

Revenue recognition

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

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

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

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

(i) Revenue from sales of properties

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

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

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

(ii) Significant financing component for sales of properties

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

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

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.

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

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

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

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

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

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

	Six months ended 30th June, 2018	**Six months ended 30th June, 2017**
	(Unaudited)	**(Unaudited)**
	HK$'000	**HK$'000**
Current – PRC		
Corporate income tax	**64,709**	–
Land appreciation tax	**83,576**	–
Deferred	**(3,634)**	13,250
Total tax charge for the period from continuing operations	**144,651**	13,250
Total tax credit for the period from a discontinued operation	**–**	(1,088)
	144,651	12,162

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

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

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

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

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

6. Dividend

No dividend was paid or proposed during the six months ended 30th June, 2018, nor has any dividend been proposed since the end of the reporting period (2017 – Nil).

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

The calculation of the basic earnings per share for the period ended 30th June, 2018 is based on the profit for the period attributable to equity holders of the parent of HK$238,716,000 (2017 – HK$35,175,000) and on the weighted average of 6,759,414,000 (2017 – 6,596,414,000) shares of the Company in issue during the six months ended 30th June, 2018 (including ordinary shares and convertible preference shares).

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

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

(b) Diluted earnings/(loss) per share

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

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

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

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

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

In the prior years, the Group completed the milestones required by the relevant PRC government authorities and obtained affirmations to confirm the 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.

9. Other borrowings are analysed as follows:

	30th June, 2018	**31st December, 2017**
	(Unaudited)	**(Audited)**
	HK$'000	**HK$'000**
Non-current		
Other borrowings	**1,062,000**	1,062,000
Current		
Other borrowings	**66,000**	60,000

Other borrowings, comprising term loan of HK$1,062 million (31st December, 2017 – HK$1,062 million) and revolving loan of HK$66 million (31st December, 2017 – HK$60 million) from a fellow subsidiary, are secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects and bear interest at 5% per annum. The term loan is repayable on 12th October, 2021 and is classified as a non-current other borrowing. The revolving loan of HK$66 million (31st December, 2017 – HK$60 million) is classified as a short term borrowing.

10. Disposal of subsidiaries and discontinued operation

Pursuant to a deed of arrangement entered into between the Group and the co-venturer, the Group completed the disposal of its 60% effective equity interest in 上海禾允投資咨詢有限公司 and its wholly owned subsidiary (the "SH Logistics Group") which was engaged in the provision of logistics and related services in Shanghai, the PRC, at a total consideration of HK$71,000,000. The disposal was completed on 30th June, 2017 and the related gain on disposal of subsidiaries amounted to approximately HK$152,000.

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

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2018.

REVIEW OF RESULTS

The Group's condensed consolidated financial statements for the six months ended 30th June, 2018 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, 2018 to be despatched to shareholders.

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30th June, 2018, 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, 2018, except that:

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

(2) The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Articles of Association of the Company, all Directors (including the Non-Executive Director and 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, 27th August, 2018