Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2021 INTERIM RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2021	**Six months ended 30th June, 2020**	**% Change**
	(Unaudited)	**(Unaudited)**	
	HK$'M	**HK$'M**	
Revenue	**61.0**	33.1	**+84.3%**
Operating profit/(loss) before depreciation and amortisation, finance costs and tax	**29.9**	(10.3)	**N/A**
Profit/(Loss) for the period attributable to equity holders of the parent	**1.2**	(79.0)	**N/A**
Basic earnings/(loss) per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK0.02 cent**	HK(1.16) cents	**N/A**
	As at 30th June, 2021	**As at 31st Dec, 2020**	
	(Unaudited)	**(Unaudited)**	
Net asset value per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK$0.18**	HK$0.18	–

- **For the six months ended 30th June, 2021, the Group achieved an unaudited consolidated profit attributable to shareholders of HK$1.2 million, as compared to the loss of HK$79.0 million recorded for the same period last year.**

- **The improved financial results attained by the Group for the period under review was primarily attributable to the gain realised on the disposal of financial assets as well as the reduction in the finance costs incurred.**

- **As disclosed in the Company's joint announcement dated 27th April, 2021, the Group disposed of all its holdings in the shares of Regal Hotels International Holdings Limited and the units held in Regal Real Estate Investment Trust. While these transactions could facilitate the rationalisation of the shareholding structure in the listed entities under Paliburg Holdings Limited, the immediate listed parent of the Company, they raised for the Group aggregate cash proceeds of HK$126.9 million and generated a disposal gain of HK$49.2 million in the period under review.**

- **Nearly all of the 1,555 residential units comprised in the ten residential towers in the third stage of the Group's Regal Cosmopolitan City development in Chengdu, China have been presold, at prices which are significantly higher than those achieved in the first and second stages of the development.**

- **The third stage of the Regal Cosmopolitan City also contains other commercial components, including a 325-room hotel, a commercial complex, five towers of office accommodations as well as shops and car parking spaces.**

- **The construction works of the two office towers and commercial podium in the Group's Regal Renaissance development in Tianjin are progressing as planned and targeted to be completed in the fourth quarter of 2022.**

- **As a major part of the presold residential units in the third stage of the Regal Cosmopolitan City are scheduled to be handed over to the respective unit purchasers before the end of this year, substantial profits from these secured presales are expected to be accounted for in the Group's financial results for the full year of 2021.**

- **The Group remains optimistic of the future prospects of the economy in China and will continue to seek appropriate investment opportunities in the Mainland as part of its business development plan.**

FINANCIAL RESULTS

For the six months ended 30th June, 2021, the Group achieved an unaudited consolidated profit attributable to shareholders of HK$1.2 million, as compared to the loss of HK$79.0 million recorded for the same period last year.

As indicated in the profit alert announcement published by the Company on 17th August, 2021, the improved financial results attained by the Group for the period under review was primarily attributable to the gain realised on the disposal of financial assets, details of which were disclosed in the joint announcement published by the Company on 27th April, 2021, as well as the reduction in the finance costs incurred.

BUSINESS OVERVIEW

Despite the continuing adverse impact on social and economic activities worldwide caused by the COVID-19 pandemic and the growing complexities in the global economy due to the increased international trade disputes and political tensions, China was expected to maintain a year-on-year growth of 12.7% in its Gross Domestic Product in the first six months of 2021, according to preliminary estimates.

As the central government of China continued to implement different administrative and fiscal policies to regulate its real estate market, property prices were generally under pressure during the period under review, particularly in the secondary markets in the first line cities. Although the transacted price as well as the overall transacted value of the land sales in China in the first half of 2021 continued to increase year-on-year, given the determination of the central government to control market expectations and to maintain market stability, the overall property market in China is expected to further consolidate, but this should however be beneficial for its healthy development in the long term.

As disclosed in the joint announcement by the Company dated 27th April, 2021, the Group disposed of all its holdings in the shares of Regal Hotels International Holdings Limited to a wholly owned subsidiary of Paliburg Holdings Limited, the immediate listed parent of the Company and all the units held in Regal Real Estate Investment Trust to a wholly owned subsidiary of Regal, which is a listed fellow subsidiary of the Company. While these transactions could facilitate the rationalisation of the shareholding structure in the listed entities within the Paliburg group, they raised for the Group aggregate cash proceeds of HK$126.9 million to strengthen its working capital. These transactions also generated for the Group a disposal gain of HK$49.2 million, which has been accounted for in the Group's results for the period under review.

On 4th August, 2021, the Company entered into a Deed of Variation with the holder of the outstanding convertible bonds issued by the Group, which is a wholly owned subsidiary of P&R Holdings Limited (a 50/50 owned joint venture of Paliburg and Regal). The outstanding convertible bonds with a total principal amount of HK$500 million were due to mature on 18th August, 2021. Under the Deed of Variation, the parties conditionally agreed, among other things, to amend the terms of the convertible bonds in the principal amount of HK$300 million to the effect that the maturity date shall be extended to 18th August, 2026 and the existing coupon interest at the rate of 3.5% per annum shall be changed to zero coupon, but with a redemption yield at the same rate of 3.5% per annum (compounded semi-annually). Save for the two amendments mentioned above, all other terms and conditions of the convertible bonds will remain unchanged. The proposed amendments shall only become effective upon fulfillment of the condition, among others, that the Deed of Variation and the transactions contemplated thereunder shall have been approved by the independent shareholders of the Company at a general meeting. Details of the proposal were contained in the circular dispatched to shareholders convening the Extraordinary General Meeting of the Company to be held on 30th August, 2021.

In consideration of the parties having entered into the Deed of Variation, the holder of the convertible bonds undertook to convert the outstanding convertible bonds in the remaining principal amount of HK$200 million in accordance with the terms of the convertible bonds, which were so converted into 500 million new ordinary shares of the Company on 11th August, 2021.

As was indicated in the Annual Report 2020, nearly all of the 1,555 residential units comprised in the ten residential towers in the third stage of the Group's Regal Cosmopolitan City development in Chengdu, China have been presold, at prices which are significantly higher than those achieved in the first and second stages of the development. The construction works for these ten residential towers are near completion and the residential units are planned to be delivered to the respective unit purchasers in stages beginning from the fourth quarter of this year.

The third stage of the Regal Cosmopolitan City also contains other commercial components, including a 325-room hotel, a commercial complex, five towers of office accommodations as well as shops and car parking spaces. The presale programme for the units in one of the office towers has recently commenced in May 2021.

In the meantime, the construction works of the two office towers and commercial podium in the Group's Regal Renaissance development in Tianjin are progressing as planned and targeted to be completed in the fourth quarter of 2022.

Further detailed information on the 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 uncertainties surrounding the global economy are expected to persist, at least in the near term. Moreover, as some parts of China have recently re-imposed lock down measures to combat the resurging number of COVID-19 infected cases in their local communities, this could potentially affect the pace of the economic growth of China in the second half of this year.

The Group has attained apparent improvement in its financial performance in the first half of 2021, reverting from a loss position in 2020 to achieving a profit, although relatively modest, in the period under review. As a major part of the presold residential units in the third stage of the Regal Cosmopolitan City are scheduled to be handed over to the respective unit purchasers before the end of this year, substantial profits from these secured presales are expected to be accounted for in the Group's financial results for the full year of 2021.

The Group remains optimistic of the future prospects of the economy in China and will continue to seek appropriate investment opportunities in the Mainland as part of its business development plan.

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 before the end of 2021. Nearly all of the residential units 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. Total sales proceeds amount to approximately RMB2,031.3 million (HK$2,443.0 million), of which approximately RMB1,986.1 million (HK$2,388.7 million) have been received by the Group as deposits under the presale contracts. The residential units are planned to be delivered to the respective unit purchasers in stages beginning from the fourth quarter of this year.

Presale of the shops in the third stage of about 2,350 square metres (25,300 square feet) has been launched in July 2020. Up to date, a total of 1,853 square meters (19,900 square feet) of shops have been presold under contracts, at aggregate sale considerations of approximately RMB65.0 million (HK$78.2 million). Presale of 1,389 car parking spaces has also been launched in the third quarter of 2020. Up to date, a total of 277 car parking spaces have been presold under contracts, for aggregate sales proceeds of approximately RMB31.8 million (HK$38.2 million).

The interior design works with a revised scheme for the 325-room hotel are progressing in full swing. The interior fitting-out works are scheduled to commence in the first quarter of 2022 and the hotel is anticipated to open in phases from the first quarter of 2023.

The construction works of the remaining commercial components within the development, comprising a 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 substructure and superstructure works are targeted to be completed in the fourth quarter of 2021 and mid-2023, respectively. The market repositioning works of the six-storey shopping mall are in progress. The presale programme for the units in one of the office towers, consisting of 434 units with a total of about 20,000 square metres (215,200 square feet), has commenced in May 2021. Up to date, a total of 88 units with a total of about 3,837 square meters (41,300 square feet) have been presold under contracts or subscribed by prospective purchasers for an aggregate sale consideration of RMB34.6 million (HK$41.6 million). The presale of the remaining four office towers consisting of 1,356 units with a total of about 66,000 square metres (710,500 square feet) will follow in phases with reference to the market environment.

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 sale contracts 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 with a total of about 17,530 square metres (188,700 square feet) is planned to be launched in the second half of 2021. The presale of the other office tower, consisting of 247 units with a total of about 39,210 square metres (422,000 square feet), will be launched in phases thereafter. The market positioning works for the commercial podium are 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) 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 the relevant re-forestation 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 duly completed on 31st March, 2020 and the sale consideration received by the Group was applied to purchase 6,069,000 Class A ordinary shares of AMTD International Inc..

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 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. The AMTD shares are being held by the Group as equity investments at fair value through other comprehensive income.

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, 2021, the Group's net assets attributable to equity holders of the parent amounted to HK$1,479.8 million, representing approximately HK$0.18 per share (including ordinary share and convertible preference share).

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

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

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

Cash Flows

Net cash flows generated from operating activities during the period under review amounted to HK$50.5 million (2020 – HK$164.6 million). Net interest payment for the period amounted to HK$13.5 million (2020 – HK$8.8 million).

Borrowings and Gearing

As at 30th June, 2021, the Group had cash and bank balances and deposits of HK$188.7 million (31st December, 2020 – HK$269.9 million) and the Group's borrowings including convertible bonds, net of cash and bank balances and deposits, amounted to HK$681.6 million (31st December, 2020 – HK$771.5 million).

As at 30th June, 2021, the gearing ratio of the Group was 11.7% (31st December, 2020 – 13.4%), representing the Group's borrowings including convertible bonds, net of cash and bank balances and deposits, of HK$681.6 million (31st December, 2020 – HK$771.5 million), as compared to the total assets of the Group of HK$5,802.6 million (31st December, 2020 – HK$5,769.0 million).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2021 are shown in the condensed consolidated financial statements contained in the interim report for the six months ended 30th June, 2021 of the Company ("Interim Financial Statements") to be published on or before 30th September, 2021.

Lease Liabilities

As at 30th June, 2021, the Group had lease liabilities of HK$1.0 million (31st December, 2020 – HK$1.2 million).

Pledge of Assets

As at 30th June, 2021, certain of the Group's bank deposits and financial assets at fair value through profit or loss in the amount of HK$23.4 million (31st December, 2020 – HK$24.7 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, 2021 are shown in the Interim Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2021 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, 2021 (2020 – Nil).

HALF YEAR RESULTS

Condensed Consolidated Statement of Profit or Loss

	Six months ended 30th June, 2021 (Unaudited) HK$'M	Six months ended 30th June, 2020 (Unaudited) HK$'M
REVENUE (Notes 2 & 3)	**61.0**	33.1
Cost of sales	**(3.4)**	(25.3)
Gross profit	**57.6**	7.8
Other income (Note 3)	**3.1**	8.1
Fair value losses on investment properties, net	**(0.7)**	(4.3)
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	**2.5**	(46.3)
Gain on disposal of subsidiaries	**–**	68.9
Losses on disposal of investment properties	**–**	(0.7)
Property selling and marketing expenses	**(6.2)**	(4.0)
Administrative expenses	**(26.4)**	(39.8)
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION AND AMORTISATION	**29.9**	(10.3)
Depreciation and amortisation	**(1.4)**	(1.8)
OPERATING PROFIT/(LOSS) (Notes 2 & 4)	**28.5**	(12.1)
Finance costs (Note 5)	**(26.5)**	(61.7)
PROFIT/(LOSS) BEFORE TAX	**2.0**	(73.8)
Income tax (Note 6)	**(0.8)**	(5.2)
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**1.2**	(79.0)

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

	Six months ended 30th June, 2021	Six months ended 30th June, 2020
	(Unaudited)	**(Unaudited)**
	HK$'M	**HK$'M**
Attributable to:		
Equity holders of the parent	**1.2**	(79.0)
Non-controlling interests	**–**	–
	1.2	(79.0)
EARNINGS/(LOSS) PER SHARE (INCLUDING ORDINARY SHARE AND CONVERTIBLE PREFERENCE SHARE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic and diluted	**HK0.02 cent**	HK(1.16) cents

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2021 (Unaudited) HK$'M	Six months ended 30th June, 2020 (Unaudited) HK$'M
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**1.2**	(79.0)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**7.0**	(38.9)
Reclassification adjustment on disposal of foreign operations	**–**	71.1
	7.0	32.2
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of equity investment designated at fair value through other comprehensive income	**(22.7)**	39.4
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(15.7)**	71.6
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(14.5)**	(7.4)
Attributable to:		
Equity holders of the parent	**(14.5)**	(7.4)
Non-controlling interests	**–**	–
	(14.5)	(7.4)

Condensed Consolidated Statement of Financial Position

	30th June, 2021 (Unaudited) HK$'M	31st December, 2020 (Audited) HK$'M
NON-CURRENT ASSETS		
Property, plant and equipment	**11.2**	11.5
Investment properties	**94.5**	94.5
Right-of-use assets	**0.9**	1.2
Investment in a joint venture	**2.4**	2.4
Prepayments (Note 9)	**122.9**	114.3
Equity investments designated at fair value through other comprehensive income	**333.6**	356.0
Goodwill	**235.1**	235.1
Intangible asset	**–**	0.7
Total non-current assets	**800.6**	815.7
CURRENT ASSETS		
Properties under development	**4,033.0**	3,854.2
Properties held for sale	**536.6**	538.4
Deposits, prepayments and other assets (Note 9)	**214.5**	186.6
Financial assets at fair value through profit or loss	**29.2**	104.2
Restricted cash	**85.2**	27.3
Pledged bank balances	**1.4**	1.0
Time deposits	**–**	149.1
Cash and bank balances	**102.1**	92.5
Total current assets	**5,002.0**	4,953.3

Condensed Consolidated Statement of Financial Position (Cont'd)

	30th June, 2021 (Unaudited) HK$'M	31st December, 2020 (Audited) HK$'M
CURRENT LIABILITIES		
Creditors and accruals	**(292.6)**	(380.7)
Contract liabilities	**(2,689.6)**	(2,377.0)
Deposits received	**(111.9)**	(116.2)
Interest bearing bank borrowing	**(12.5)**	(12.5)
Other borrowings (Note 10)	**(357.3)**	(535.9)
Convertible bonds	**(500.5)**	(493.0)
Lease liabilities	**(0.5)**	(0.5)
Tax payable	**(5.9)**	(6.1)
Total current liabilities	**(3,970.8)**	(3,921.9)
NET CURRENT ASSETS	**1,031.2**	1,031.4
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,831.8**	1,847.1
NON-CURRENT LIABILITIES		
Creditors and accruals	**(32.9)**	(32.8)
Deposits received	**(2.4)**	(2.7)
Lease liabilities	**(0.5)**	(0.7)
Deferred tax liabilities	**(316.2)**	(316.6)
Total non-current liabilities	**(352.0)**	(352.8)
Net assets	**1,479.8**	1,494.3
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**16.4**	16.4
Reserves	**1,463.4**	1,477.9
	1,479.8	1,494.3
Non-controlling interests	**–**	–
Total equity	**1,479.8**	1,494.3

Notes:

1. Accounting Policies

The condensed consolidated financial statements for the six months ended 30th June, 2021 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 "HKICPA"). 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, 2020, 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, 2021.

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had an interest-bearing bank borrowing denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate as at 30th June, 2021. Since the interest rate of this borrowing was not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rate of this borrowing is replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

(b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30th June, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The Group has not applied the practical expedient to any rent concessions granted by the lessors as a direct consequence of the COVID-19 pandemic. Accordingly, the adoption of the amendment has had no significant impact on the financial position and performance of the Group.

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.

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,**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	HK$'M	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**
Segment revenue:						
Sales to external customers	10.6	30.9	50.4	2.2	61.0	33.1
Segment results before depreciation and amortisation	(13.2)	(23.0)	52.9	(44.1)	39.7	(67.1)
Depreciation and amortisation	(1.4)	(1.7)	-	-	(1.4)	(1.7)
Segment results	(14.6)	(24.7)	52.9	(44.1)	38.3	(68.8)
Unallocated interest income and unallocated non-operating and corporate gains					2.7	75.4
Unallocated non-operating and corporate expenses					(12.5)	(18.7)
Operating profit/(loss)					28.5	(12.1)
Finance costs (other than interest on lease liabilities)	(10.1)	(30.9)	-	-	(10.1)	(30.9)
Unallocated finance costs					(16.4)	(30.8)
Profit/(Loss) before tax					2.0	(73.8)
Income tax					(0.8)	(5.2)
Profit/(Loss) for the period before allocation between equity holders of the parent and non-controlling interests					1.2	(79.0)
Attributable to:						
Equity holders of the parent					1.2	(79.0)
Non-controlling interests					-	-
					1.2	(79.0)

3. Revenue and other income are analysed as follows:

	Six months ended 30th June, 2021 (Unaudited) HK$'M	Six months ended 30th June, 2020 (Unaudited) HK$'M
<u>Revenue</u>		
Revenue from contracts with customers		
Proceeds from sale of properties	**9.5**	29.9
Revenue from other sources		
Rental income	**1.1**	1.0
Net gain from sale of financial assets at fair value through profit or loss	**49.2**	–
Dividend income from listed investments	**1.2**	2.2
	61.0	33.1
<u>Other income</u>		
Bank interest income	**2.7**	6.4
Others	**0.4**	1.7
	3.1	8.1

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

	Six months ended 30th June, 2021 (Unaudited) HK$'M	**Six months ended 30th June, 2020 (Unaudited) HK$'M**
Profit on disposal of properties	**6.2**	4.5
Depreciation of property, plant and equipment	**0.5**	0.6
Depreciation of right-of-use assets	**0.2**	0.5
Amortisation of an intangible asset	**0.7**	0.7
	1.4	1.8

5. Finance costs of the Group are as follows:

	Six months ended 30th June, 2021 (Unaudited) HK$'M	**Six months ended 30th June, 2020 (Unaudited) HK$'M**
Interest on a bank loan	**0.1**	0.2
Interest on convertible bonds	**16.3**	30.6
Interest on other borrowings	**14.2**	34.3
Interest expense arising from revenue contracts	**56.0**	33.2
	86.6	98.3
Less: Finance costs capitalised	**(60.1)**	(36.6)
	26.5	61.7

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

	Six months ended 30th June, 2021	**Six months ended 30th June, 2020**
	(Unaudited)	**(Unaudited)**
	HK$'M	**HK$'M**
Current – PRC		
Charge for the period	**1.1**	5.1
Overprovision in prior years	**–**	(0.5)
Land appreciation tax	**0.2**	0.6
Deferred	**(0.5)**	–
Total tax charge for the period	**0.8**	5.2

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

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

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

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 (2020 – Nil).

7. Dividend

No dividend was paid or proposed during the six months ended 30th June, 2021, nor has any dividend been proposed since the end of the reporting period (2020 – Nil).

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

The calculation of basic earnings per share for the period ended 30th June, 2021 is based on the profit for the period attributable to equity holders of the parent of HK$1.2 million (2020 – loss of HK$79.0 million) and on the weighted average of 8,188.0 million (2020 – 6,798.7 million) shares of the Company in issue (including ordinary shares and convertible preference shares) during the six months ended 30th June, 2021.

(b) Diluted earnings/(loss) per share

No adjustment has been made to the earnings/(loss) per share amount presented for the periods ended 30th June, 2021 and 2020 in respect of a dilution, as the impact of the convertible bonds outstanding during the periods had an anti-dilutive effect on the earnings/(loss) per share amount presented.

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

	30th June, 2021 (Unaudited) HK$'M	31st December, 2020 (Audited) HK$'M
Non-current		
Prepayments (Note (a))	**122.9**	114.3
Current		
Trade debtors (Note (b))	**1.8**	1.8
Contract costs	**35.6**	24.3
Prepayments	**165.8**	150.9
Deposits	**0.1**	0.2
Other receivables	**11.2**	9.4
	214.5	186.6

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 entitled to monetary compensation with reference to the valuation of the land use right in respect of 30% of the overall project area for development purposes and to participate in the tender of such land use right.

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 the relevant re-forestation 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) 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, 2021	**31st December, 2020**
	(Unaudited)	**(Audited)**
	HK$'M	**HK$'M**
Outstanding balances with ages:		
Within 3 months	**0.6**	0.8
4 to 6 months	–	0.3
7 to 12 months	**0.4**	0.3
Over 1 year	**0.8**	0.4
	1.8	1.8

10. Other borrowings are analysed as follows:

	30th June, 2021 (Unaudited) HK$'M	31st December, 2020 (Audited) HK$'M
Current		
Other borrowings	**357.3**	535.9

Other borrowings, comprising a term loan of HK$357.3 million (31st December, 2020 – HK$535.9 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 was accordingly classified under current other borrowings as at 30th June, 2021.

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, 2021.

REVIEW OF RESULTS

The Group's condensed consolidated financial statements for the six months ended 30th June, 2021 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, 2021 to be despatched to shareholders.

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30th June, 2021, 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 of Hong Kong Limited during the six months ended 30th June, 2021, 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 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 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

Independent Non-Executive Directors:
Mr. Francis BONG Shu Ying
Ms. Alice KAN Lai Kuen
Mr. David LI Ka Fai
Hon Abraham SHEK Lai Him, GBS, JP

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 24th August, 2021