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 2019 GROUP FINAL RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Year 2019 HK$'M	Year 2018 HK$'M	% Change
Revenue	**119.6**	2,147.3	**-94.4%**
Gross profit	**32.3**	550.1	**-94.1%**
Operating profit/(loss) before depreciation and amortisation, finance costs and tax	**(13.8)**	438.2	**N/A**
Profit/(Loss) for the year attributable to equity holders of the parent	**(170.3)**	201.9	**N/A**
Basic earnings/(loss) per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK (2.52) cents**	HK 2.99 cents	**N/A**

	As at 31st December, 2019 (Unaudited)	2018 (Unaudited)	
Net asset value per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK$0.18**	HK$0.21	**-14.3%**

- **The loss recorded for the year was primarily due to the finance costs incurred as well as the fact that, although substantial contracted presales have been secured on the residential units in the third stage of the development in Chengdu, the PRC, the profits that could be recognised from the sale of units in the Group's development projects in Tianjin and Chengdu, the PRC during the year were relatively small, whereas in the preceding year, there was substantial profit contribution from the completed sales of the residential units in the Tianjin project.**

- **The presale programme for the third stage residential towers in the Regal Cosmopolitan City project in Chengdu was first launched in March 2019. Up to date, a total of 957 units within seven residential towers have been presold, at prices which are significantly higher than those attained in the sale of the first and second stages.**

- **Aggregate sale prices under the contracted presales of the residential units in the third stage of the Chengdu project totalled approximately RMB1,229 million (HK$1,337 million), of which approximately RMB937 million (HK$1,019 million) has already been paid to the Group as deposits under the presale contracts.**

- **The construction works of the two office towers in the Regal Renaissance project in Tianjin have resumed in June 2019 and are planned to be completed in 2022.**

- **The Group entered into an agreement with an independent purchaser on 31st December, 2019 for the disposal of its entire interests in the wholly owned subsidiary that owns certain deposits and loans provided in connection with the Group's proposed investment in a logistics services provider in the PRC, for a consideration of HK$400 million. The consideration to be received by the Group is intended to be used to purchase ordinary shares of AMTD International Inc., whose American depositary shares (into which its ordinary shares could be converted) are listed on the New York Stock Exchange. The relevant transactions were approved by the independent shareholders of the Company at its EGM held on 24th March, 2020 and are anticipated to be completed by the end of March 2020.**

- **While the presale of the unsold units in the first seven residential towers in the third stage of the Regal Cosmopolitan City in Chengdu is continuing, the presale programmes for the remaining three residential towers as well as the units in one of the office towers in this same development will follow to be launched later this year. Before the end of this year, the presale of the units in one of the office towers in the Regal Renaissance in Tianjin is also planned to be commenced.**
- **When these projects are gradually completed and the units handed over to the purchasers, substantial profits and cash flows will be contributed to the Group over the course of the next few years.**

FINANCIAL RESULTS

For the year ended 31st December, 2019, the Company recorded a loss attributable to shareholders of HK$170.3 million, while a profit of HK$201.9 million was attained in 2018.

As explained in the profit warning announcement by the Company dated 20th March, 2020, the loss recorded for the year under review was primarily due to the finance costs incurred as well as the fact that, although substantial contracted presales have been secured on the residential units in the third stage of the development in Chengdu, the People's Republic of China, the profits that could be recognised from the sale of units in the Group's development projects in Tianjin and Chengdu, the PRC during the year were relatively small, whereas in the preceding year, there was substantial profit contribution from the completed sales of the residential units in the Tianjin project.

BUSINESS OVERVIEW

Although the Group has been actively contemplating the diversification of its business scope, the Group's core business will continue to be focused on property development and investment businesses in China.

During the year under review, due to the decelerated economic growth globally and the escalated trade tensions with the United States, China's gross domestic product slowed down to 6.1 percent, albeit still within the targeted range of 6 to 6.5%. The real estate market in China overall remained steady, with the aggregate transaction volume of primary sale of commercial housings increasing by about 6.5% over the prior year.

The two major development projects of the Group in Chengdu and Tianjin were progressing steadily during the year. The third stage of the Regal Cosmopolitan City project in Chengdu being developed comprises ten residential towers with a total of 1,555 units, together with ancillary commercial accommodations and car parking spaces, which is targeted to be completed around mid-2021. The presale programme for the third stage residential towers was first launched in March 2019. Up to date, a total of 957 units within seven residential towers have been presold, at prices which are significantly higher than those attained in the sale of the first and second stages. The presale of the units in the remaining three residential towers will be launched later this year. The other components of the Regal Cosmopolitan City project include a hotel that is scheduled to be completed in phases from 2021 as well as a commercial complex and office towers, the development works for which are actively ongoing. The presale of one office tower consisting of 434 units is expected to be launched before the end of this year.

As regarding the Group's Regal Renaissance project in Tianjin, nearly all of the residential units have already been sold. The sale of the commercial complex is continuing and certain parts have in the meantime been leased out for rental income. The construction works of the two office towers, which were once suspended temporarily to comply with regulatory requirements, have resumed in June 2019 and are planned to be completed in 2022. The presale of one of the office towers consisting of 137 units is expected to commence in the third quarter of 2020.

As disclosed before, the Group was previously contemplating the possible investment in a logistics services provider in China and the Group has paid deposits and provided loans under certain deposit and loan agreements entered into with the investee parties in 2018. In view of the changes in the market environment, the Group entered into a memorandum of understanding in November 2019 with an independent third party for the proposed disposal of the Group's entire interests in the wholly owned subsidiary that owns those deposits and loans. However, on expiry of the exclusivity period stipulated under that memorandum in December 2019, no definitive agreement was reached and the negotiations between the parties had ceased, while the Group continued to actively explore other divestment opportunities.

On 31st December, 2019, the Group entered into an agreement with another independent purchaser for the disposal of its entire interests in the above mentioned wholly owned subsidiary for a consideration of HK$400 million, which was determined with reference to the total outstanding amount of those deposits and loans, together with the interest accrued on the loans up to 31st December, 2019. The consideration will be payable by the purchaser in cash and the proceeds will be applied by the Group to purchase ordinary shares of AMTD International Inc.. AMTD is a reputable financial services provider in the Asia Pacific and its American depositary shares (into which its ordinary shares could be converted) are listed on the New York Stock Exchange. The Group intends to hold the AMTD shares as long-term investment and expects to be able to leverage on the strategic co-operative relationship with AMTD to explore and capture new business and investment opportunities through its extensive business network. The relevant transactions were approved by the independent shareholders of the Company at its Extraordinary General Meeting held on 24th March, 2020 and are anticipated to be completed by the end of March 2020. Shareholders could refer to the circular of the Company dated 5th March, 2020 for further details of these transactions.

Further detailed information on the Group's two major development projects in Chengdu and Tianjin, the reforestation and land grant project in Urumqi, Xinjiang as well as the Group's other proposed investments, including the proposed investment in an operating company principally engaged in the management and trading of Carbon Assets in China, is contained in the section headed "Management Discussion and Analysis" in this announcement.

OUTLOOK

The outbreak of the novel coronavirus in recent months is causing severe disruption to overall business activities, consumer spending as well as the global supply chains. The economic growth in China is expected to further moderate, due to the slowdown in its labour productivity growth and external headwinds. In the wake of added uncertainties, the central government of China has devised and implemented many supportive measures to bolster its economy, including cutting taxes, lowering interest rates and increasing public investment spending. The real estate market in China practically came to a halt during the last few months due to the various measures taken to restrain the spread of the coronavirus, but it is expected that market activities should gradually revive from the second quarter of this year when the virus spread is under control.

Up to this date, the aggregate sale prices under the contracted presales of the residential units in the third stage of the Regal Cosmopolitan City development project in Chengdu totalled approximately RMB1,229 million (HK$1,337 million), of which approximately RMB937 million (HK$1,019 million) has already been paid to the Group as deposits under the presale contracts. While the presale of the unsold units in the first seven residential towers in the third stage of the Regal Cosmopolitan City in Chengdu is continuing, the presale programmes for the remaining three residential towers as well as the units in one of the office towers in this same development will follow to be launched later this year. Before the end of this year, the presale of the units in one of the office towers in the Regal Renaissance in Tianjin is also planned to be commenced. When these projects are gradually completed and the units handed over to the purchasers, substantial profits and cash flows will be contributed to the Group over the course of the next few years.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in property development and investment and other investments, which are mainly focused in the PRC, and investment in financial assets.

The operating performance of the Group's property and other investment businesses during the year 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 as well as the possible investment in logistics business by the Group in the PRC is set out below.

Property Development

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

The superstructure and fitting-out works for the third stage of the development consisting of ten residential towers of total 1,555 units, about 4,100 square metres (44,100 square feet) of commercial accommodations and 1,941 car parking spaces are in steady progress, targeted to be completed around mid-2021. Presales of seven residential towers consisting of 1,130 units have been launched since March 2019. Up to date, a total of 957 residential units have been contracted as sold at relatively attractive prices, securing aggregate sales proceeds of approximately RMB1,229 million (HK$1,337 million), of which approximately RMB937 million (HK$1,019 million) has already been paid to the Group as deposits under the presale contracts. The presale of the remaining three residential towers consisting of 425 residential units is scheduled to be launched in mid-2020.

The business remodeling works of the hotel have been completed and corresponding interior design works are progressing. The interior fitting-out works are scheduled to commence in the third quarter of 2020 and the hotel is scheduled to open in phases from the third quarter of 2021.

The updated scheme design of the remaining commercial components within the development, comprising a six-storey commercial complex of about 48,000 square metres (516,700 square feet) and five towers of office accommodations of about 90,500 square metres (974,100 square feet), was approved by the local authority and corresponding detailed design and construction drawings are in progress. The basement excavation works have commenced and the substructure works are planned to be started in mid-2020. Presale of one office tower consisting of 434 units is expected to be launched in late 2020.

Tianjin Project – Regal Renaissance

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

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

The superstructure works of the two office towers have resumed since June 2019 and are planned to be completed in 2022. Presale of one office tower consisting of 137 units is planned to be launched in the third quarter of 2020.

Xinjiang Project

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

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

Other Investments

Possible Investment in a Logistics Group

As previously disclosed, the Group, through its wholly owned subsidiary incorporated in the PRC, entered into certain deposit agreements and loan agreements in August and September 2018 for the possible investment in a logistics services provider in the PRC. The Group has paid deposits to the vendor and the target investee group in a total amount of RMB170 million and also granted loans to the target investee group in an aggregate sum of RMB150 million due for repayment in November 2018. Together with the interest accrued on the loans, the total amount of such deposits and loans amounted to RMB372.1 million (net of tax provision) in the books of the Group as at 31st December, 2019. They are secured primarily by equity pledges over certain PRC companies associated with the vendor, guarantees provided by the vendor and certain of his associates, and pledges over the receivables of the target investee group and certain associates of the vendor.

On 31st December, 2019, the Group entered into an agreement with an independent purchaser for the proposed disposal of its entire interests in those companies directly and indirectly owning such deposits and loans for a consideration of HK$400 million. The consideration was determined with reference to the total amount of such deposits and loans together with the accrued interest on the loans up to 31st December, 2019. The consideration will be payable by the purchaser in cash upon completion of the transaction and such proceeds will be applied by the Group to purchase 6,069,000 Class A ordinary shares of AMTD International Inc.. The transaction was approved by the independent shareholders of the Company at its Extraordinary

General Meeting held on 24th March, 2020. Completion of the transaction is anticipated to take place by the end of March 2020. For the details of the transaction, please refer to the circular of the Company dated 5th March, 2020.

Carbon Assets

With an objective to broaden its business spectrum, the Group entered into a memorandum of understanding (MOU) with certain independent third parties in June 2019 for the possible investment by the Group in an operating company principally engaged in the management and trading of tradable or transferable China Certified Emissions Reduction (Carbon Assets) in China. Save for the provisions in relation to, among others, due diligence review and exclusivity period, the MOU does not constitute legally-binding commitment on the parties. Further details on the terms of the MOU are contained in the joint announcement by the Company dated 26th June, 2019.

The Group subsequently entered into four supplemental MOUs with the other parties to extend the formal agreement signing date, the completion date for due diligence review, and the exclusivity period under the MOU, which are now extended to 30th April, 2020 under the latest supplemental MOU entered into in January 2020. The Group has substantially completed the due diligence review on the operating company and its business, and is conducting negotiations on the final terms of the proposed investment. If the investment proposal materialises, the operating company will become an associate of the Group. Further announcement will be made in the event that a formal agreement on the investment proposal is signed by the parties or as and when required.

PRC Real Estate Company

In July 2019, the Group acquired an 80% equity interest in and also provided pro rata shareholder's loan to an investee company incorporated in the PRC. The investee company has exercised the right to take up 10% equity interest in another PRC-incorporated real estate company that partners with various reputable real estate developers and undertakes joint developments for both industry specific real estate and residential/commercial real estate in China. The Group anticipates that, through its participation in the investee company, the Group could have access to more business opportunities for property development in the PRC, either to be undertaken on its own or on a joint basis.

FINANCIAL REVIEW

ASSETS VALUE

As at 31st December, 2019, the Group's net assets attributable to equity holders of the parent amounted to HK$1,199.9 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 year under review amounted to HK$2.6 million (2018 – HK$0.7 million). Net interest payment for the year amounted to HK$91.0 million (2018 – HK$80.2 million).

Borrowings and Gearing

As at 31st December, 2019, the Group had cash and bank balances and deposits of HK$692.6 million (2018 – HK$336.2 million) and the Group's borrowings including convertible bonds, net of cash and bank balances and deposits, amounted to HK$1,638.7 million (2018 – HK$1,914.4 million).

As at 31st December, 2019, the gearing ratio of the Group was 30.6% (2018 – 41.3%), representing the Group's borrowings including convertible bonds, net of cash and bank balances and deposits, of HK$1,638.7 million (2018 – HK$1,914.4 million), as compared to the total assets of the Group of HK$5,347.6 million (2018 – HK$4,638.6 million).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2019 are shown in the consolidated financial statements ("Financial Statements") contained in the annual report of the Company for the year ended 31st December, 2019 (the "2019 Annual Report") to be published on or before 30th April, 2020.

Lease liabilities

As at 31st December, 2019, the Group had lease liabilities of HK$1.1 million.

Pledge of Assets

As at 31st December, 2019, certain of the Group's bank deposits and financial assets at fair value through profit or loss in the amount of HK$28.9 million (2018 – Nil) were pledged to secure general banking facilities granted to the Group.

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

Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2019 are shown in the Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 31st December, 2019 are shown in the Financial Statements.

DIVIDEND

The Directors have resolved not to recommend the payment of a final dividend for the year ended 31st December, 2019 (2018 – Nil). No interim dividend was paid for the year ended 31st December, 2019 (2018 – Nil).

ANNUAL GENERAL MEETING

An Annual General Meeting of the Company will be convened to be held on Tuesday, 9th June, 2020. The Notice of the Annual General Meeting will be published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company and sent to the shareholders of the Company, together with the Company's 2019 Annual Report, in due course.

CLOSURE OF REGISTER

For the purpose of ascertaining shareholders' entitlement to attend and vote at the 2020 Annual General Meeting, the Register of Ordinary Shareholders of the Company will be closed from Thursday, 4th June, 2020 to Tuesday, 9th June, 2020, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to be entitled to attend and vote at the 2020 Annual General Meeting, all transfers of ordinary shares and/or conversions of the convertible securities, duly accompanied by the relevant share certificates and/or the certificates of the convertible securities, together with, where appropriate, the relevant conversion notices, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Wednesday, 3rd June, 2020.

YEAR END RESULTS

Consolidated Statement of Profit or Loss

	Year ended 31st December, 2019 HK$'M	Year ended 31st December, 2018 HK$'M
REVENUE (Notes 2 & 3)	**119.6**	2,147.3
Cost of sales	**(87.3)**	(1,597.2)
Gross profit	**32.3**	550.1
Other income (Note 3)	**69.2**	22.6
Gain on disposal of investment properties, net	**3.9**	–
Fair value gains upon reclassification of properties held for sale to investment properties	**–**	2.7
Fair value losses on financial assets at fair value through profit or loss, net	**(24.6)**	(29.2)
Fair value gains on investment properties, net	**3.1**	–
Property selling and marketing expenses	**(18.8)**	(27.9)
Administrative expenses	**(78.9)**	(80.1)
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION AND AMORTISATION	**(13.8)**	438.2
Depreciation and amortisation	**(2.8)**	(9.1)
OPERATING PROFIT/(LOSS) (Note 4)	**(16.6)**	429.1
Finance costs (Note 5)	**(127.6)**	(112.6)
PROFIT/(LOSS) BEFORE TAX	**(144.2)**	316.5
Income tax (Note 6)	**(26.1)**	(114.6)
PROFIT/(LOSS) FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**(170.3)**	201.9

Consolidated Statement of Profit or Loss (Cont'd)

	Year ended 31st December, 2019 HK$'M	Year ended 31st December, 2018 HK$'M
Attributable to:		
Equity holders of the parent	**(170.3)**	201.9
Non-controlling interests	**–**	–
	(170.3)	201.9
EARNINGS/(LOSS) PER SHARE (INCLUDING ORDINARY SHARE AND CONVERTIBLE PREFERENCE SHARE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic	**HK(2.52) cents**	HK2.99 cents
Diluted	**HK(2.52) cents**	HK2.76 cents

Consolidated Statement of Comprehensive Income

	Year ended 31st December, 2019 HK$'M	Year ended 31st December, 2018 HK$'M
PROFIT/(LOSS) FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**(170.3)**	201.9
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(42.9)**	(101.4)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(213.2)**	100.5
Attributable to:		
Equity holders of the parent	**(213.2)**	100.5
Non-controlling interests	**–**	–
	(213.2)	100.5

Consolidated Statement of Financial Position

	31st December, 2019 HK$'M	31st December, 2018 HK$'M
NON-CURRENT ASSETS		
Property, plant and equipment	**11.8**	1.8
Investment properties	**89.9**	134.5
Right-of-use assets	**1.1**	–
Properties under development	**907.2**	905.7
Investment in a joint venture	**2.4**	2.4
Deposits and prepayments (Note 9)	**139.1**	280.8
Goodwill	**235.1**	235.1
Intangible asset	**2.0**	–
Total non-current assets	**1,388.6**	1,560.3
CURRENT ASSETS		
Properties under development	**2,067.1**	1,705.8
Properties held for sale	**551.1**	638.3
Loans receivable (Note 10)	**167.3**	170.8
Deposits, prepayments and other assets (Note 9)	**327.8**	49.5
Financial assets at fair value through profit or loss	**153.1**	177.7
Restricted cash	**356.8**	6.5
Pledged bank balances	**0.5**	–
Time deposits	**64.7**	4.8
Cash and bank balances	**270.6**	324.9
Total current assets	**3,959.0**	3,078.3
CURRENT LIABILITIES		
Creditors and accruals	**(292.1)**	(323.9)
Contract liabilities	**(1,093.8)**	(257.4)
Deposits received	**(58.3)**	(0.7)
Interest bearing bank borrowing	**(15.5)**	–
Other borrowings (Note 11)	**(301.5)**	(267.3)
Lease liabilities	**(0.8)**	–
Tax payable	**(20.3)**	(54.7)
Total current liabilities	**(1,782.3)**	(904.0)
NET CURRENT ASSETS	**2,176.7**	2,174.3
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,565.3**	3,734.6

Consolidated Statement of Financial Position (Cont'd)

	31st December, 2019 HK$'M	31st December, 2018 HK$'M
NON-CURRENT LIABILITIES		
Creditors and accruals	**(32.6)**	(29.0)
Deposits received	**(3.0)**	(1.6)
Other borrowings (Note 11)	**(1,062.0)**	(1,062.0)
Convertible bonds	**(952.3)**	(921.3)
Lease liabilities	**(0.3)**	–
Deferred tax liabilities	**(315.2)**	(307.6)
Total non-current liabilities	**(2,365.4)**	(2,321.5)
Net assets	**1,199.9**	1,413.1
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**13.5**	13.5
Reserves	**1,186.4**	1,399.6
	1,199.9	1,413.1
Non-controlling interests	**–**	–
Total equity	**1,199.9**	1,413.1

Notes:

1. Basis of Preparation and Accounting Policies

The financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except when otherwise indicated.

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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

Other than as explained below regarding the impact of HKFRS 16, the adoption of the above new and revised standards has had no significant financial effect on the Group's consolidated financial statements.

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

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

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

<u>New definition of a lease</u>

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

As a lessee - Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for certain office premises and staff quarters. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1st January, 2019, the Group recognises depreciation of the right-of-use assets and interest accrued on the outstanding lease liabilities as finance costs.

Impact on transition

Lease liabilities at 1st January, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1st January, 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1st January, 2019.

The right-of-use assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

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

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

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

Financial impact at 1st January, 2019

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

	Increase HK$'M
Assets	
Right-of-use assets	2.4
Liabilities	
Lease liabilities	2.4

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

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

2. Operating Segment Information

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

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

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

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

Segment assets exclude loans receivable, investment deposits, restricted cash, pledged bank balances, time deposits, cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude convertible bonds, interest bearing bank borrowing, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31st December, 2019 and 2018:

	Property development and investment		Financial assets investments		Consolidated	
	2019	2018	2019	2018	2019	2018
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Segment revenue (Note 3):						
Sales to external customers	112.5	2,140.7	7.1	6.6	119.6	2,147.3
Segment results before depreciation and amortisation	(23.1)	468.1	(17.5)	(22.6)	(40.6)	445.5
Depreciation and amortisation	(2.4)	(8.7)	–	–	(2.4)	(8.7)
Segment results	(25.5)	459.4	(17.5)	(22.6)	(43.0)	436.8
Unallocated interest income and unallocated non-operating and corporate gains					68.7	21.9
Unallocated non-operating and corporate expenses					(42.4)	(29.6)
Finance costs (other than interest on lease liabilities)	(66.3)	(53.5)	–	–	(66.3)	(53.5)
Unallocated finance costs					(61.2)	(59.1)
Profit/(Loss) before tax					(144.2)	316.5
Income tax					(26.1)	(114.6)
Profit/(Loss) for the year before allocation between equity holders of the parent and non-controlling interests					(170.3)	201.9
Attributable to:						
Equity holders of the parent					(170.3)	201.9
Non-controlling interests					–	–
					(170.3)	201.9

	Property development and investment		Financial assets investments		Consolidated	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	HK$'M	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**
Segment assets	4,078.6	3,742.2	153.4	178.0	4,232.0	3,920.2
Investment in a joint venture	2.4	2.4	–	–	2.4	2.4
Cash and unallocated assets					1,113.2	716.0
Total assets					5,347.6	4,638.6
Segment liabilities	(2,831.1)	(1,937.0)	–	–	(2,831.1)	(1,937.0)
Unallocated liabilities					(1,316.6)	(1,288.5)
Total liabilities					(4,147.7)	(3,225.5)
Other segment information:						
Capital expenditure	418.6	460.4	–	–		
Fair value losses on financial assets at fair value through profit or loss, net	–	–	24.6	29.2		
Gain on disposal of investment properties, net	(3.9)	–	–	–		
Fair value gains on investment properties, net	(3.1)	–	–	–		
Fair value gains upon reclassification of properties held for sale to investment properties	–	(2.7)	–	–		

Geographical information

(a) Revenue from external customers

	2019 HK$'M	2018 HK$'M
Hong Kong	**7.1**	6.6
Mainland China	**112.5**	2,140.7
	119.6	2,147.3

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2019 HK$'M	2018 HK$'M
Hong Kong	**0.1**	0.5
Mainland China	**1,388.4**	1,559.7
	1,388.5	1,560.2

The non-current assets information above is based on the locations of assets and excludes financial instruments.

Information about a major customer

No further information about a major customer is presented as no more than 10% of the Group's revenue was derived from sales to any single customer.

3. Revenue and other income are analysed as follows:

	2019 HK$'M	2018 HK$'M
Revenue		
Revenue from contracts with customers		
Proceeds from sale of properties	**108.8**	2,140.7
Revenue from other sources		
Rental income	**3.7**	–
Dividend income from listed investments	**7.1**	6.6
	119.6	2,147.3
Other income		
Bank interest income	**4.2**	6.9
Other interest income	**64.5**	14.7
Others	**0.5**	1.0
	69.2	22.6

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

	2019 HK$'M	2018 HK$'M
Profit on disposal of properties, net	**26.5**	543.5
Depreciation of property, plant and equipment	**1.3**	9.1
Depreciation of right-of-use assets	**0.8**	–
Amortisation of intangible asset	**0.7**	–
	2.8	9.1

5. Finance costs of the Group are as follows:

	2019 HK$'M	2018 HK$'M
Interest on a bank loan	**0.2**	–
Interest on convertible bonds	**61.0**	59.1
Interest on other borrowings	**65.1**	59.4
Interest expenses arising from revenue contracts	**27.0**	15.2
Interest on lease liabilities	**0.1**	–
	153.4	133.7
Less: Finance costs capitalised	**(25.8)**	(21.1)
	127.6	112.6

6. The income tax charge for the year arose as follows:

	2019 HK$'M	2018 HK$'M
Current – PRC		
Corporate income tax	**17.3**	50.9
Land appreciation tax	**1.1**	67.1
Deferred	**7.7**	(3.4)
Total tax charge for the year	**26.1**	114.6

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 year (2018 – Nil).

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

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

No provision for tax was required for the joint venture as no assessable profits were earned by the joint venture during the year (2018 – Nil).

7. Dividend

No dividend was paid or proposed during the year ended 31st December, 2019, nor has any dividend been proposed since the end of the reporting period (2018 – Nil).

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

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the parent of HK$170.3 million (2018 – profit of HK$201.9 million) and on the weighted average of 6,759.4 million (2018 – 6,759.4 million) shares of the Company in issue (including ordinary shares and convertible preference shares).

(b) Diluted earnings/(loss) per share

No adjustment has been made to the loss per share amount presented for the year ended 31st December, 2019 in respect of a dilution, as the impact of the convertible bonds outstanding during the year had an anti-dilutive effect on the loss per share amount presented.

The calculation of the diluted earnings per share for the year ended 31st December, 2018 was based on the profit for the year attributable to equity holders of the parent, adjusted to reflect the imputed interest on the convertible bonds of HK$59.1 million. The weighted average number of shares used in the calculation was the aggregate of the number of ordinary and convertible preference shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average number of 2,678.6 million shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

9. Deposits, prepayments and other assets are analysed as follows:

	2019 HK$'M	2018 HK$'M
Non-current		
Prepayments (Note (a))	**96.5**	87.1
Investment deposits (Notes (b) & (c))	**42.5**	193.6
Deposits	**0.1**	0.1
	139.1	280.8
Current		
Contract costs	**8.5**	0.8
Prepayments	**55.3**	30.0
Investment deposits (Note (c))	**189.6**	–
Deposits	**0.2**	0.4
Other receivables	**74.2**	18.3
	327.8	49.5

Notes:

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

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

(b) In July 2019, the Group acquired an 80% equity interest in a PRC-incorporated company at a consideration of RMB21.6 million (HK$24.1 million). The investee company has contributed RMB16.5 million (HK$18.4 million) for a 10% equity interest in another PRC-incorporated real estate company ("PRC Real Estate Company") that partners with various reputable real estate developers and undertakes joint developments for both industry specific real estate and residential/commercial real estate in China. As at 31st December, 2019, the consideration for acquisition of the investee company and the contribution made by the investee company to the PRC Real Estate Company in an aggregate amount of approximately RMB38.1 million (HK$42.5 million) were classified as investment deposits as the equity interest in the PRC Real Estate Company was still under the process of the relevant registration with the local authority.

(c) The amount included under non-current assets as at 31st December, 2018 related to the deposits in an aggregate amount of RMB170 million (HK$193.6 million) paid in relation to a possible investment by the Group in a sizeable logistics services provider, further details of which are disclosed in Note 10 below.

As further explained in Note 10 below, the Group entered into an agreement for the proposed disposal of its entire interests in certain wholly owned subsidiaries that directly and indirectly own the investment deposits.

10. Loans receivable are analysed as follows:

	2019 HK$'M	2018 HK$'M
Short term secured loans	**167.3**	170.8

On 16th August, 2018, the Group entered into a deposit agreement (the "Deposit Agreement") in relation to the possible investment by the Group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in the PRC. Pursuant to the Deposit Agreement, the Group paid a deposit of RMB70 million (HK$78.1 million) to the vendor and was granted an exclusivity period of 18 months to conduct bona fide negotiations to settle the terms of the possible investment. Following further negotiations with the vendor, the Group agreed to increase the deposit under the Deposit Agreement from RMB70 million (HK$78.1 million) to RMB170 million (HK$189.6 million) and to grant loan facilities to the target investee group in an aggregate loan amount of RMB150 million (HK$167.3 million) which were fully utilised as at 31st December, 2019 (2018 – RMB150 million (HK$170.8 million)).

The short term secured loans bear interest at 18% to 24% per annum. The deposits and the loan amounts outstanding under the loan facilities are primarily secured by equity pledges over certain PRC companies associated with the vendor, guarantees provided by the vendor and certain of his associates, and pledges over the receivables of the target investee group and certain associates of the vendor. The short term secured loans were overdue as at 31st December, 2019.

On 31st December, 2019, the Group entered into an agreement with another independent purchaser for the proposed disposal of its entire interests in certain wholly owned subsidiaries that directly and indirectly own the investment deposits and loans for a consideration of HK$400 million, which was determined with reference to the total outstanding amount of those deposits and loans, together with the interest accrued on the loans up to 31st December, 2019. An expected credit loss on interest related to the short term secured loans amounting to HK$14.6 million was charged to the profit or loss in the current year. The transaction was approved by the independent shareholders of the Company at its Extraordinary General Meeting held on 24th March, 2020. Completion of the transaction is expected by the end of March 2020.

11. Other borrowings are analysed as follows:

	2019	**2018**
	HK$'M	**HK$'M**
Non-current		
Other borrowings	**1,062.0**	1,062.0
Current		
Other borrowings	**301.5**	267.3

Other borrowings, comprising term loan of HK$1,062.0 million (2018 – HK$1,062 million) and revolving loan of HK$301.5 million (2018 – HK$267.3 million) from a fellow subsidiary, are secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects and bear interest at 5% per annum. The term loan is repayable on 12th October, 2021 and is classified as a non-current other borrowing. The revolving loan is classified as a short term borrowing.

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 year ended 31st December, 2019.

REVIEW OF RESULTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31st December, 2019, 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 year ended 31st December, 2019, except that:

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

(2) The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Articles of Association of the Company, all Directors (including the Non-Executive Director and 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, 26th March, 2020