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 2020 INTERIM RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2020	Six months ended 30th June, 2019	% Change
	(Unaudited)	(Unaudited)	
	HK$'M	HK$'M	
Revenue	**33.1**	48.9	**-32.3%**
Operating profit/(loss) before depreciation and amortisation, finance costs and tax	**(10.3)**	18.1	**N/A**
Loss for the period attributable to equity holders of the parent	**(79.0)**	(57.5)	**+37.4%**
Basic loss per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK(1.16) cents**	HK(0.85) cent	**+36.5%**
	As at 30th June, 2020	**As at 31st Dec, 2019**	
	(Unaudited)	**(Unaudited)**	
Net asset value per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK$0.20**	HK$0.18	**+11.1%**

- **For the six months ended 30th June, 2020, the Group recorded an unaudited consolidated loss attributable to shareholders of HK$79.0 million (2019 – loss of HK$57.5 million).**

- **The increase in the loss incurred for the period under review was primarily attributable to the fair value losses on financial assets through profit or loss and investment properties. Moreover, despite the substantial contracted presales of the residential units in the Group's Regal Cosmopolitan City development project in Chengdu, China, the profits from these secured presales will only be recognised when the properties sold are delivered to the respective purchasers after the project is completed.**

- **Most of the 1,130 residential units in the first seven towers comprised in the third stage have been presold, at prices which are significantly higher than those attained in the first and second stages of the development. The presale of the last three residential towers consisting of 425 units was launched in July 2020, at a further increased average price as compared with that for the first seven towers, which was again met with favourable response. Up to date, more than 95% of those 425 units have been presold under contracts or subscribed.**

- **The superstructure works of the two office towers and their commercial podium in the Regal Renaissance in Tianjin, China are progressing and targeted to be completed in the fourth quarter of 2022. The programme for the units presale of the office towers is presently planned to commence later this year and will be launched in phases.**

- **The Group has secured substantial contracted presales of the total 1,555 residential units in the third stage of the development project in Chengdu. It is expected that the profits to be derived from these presales will be accounted for in the 2021 financial year when this stage development is completed and the residential units handed over to the respective purchasers.**

- **There are still other major components in the two development projects in Chengdu and Tianjin in progress, which should generate further significant cash flow and profits to the Group over the next few years.**

FINANCIAL RESULTS

For the six months ended 30th June, 2020, the Group recorded an unaudited consolidated loss attributable to shareholders of HK$79.0 million (2019 – loss of HK$57.5 million).

As indicated in the profit warning announcement published by the Company on 20th July, 2020, the increase in the loss incurred for the period under review was primarily attributable to the fair value losses on financial assets through profit or loss and investment properties. Moreover, despite the substantial contracted presales of the residential units in the third stage of the Group's development project in Chengdu, China, the profits from these secured presales will only be recognised when the properties sold are delivered to the respective purchasers after the project is completed, which is anticipated in 2021.

BUSINESS OVERVIEW

Due to the enforcement of lockdowns in China in the first two months of this year to combat the spread of the COVID-19 coronavirus, the Gross Domestic Product (GDP) of China dropped by 6.8% year-on-year in the first quarter of 2020. With the gradual revival of normal economic activities in the Mainland since March, the adverse impact of the pandemic on its economy became slowly under control and, in the second quarter, the GDP of China was able to regain growth of 3.2%, as compared with the same quarter in 2019. Overall, for the first half of 2020, the GDP of China only receded by 1.6%. Likewise, the real estate sector in China also experienced a dramatic decline in the first two months of this year. However, supported by the strong underlying demand, the property market as a whole has since been steadily recovering. Based on the National Bureau of Statistics data, the total transaction volume by area of property commodity units nationwide contracted by 8.4% in the first six months of 2020, while the aggregate transacted price only dropped by 5.4% year-on-year.

As previously reported, most of the 1,130 residential units in the first seven towers comprised in the third stage of the Regal Cosmopolitan City in Chengdu, China have been presold, at prices which are significantly higher than those attained in the first and second stages of the development. Following the successful results achieved, the presale programme for the 425 units in the remaining three residential towers was recently launched in July 2020, which was at a further increased average price as compared with that for the first seven towers, though the level of price increase was controlled under government policy restrictions. The launch was again met with favourable response and, up to date, more than 95% of those units have been presold under contracts or subscribed. The overall construction works for this third stage development are scheduled to be completed in mid-2021. The other components of this composite development project, comprising primarily a 325-room hotel, a six-storey commercial complex and five towers of office accommodation are progressing steadily. The units presale of one office tower is planned to be launched before the end of this year.

As regarding the Group's other composite development project in China, the Regal Renaissance in Tianjin, the superstructure works of the two office towers and their commercial podium are progressing and targeted to be completed in the fourth quarter of 2022. The programme for the units presale of the office towers is presently planned to commence later this year and will be launched in phases.

Further detailed information on these two composite development projects in Chengdu and Tianjin as well as the other projects and investments undertaken by the Group is contained in the "Management Discussion and Analysis" section.

OUTLOOK

The economy of China has shown strong resilience in the midst of the global crisis caused by the COVID-19 pandemic. However, the timing as to when the pandemic can effectively be under control globally is still uncertain and the increasing international tensions over different political and economic issues are posing additional threats. Barring any abrupt external adverse factors, the economy as well as the real estate sector in China should further recover gradually in the second half of this year.

The Group has secured substantial contracted presales of the residential units in the third stage of the development project in Chengdu. It is expected that the profits to be derived from these presales will be accounted for in the 2021 financial year when the third stage development is completed and the residential units handed over to the respective purchasers. There are still other major components in the two development projects in Chengdu and Tianjin in progress, which should generate further significant cash flow and profits to the Group over the next few years.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in property development and investment, which are mainly focused in the PRC, and other investments including financial assets 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 and the Group's other investments 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 and targeted to be completed around mid-2021. Most of the 1,130 residential units in the first seven towers comprised in the third stage have been presold, at prices which are significantly higher than those attained in the first and second stages of the development. The presale of the last three residential towers consisting of 425 units was launched in July 2020, at a further increased average price as compared with that for the first seven towers, which was again met with favourable response. Out of these 425 residential units, a total of 274 units have been contracted as sold and 132 units having been subscribed. Up to date, presales of all 1,555 residential units in the third stage have been launched and a total of 1,370 units have been contracted as presold. Total sales proceeds amount to approximately RMB1,793.8 million (HK$2,011.7 million), of which approximately RMB1,496.9 million (HK$1,678.8 million) have already been received by the Group as deposits under the presale contracts.

Presale of the shops in the third stage of about 2,350 square metres (25,300 square feet) has also been launched in July 2020. Up to date, a total of 839 square meters (9,030 square feet) of shops have been presold under contracts, at aggregate sales proceeds of approximately RMB30.0 million (HK$33.6 million). Presale of 1,389 car parking spaces is expected to be launched in the third quarter of 2020.

The interior design works with a revised scheme for this 325-room hotel are progressing in full swing. The interior fitting-out works are scheduled to commence in the first quarter of 2021 and the hotel is scheduled to open in phases from the first quarter of 2022.

The construction works of the remaining commercial components within the development, comprising a six-storey commercial complex of about 52,500 square metres (565,100 square feet) and five towers of office accommodations of about 86,000 square metres (925,700 square feet) are in steady progress. The basement excavation works are completed and the substructure works have already started in June 2020. The market repositioning works of the six-storey commercial complex are in progress. Presale of one office tower consisting of 434 units of about 20,000 square metres (215,200 square feet) is expected to be launched in late 2020. The presale of the remaining four office towers consisting of 1,356 units of about 66,000 square metres (710,500 square feet) will be launched in phases in 2021.

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 and their commercial podium are progressing and planned to be completed in the fourth quarter of 2022. Presale of one office tower consisting of 137 units of about 17,530 square metres (188,700 square feet) is planned to be launched before the end of this year. The presale of the other office tower consisting of 247 units of about 39,210 square metres (422,000 square feet) will be launched in phases thereafter. The market positioning works of the commercial podium is in progress.

Xinjiang Project

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu undertaken 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

Investment in shares of AMTD International Inc.

As previously disclosed, the Group, through its wholly owned subsidiary incorporated in the PRC, entered into certain deposit agreements and loan agreements for the possible investment in a logistics services provider in the PRC, pursuant to which the Group has paid deposits and granted loans to the vendor and the target investee group, which amounted to RMB372.1 million (including interest receivable and net of tax provision) in the books of the Group as at 31st December, 2019.

On 31st December, 2019, the Group entered into an agreement with an independent purchaser for the disposal of its entire interests in those companies directly and indirectly owning such deposits and loans for a consideration of HK$400 million. The transaction was approved by the independent shareholders of the Company on 24th March, 2020 and duly completed on 31st March, 2020. The sale consideration received by the Group was applied to purchase 6,069,000 Class A ordinary shares of AMTD International Inc.. Details of these transactions were contained in the circular of the Company dated 5th March, 2020.

AMTD is a reputable financial services provider in the Asia Pacific, with dual listings on the New York Stock Exchange and the Singapore Stock Exchange. The Group intends to hold the AMTD shares as long term investments 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 intensive business network.

Carbon Assets

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 did not constitute legally-binding commitment on the parties.

The Group subsequently entered into 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 was last extended to 31st July, 2020 under the latest supplemental MOU entered into in May 2020. Up to 31st July, 2020, no formal agreement had been entered into among the parties and the MOU lapsed and was terminated accordingly.

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 purchased 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 30th June, 2020, the Group's net assets attributable to equity holders of the parent amounted to HK$1,674.8 million, representing approximately HK$0.20 per share (including ordinary share and convertible preference share).

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

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

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

Cash Flows

Net cash flows generated from operating activities during the period under review amounted to HK$164.6 million (2019 – net cash flows used in operating activities of HK$134.1 million). Net interest payment for the period amounted to HK$8.8 million (2019 – HK$14.6 million).

Borrowings and Gearing

As at 30th June, 2020, the Group had cash and bank balances and deposits of HK$820.9 million (31st December, 2019 – HK$692.6 million) and the Group's borrowings including convertible bonds, net of cash and bank balances and deposits, amounted to HK$1,093.2 million (31st December, 2019 – HK$1,638.7 million).

As at 30th June, 2020, the gearing ratio of the Group was 18.9% (31st December, 2019 – 30.6%), representing the Group's borrowings including convertible bonds, net of cash and bank balances and deposits, of HK$1,093.2 million (31st December, 2019 – HK$1,638.7 million), as compared to the total assets of the Group of HK$5,785.1 million (31st December, 2019 – HK$5,347.6 million).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2020 are shown in the condensed consolidated financial statements contained in the interim report for the six months ended 30th June, 2020 of the Company ("Interim Financial Statements") to be published on or before 30th September, 2020.

Lease Liabilities

As at 30th June, 2020, the Group had lease liabilities of HK$1.4 million (31st December, 2019 – HK$1.1 million).

Pledge of Assets

As at 30th June, 2020, certain of the Group's bank deposits and financial assets at fair value through profit or loss in the amount of HK$21.6 million (31st December, 2019 – HK$28.9 million) 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 30th June, 2020 are shown in the Interim Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2020 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, 2020 (2019 – Nil).

HALF YEAR RESULTS

Condensed Consolidated Statement of Profit or Loss

	Six months ended 30th June, 2020 (Unaudited) HK$'M	Six months ended 30th June, 2019 (Unaudited) HK$'M
REVENUE (Notes 2 & 3)	**33.1**	48.9
Cost of sales	**(25.3)**	(27.7)
Gross profit	**7.8**	21.2
Other income (Note 3)	**8.1**	34.2
Fair value gains/(losses) on investment properties, net	**(4.3)**	2.7
Fair value losses on financial assets at fair value through profit or loss, net	**(46.3)**	(5.6)
Gain on disposal of subsidiaries	**68.9**	–
Gains/(Losses) on disposal of investment properties	**(0.7)**	1.8
Property selling and marketing expenses	**(4.0)**	(7.8)
Administrative expenses	**(39.8)**	(28.4)
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION AND AMORTISATION	**(10.3)**	18.1
Depreciation and amortisation	**(1.8)**	(0.9)
OPERATING PROFIT/(LOSS) (Notes 2 & 4)	**(12.1)**	17.2
Finance costs (Note 5)	**(61.7)**	(66.6)
LOSS BEFORE TAX	**(73.8)**	(49.4)
Income tax (Note 6)	**(5.2)**	(8.1)
LOSS FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**(79.0)**	(57.5)

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

	Six months ended 30th June, 2020	Six months ended 30th June, 2019
	(Unaudited)	**(Unaudited)**
	HK$'M	**HK$'M**
Attributable to:		
Equity holders of the parent	**(79.0)**	(57.5)
Non-controlling interests	**–**	–
	(79.0)	(57.5)
LOSS PER SHARE (INCLUDING ORDINARY SHARE AND CONVERTIBLE PREFERENCE SHARE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic and diluted	**HK(1.16) cents**	HK(0.85) cent

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2020 (Unaudited) HK$'M	Six months ended 30th June, 2019 (Unaudited) HK$'M
LOSS FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**(79.0)**	(57.5)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	**(38.9)**	(2.2)
Reclassification adjustment on disposal of foreign operations	**71.1**	–
	32.2	(2.2)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Fair value gain on equity investment designated at fair value through other comprehensive income	**39.4**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**71.6**	(2.2)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(7.4)**	(59.7)
Attributable to:		
Equity holders of the parent	**(7.4)**	(59.7)
Non-controlling interests	**–**	–
	(7.4)	(59.7)

Condensed Consolidated Statement of Financial Position

	30th June, 2020 (Unaudited) HK$'M	**31st December, 2019 (Audited) HK$'M**
NON-CURRENT ASSETS		
Property, plant and equipment	**11.0**	11.8
Investment properties	**80.1**	89.9
Right-of-use assets	**1.3**	1.1
Properties under development	**968.3**	907.2
Investment in a joint venture	**2.4**	2.4
Deposits and prepayments (Note 9)	**140.0**	139.1
Financial assets at fair value through other comprehensive income	**567.2**	–
Goodwill	**235.1**	235.1
Intangible asset	**1.3**	2.0
Total non-current assets	**2,006.7**	1,388.6
CURRENT ASSETS		
Properties under development	**2,209.8**	2,067.1
Properties held for sale	**518.6**	551.1
Loans receivable (Note 10)	**–**	167.3
Deposits, prepayments and other assets (Note 9)	**122.3**	327.8
Financial assets at fair value through profit or loss	**106.8**	153.1
Restricted cash	**290.7**	356.8
Pledged bank balances	**0.5**	0.5
Time deposits	**205.9**	64.7
Cash and bank balances	**323.8**	270.6
Total current assets	**3,778.4**	3,959.0
CURRENT LIABILITIES		
Creditors and accruals	**(236.0)**	(292.1)
Contract liabilities	**(1,527.3)**	(1,093.8)
Deposits received	**(75.9)**	(58.3)
Interest bearing bank borrowing	**(12.5)**	(15.5)
Other borrowings (Note 11)	**(354.0)**	(301.5)
Lease liabilities	**(0.5)**	(0.8)
Tax payable	**(5.6)**	(20.3)
Total current liabilities	**(2,211.8)**	(1,782.3)
NET CURRENT ASSETS	**1,566.6**	2,176.7
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,573.3**	3,565.3

Condensed Consolidated Statement of Financial Position (Cont'd)

	30th June, 2020 (Unaudited) HK$'M	31st December, 2019 (Audited) HK$'M
NON-CURRENT LIABILITIES		
Creditors and accruals	**(32.5)**	(32.6)
Deposits received	**(2.4)**	(3.0)
Other borrowings (Note 11)	**(1,062.0)**	(1,062.0)
Convertible bonds	**(485.6)**	(952.3)
Lease liabilities	**(0.9)**	(0.3)
Deferred tax liabilities	**(315.1)**	(315.2)
Total non-current liabilities	**(1,898.5)**	(2,365.4)
Net assets	**1,674.8**	1,199.9
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**16.4**	13.5
Reserves	**1,658.4**	1,186.4
	1,674.8	1,199.9
Non-controlling interests	**–**	–
Total equity	**1,674.8**	1,199.9

Notes:

1. Accounting Policies

The condensed consolidated financial statements for the six months ended 30th June, 2020 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, 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2020.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1st January, 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's condensed consolidated financial statements.

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 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.

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,	
	2020	2019	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Segment revenue:						
Sales to external customers	30.9	44.3	2.2	4.6	33.1	48.9
Segment results before depreciation and amortisation	(23.0)	(1.8)	(44.1)	(0.9)	(67.1)	(2.7)
Depreciation and amortisation	(1.7)	(0.7)	-	-	(1.7)	(0.7)
Segment results	(24.7)	(2.5)	(44.1)	(0.9)	(68.8)	(3.4)
Unallocated interest income and unallocated non-operating and corporate gains					75.4	34.0
Unallocated non-operating and corporate expenses					(18.7)	(13.4)
Operating profit/(loss)					(12.1)	17.2
Finance costs	(30.9)	(36.5)	-	-	(30.9)	(36.5)
Unallocated finance costs					(30.8)	(30.1)
Loss before tax					(73.8)	(49.4)
Income tax					(5.2)	(8.1)
Loss for the period before allocation between equity holders of the parent and non-controlling interests					(79.0)	(57.5)
Attributable to:						
Equity holders of the parent					(79.0)	(57.5)
Non-controlling interests					-	-
					(79.0)	(57.5)

3. Revenue and other income are analysed as follows:

	Six months ended 30th June, 2020	**Six months ended 30th June, 2019**
	(Unaudited)	**(Unaudited)**
	HK$'M	**HK$'M**
<u>Revenue</u>		
Revenue from contracts with customers		
Proceeds from sale of properties	**29.9**	42.8
Revenue from other sources		
Rental income	**1.0**	1.5
Dividend income from listed investments	**2.2**	4.6
	33.1	48.9
<u>Other income</u>		
Bank interest income	**6.4**	1.3
Other interest income	–	32.6
Others	**1.7**	0.3
	8.1	34.2

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

	Six months ended 30th June, 2020 (Unaudited) HK$'M	Six months ended 30th June, 2019 (Unaudited) HK$'M
Profit on disposal of properties	**4.5**	17.5
Depreciation of property, plant and equipment	**0.6**	0.5
Depreciation of right-of-use assets	**0.5**	0.4
Amortisation of an intangible asset	**0.7**	–
	1.8	0.9

5. Finance costs of the Group are as follows:

	Six months ended 30th June, 2020 (Unaudited) HK$'M	Six months ended 30th June, 2019 (Unaudited) HK$'M
Interest on a bank loan	**0.2**	–
Interest on convertible bonds	**30.6**	30.1
Interest on other borrowings	**34.3**	32.0
Interest expense arising from revenue contracts	**33.2**	9.1
	98.3	71.2
Less: Finance costs capitalised	**(36.6)**	(4.6)
	61.7	66.6

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

	Six months ended 30th June, 2020	**Six months ended 30th June, 2019**
	(Unaudited)	**(Unaudited)**
	HK$'M	**HK$'M**
Current – PRC		
Charge for the period	**5.1**	8.1
Overprovision in prior years	**(0.5)**	–
Land appreciation tax	**0.6**	0.5
Deferred	**–**	(0.5)
Total tax charge for the period	**5.2**	8.1

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 (2019 – 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 period (2019 – Nil).

7. Dividend

No dividend was paid or proposed during the six months ended 30th June, 2020, nor has any dividend been proposed since the end of the reporting period (2019 – Nil).

8. (a) Basic loss per share

The calculation of basic loss per share for the period ended 30th June, 2020 is based on the loss for the period attributable to equity holders of the parent of HK$79.0 million (2019 – HK$57.5 million) and on the weighted average of 6,798.7 million (2019 – 6,759.4 million) shares of the Company in issue (including ordinary shares and convertible preference shares) during the six months ended 30th June, 2020.

(b) Diluted loss per share

No adjustment has been made to the loss per share amount presented for the periods ended 30th June, 2020 and 2019 in respect of a dilution, as the impact of the convertible bonds outstanding during the periods had an anti-dilutive effect on the loss per share amount presented.

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

	30th June, 2020 (Unaudited) HK$'M	31st December, 2019 (Audited) HK$'M
Non-current		
Prepayments (Note (a))	**98.2**	96.5
Investment deposits (Note (b))	**41.8**	42.5
Deposits	–	0.1
	140.0	139.1
Current		
Trade debtors (Note (c))	**1.5**	–
Contract costs	**13.2**	8.5
Prepayments	**91.9**	55.3
Investment deposits (Note (d))	–	189.6
Deposits	**0.1**	0.2
Other receivables	**15.6**	88.8
	122.3	342.4
Impairment	–	(14.6)
	122.3	327.8

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$23.7 million). The investee company has contributed RMB16.5 million (HK$18.1 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 30th June, 2020, 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$41.8 million) were classified as investment deposits as the equity interest in the PRC Real Estate Company was under the process of the relevant registration with the local authority. The registration was completed in July 2020.

(c) Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amounts less impairment.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over certain of these balances.

The ageing analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2020 (Unaudited) HK$'M	31st December, 2019 (Audited) HK$'M
Outstanding balances with ages:		
Within 3 months	**0.9**	–
Between 4 to 6 months	**0.6**	–
	1.5	–

(d) The amount was related to the deposits in an aggregate amount of RMB170 million (HK$189.6 million) paid in relation to a possible investment by the Group in a sizeable logistics services provider in the PRC. As further explained in Note 10 below, the Group completed the disposal of its entire interests in the wholly owned subsidiaries that directly and indirectly own the investment deposits on 31st March, 2020.

10. Loans receivable are analysed as follows:

	30th June, 2020 (Unaudited) HK$'M	31st December, 2019 (Audited) HK$'M
Short term secured loans	–	167.3

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.

The short term secured loans bore interest at 18% to 24% per annum. The deposits and the loan amounts outstanding under the loan facilities were 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 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. The disposal was completed on 31st March, 2020 and a disposal gain of HK$68.9 million was recognised for the period ended 30th June, 2020.

11. Other borrowings are analysed as follows:

	30th June, 2020 (Unaudited) HK$'M	31st December, 2019 (Audited) HK$'M
Non-current		
Other borrowings	**1,062.0**	1,062.0
Current		
Other borrowings	**354.0**	301.5

Other borrowings, comprising term loan of HK$1,062.0 million (31st December, 2019 – HK$1,062 million) and revolving loan of HK$354.0 million (31st December, 2019 – HK$301.5 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 six months ended 30th June, 2020.

REVIEW OF RESULTS

The Group's condensed consolidated financial statements for the six months ended 30th June, 2020 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, 2020 to be despatched to shareholders.

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30th June, 2020, 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, 2020, 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, 25th August, 2020