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 2022 INTERIM RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2022 (Unaudited) HK$'M	Six months ended 30th June, 2021 (Unaudited) HK$'M	% Change
Revenue	**1,031.1**	61.0	**+1,590.3%**
Operating profit before depreciation and amortisation, finance costs and tax	**239.8**	29.9	**+702.0%**
Profit for the period attributable to equity holders of the parent	**87.8**	1.2	**+7,216.7%**
Basic earnings per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK1.01 cents**	HK0.02 cent	**+4,950.0%**

	As at 30th June, 2022 (Unaudited)	As at 31st Dec, 2021 (Unaudited)	
Net asset value per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK$0.18**	HK$0.19	**-5.3%**

- **For the six months ended 30th June, 2022, the Group achieved an unaudited consolidated profit attributable to shareholders of HK$87.8 million, as compared to a profit of HK$1.2 million attained in the corresponding period in 2021.**

- **The substantial increase in the profit achieved was mainly attributable to the property income derived from the sale of the remaining residential units in the third stage of the Group's Regal Cosmopolitan City development in Chengdu, China that were presold but the sale transactions and hand over procedures for which were only completed in the first six months of 2022.**

- **The remaining components in the Regal Cosmopolitan City development now comprise a commercial complex (including a six-storey shopping mall podium), five towers of office accommodation, a 325-room hotel, all of which are still undergoing development, as well as certain remaining unsold residential units, shops and carparks in the third stage of the development already completed.**

- **The construction works for the two office towers and a four-storey commercial podium in the Regal Renaissance, the Group's other composite development project in Tianjin, China, have recently been completed and the completion certificates obtained.**

- **Although the Group has a very low level of external debt, it will continue to be prudent in pursuing business expansion. The Group is hopeful that, when the market sentiment in China recovers, the Group will be able to secure substantial cash flow from the sale of the remaining components in its two composite development projects in Chengdu and Tianjin.**

FINANCIAL RESULTS

For the six months ended 30th June, 2022, the Group achieved an unaudited consolidated profit attributable to shareholders of HK$87.8 million, as compared to a profit of HK$1.2 million attained in the corresponding period in 2021.

As mentioned in the profit alert announcement published by the Company on 18th August, 2022, the substantial increase in the profit achieved was mainly attributable to the property income derived from the sale of the remaining residential units in the third stage of the Group's Regal Cosmopolitan City development in Chengdu, China that were presold but the sale transactions and hand over procedures for which were only completed in the first six months of 2022.

BUSINESS OVERVIEW

Over the past few months, the international political and economic environments have become increasingly intense and complex. In the Mainland, China's economy continued to sustain steady growth in the early part of this year but the growth momentum has apparently slowed down in the second quarter due to the sporadic outburst of the COVID-19 pandemic. Overall, for the first half of 2022, China's Gross Domestic Product still managed to increase by 2.5% year-on-year.

As regarding the property market in Mainland China, many property developers have been facing severe liquidity issues under the deleveraging environment, with some undergoing major financial restructurings. This has, in turn, adversely affected the overall market sentiment. Consequently, nationwide indices on commodity property sales for the first six months of 2022, including the total area sold and the total sale value achieved, have generally declined significantly as compared with the levels in the corresponding period in 2021.

The central government and various municipalities in China have introduced different accommodative measures, including the lowering of the mortgage interest rates and initial deposit amounts payable on property purchases as well as the relaxation of the sale and purchase restrictions, with a view to stimulating the core demands for housing and for living environment upgrades. These measures have recently begun to generate some positive impact. In the meantime, the central government and the major national banks have been implementing different fiscal measures to provide normal liquidity to the property sector, in order that the real estate market in China will remain stable.

The Group is continuing with the two major composite development projects in Chengdu, Sichuan and Tianjin. While the sales of the residential portions in these two projects have generated significant amounts of cash flow, a substantial part of the cash flow generated has been utilised to fund the construction of the remaining components within the developments. In view of the changing market environment, the Group has been cautious in committing to new property projects.

As indicated in the last Chairman’s Report dated 31st March, 2022, there were about 40% of the residential units in the third stage of the Regal Cosmopolitan City development that were presold but the handover procedures for which had not been completed before the last year end. Most of these remaining presold residential units have since been duly handed over to their respective purchasers in the first six months of 2022. The property income thus derived and accounted for in the period under review amounted to HK$342.8 million, before impairment loss on ascribed goodwill, tax and selling expenses.

The remaining components in the Regal Cosmopolitan City development now comprise a commercial complex (including a six-storey shopping mall podium), five towers of office accommodation, a 325-room hotel, all of which are still undergoing development, as well as certain remaining unsold residential units, shops and carparks in the third stage of the development already completed. As indicated before, the Group is continuing preliminary discussions with Regal Hotels International Holdings Limited for its possible acquisition of the hotel comprised within this composite project.

The Group’s other composite development project in China, the Regal Renaissance, is located in Tianjin and consists of residential, commercial and office components. While the residential portion of this development has also been substantially sold, the remaining components comprise two office towers and a four-storey commercial podium and, in addition, the unsold shops in the completed commercial complex and carparks. The construction works for the office towers and commercial podium have recently been completed and the completion certificates obtained.

Further detailed information on these two development projects, the reforestation and land grant project in Urumqi, Xinjiang as well as the Group’s other investments is contained in the “Management Discussion and Analysis” section.

OUTLOOK

The global economy continues to be overshadowed by many adverse factors, including the intensified geopolitical tensions, the interruptions to the supply chains, the rising commodity and fuel prices and the recent interest rate hikes by many economies to combat inflationary pressures. Outlook for the second half of this year will be full of challenges and uncertainties. In the Mainland China, it is generally expected that the central government will implement different fiscal policies to stimulate the economy, with a view to keeping up the economic growth in China to the anticipated target.

Despite the recent liquidity events affecting many property developers, the Group is optimistic that, with the supportive measures of the central government, the real estate market in China will gradually stabilise. Although the Group has a very low level of external debt, it will continue to be prudent in pursuing business expansion. On the other hand, the Group is hopeful that, when the market sentiment in China recovers, the Group will be able to secure substantial cash flow from the sale of the remaining components in its two composite development projects in Chengdu and Tianjin.

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 for the period and its 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 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 development works of third stage were already completed. Nearly all of the residential units in the third stage have been presold by early 2021. Total proceeds from the contracted presales and sales of the residential units amounted to approximately RMB2,046.2 million (HK$2,339.6 million). As indicated before, up to the last year end, there were about 40% of the presold residential units in the third stage whose handover procedures were yet to be completed. These remaining presold residential units have since been duly handed over to their respective purchasers during the course of this year. The attributable property income derived from these completed sales amounted to HK$342.8 million, before impairment loss on ascribed goodwill, tax and selling expense, which has been accounted for in the period under review.

The sale of the shops with about 2,350 square metres (25,300 square feet) comprised in the third stage is in progress. Up to date, a total of 3,933 square meters (42,335 square feet) of shops have been sold or contracted to be sold, at aggregate sale considerations of approximately RMB90.9 million (HK$103.9 million). The sale of the 1,389 car parking spaces is continuing and, up to date, 438 car parking spaces have been sold or contracted to be sold, for aggregate sales proceeds of approximately RMB47.8 million (HK$54.7 million). The procedures for the hand over of most of the shop units and car parking spaces sold have already been completed and the revenues accounted for in the period under review.

The interior construction works of the 325-room hotel for the procurement of the Completion Certificate are scheduled to commence shortly. The interior fitting-out works for the guestrooms and the podium based on the revised design scheme are planned to commence after the procurement of the Completion Certificate and the hotel is scheduled to open in phases after the completion of the respective fitting-out works.

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. All the office towers, the commercial facilities as well as the six-storey shopping mall podium have been topped-off. The market repositioning works of the shopping mall and certain office towers are also 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, 124 office units with a total of about 5,309 square meters (57,140 square feet) have been subscribed by prospective purchasers or presold under contracts, for an aggregate sale consideration of RMB47.0 million (HK$53.7 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 regard 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 progress on the sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), has been relatively slow. Certain parts of the commercial complex have been leased out for rental income.

The superstructure works of the remaining two office towers and the four-storey commercial podium were completed in December 2021 and the Completion Certificates obtained. The sale programme for one of the office towers, consisting of 137 units with a total of about 17,530 square metres (188,700 square feet), has been delayed on account of the changed market environment, which is now planned to be launched in the first half of 2023. Depending on the sale progress, the sale of the other office tower, consisting of 247 units with a total of about

39,210 square metres (422,000 square feet), may 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 overall re-forested area. In the meanwhile, the Group is communicating 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 IDEA Group (formerly known as AMTD International Inc.)

The Group holds 6,069,000 Class A ordinary shares of AMTD IDEA Group as equity investments at fair value through other comprehensive income. 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.

PRC Real Estate Company

As previously disclosed, the Group acquired an 80% equity interest in and provided pro rata shareholder’s loan to an investee company incorporated in the PRC in July 2019. The investee company owned 10% equity interest in another PRC-incorporated real estate company that undertakes joint developments for both industry specific real estate and residential/commercial real estate in China. In December 2021, the Group entered into an agreement with an independent third party for the disposal of its entire 80% equity interest in and shareholder's loan to the abovementioned investee company at a consideration equal to the original investment cost of the Group, completion of which will take place in the second half of 2022. Under the terms of the agreement, the Group has the right to repurchase the subject equity interest and shareholder's loan from the purchaser at the original consideration plus interest at 8% per annum at any time on or before 31st December, 2023.

FINANCIAL REVIEW

ASSETS VALUE

As at 30th June, 2022, the Group's net assets attributable to equity holders of the parent amounted to HK$1,554.1 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 were 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.

In September 2021, the Group entered into a Supplemental Agreement with the Regal group in relation to the loan facilities granted by the Regal group in 2016, principally with the objective to extending the repayment date of the revised loan facilities in the aggregate amount of HK$857.0 million from 12th October, 2021 to 12th October, 2024, in order that the Group can align the timing for the repayment of the revised loan facilities with the latest sale progress and completion schedules of the Group's development projects in Chengdu and Tianjin.

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

Cash Flows

Net cash flows used in operating activities during the period under review amounted to HK$241.7 million (2021 – net cash flows generated from operating activities of HK$50.5 million). Net interest receipt for the period amounted to HK$0.4 million (2021 – net interest payment of HK$13.5 million).

Borrowings and Gearing

As at 30th June, 2022, the Group had cash and bank balances and deposits of HK$104.2 million (31st December, 2021 – HK$177.7 million) and the Group's borrowings including convertible bonds, net of cash and bank balances and deposits, amounted to HK$848.8 million (31st December, 2021 – HK$584.1 million).

As at 30th June, 2022, the gearing ratio of the Group was 22.0% (31st December, 2021 – 12.1%), representing the Group's borrowings including convertible bonds, net of cash and bank balances and deposits, of HK$848.8 million (31st December, 2021 – HK$584.1 million), as compared to the total assets of the Group of HK$3,854.1 million (31st December, 2021 – HK$4,844.7 million).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2022 are shown in the condensed consolidated financial statements contained in the interim report for the six months ended 30th June, 2022 of the Company ("Interim Financial Statements") to be published on or before 30th September, 2022.

Lease Liabilities

As at 30th June, 2022, the Group had lease liabilities of HK$0.5 million (31st December, 2021 – HK$0.7 million).

Pledge of Assets

As at 30th June, 2022, certain of the Group's bank deposits and financial assets at fair value through profit or loss in the amount of HK$24.0 million (31st December, 2021 – HK$24.8 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, 2022 are shown in the Interim Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2022 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, 2022 (2021 – Nil).

HALF YEAR RESULTS

Condensed Consolidated Statement of Profit or Loss

	Six months ended 30th June, 2022	Six months ended 30th June, 2021
	(Unaudited)	**(Unaudited)**
	HK$'M	**HK$'M**
REVENUE (Notes 2 & 3)	**1,031.1**	61.0
Cost of sales	**(689.3)**	(3.4)
Gross profit	**341.8**	57.6
Other income (Note 3)	**2.8**	3.1
Fair value losses on investment properties, net	**(2.3)**	(0.7)
Fair value gains on financial assets at fair value through profit or loss, net	**–**	2.5
Impairment of goodwill	**(41.6)**	–
Loss on disposal of investment properties	**(5.6)**	–
Property selling and marketing expenses	**(19.6)**	(6.2)
Administrative expenses	**(35.7)**	(26.4)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION	**239.8**	29.9
Depreciation and amortisation	**(0.8)**	(1.4)
OPERATING PROFIT (Notes 2 & 4)	**239.0**	28.5
Finance costs (Note 5)	**(28.0)**	(26.5)
PROFIT BEFORE TAX	**211.0**	2.0
Income tax (Note 6)	**(123.2)**	(0.8)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**87.8**	1.2

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

	Six months ended 30th June, 2022	Six months ended 30th June, 2021
	(Unaudited)	**(Unaudited)**
	HK$'M	**HK$'M**
Attributable to:		
Equity holders of the parent	**87.8**	1.2
Non-controlling interests	**–**	–
	87.8	1.2
EARNINGS PER SHARE (INCLUDING ORDINARY SHARE AND CONVERTIBLE PREFERENCE SHARE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic and diluted	**HK1.01 cents**	HK0.02 cent

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2022 (Unaudited) HK$'M	Six months ended 30th June, 2021 (Unaudited) HK$'M
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**87.8**	1.2
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	**(67.4)**	7.0
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of equity investments designated at fair value through other comprehensive income	**(94.7)**	(22.7)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	**(162.1)**	(15.7)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(74.3)**	(14.5)
Attributable to:		
Equity holders of the parent	**(74.3)**	(14.5)
Non-controlling interests	**–**	–
	(74.3)	(14.5)

Condensed Consolidated Statement of Financial Position

	30th June, 2022 (Unaudited) HK$'M	31st December, 2021 (Audited) HK$'M
NON-CURRENT ASSETS		
Property, plant and equipment	**10.2**	11.2
Investment properties	**71.0**	98.5
Right-of-use assets	**0.4**	0.7
Investment in a joint venture	**2.4**	2.4
Loans receivable	**–**	1.8
Prepayments (Note 9)	**124.7**	133.7
Equity investments designated at fair value through other comprehensive income	**99.9**	196.6
Goodwill	**–**	41.6
Total non-current assets	**308.6**	486.5
CURRENT ASSETS		
Properties under development	**2,742.5**	2,764.3
Properties held for sale	**622.0**	1,311.2
Loans receivable	**1.8**	–
Deposits, prepayments and other assets (Note 9)	**46.8**	76.8
Financial assets at fair value through profit or loss	**28.2**	28.2
Restricted cash	**40.8**	66.1
Pledged bank balances	**0.5**	1.8
Time deposits	**–**	17.1
Cash and bank balances	**62.9**	92.7
Total current assets	**3,545.5**	4,358.2

Condensed Consolidated Statement of Financial Position (Cont'd)

	30th June, 2022 (Unaudited) HK$'M	31st December, 2021 (Audited) HK$'M
CURRENT LIABILITIES		
Creditors and accruals	**(324.5)**	(522.9)
Contract liabilities	**(310.9)**	(1,328.8)
Deposits received	**(131.3)**	(130.1)
Interest bearing bank borrowing	**(12.5)**	(12.5)
Other borrowings (Note 10)	**(304.7)**	(121.9)
Lease liabilities	**(0.5)**	(0.5)
Tax payable	**(307.6)**	(172.5)
Total current liabilities	**(1,392.0)**	(2,289.2)
NET CURRENT ASSETS	**2,153.5**	2,069.0
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,462.1**	2,555.5
NON-CURRENT LIABILITIES		
Creditors and accruals	**(30.0)**	(31.2)
Deposits received	**(1.7)**	(1.6)
Other borrowings (Note 10)	**(357.0)**	(357.0)
Convertible bonds	**(278.8)**	(270.4)
Lease liabilities	**–**	(0.2)
Deferred tax liabilities	**(240.5)**	(266.7)
Total non-current liabilities	**(908.0)**	(927.1)
Net assets	**1,554.1**	1,628.4
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**17.4**	17.4
Reserves	**1,536.7**	1,611.0
	1,554.1	1,628.4
Non-controlling interests	**–**	–
Total equity	**1,554.1**	1,628.4

Notes:

1. Accounting Policies

The condensed consolidated financial statements for the six months ended 30th June, 2022 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, 2021, 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, 2022.

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30th June, 2021*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1st January, 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30th June, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1st April, 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. 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.

(c) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1st January, 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1st January, 2021, the amendments did not have any impact on the financial position or performance of the Group.

(d) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1st January, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(e) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1st January, 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying

HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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 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,	
	2022	2021	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Segment revenue:						
Sales to external customers	1,030.7	10.6	0.4	50.4	1,031.1	61.0
Segment results before depreciation and amortisation	251.5	(13.2)	0.4	52.9	251.9	39.7
Depreciation and amortisation	(0.8)	(1.4)	–	–	(0.8)	(1.4)
Segment results	250.7	(14.6)	0.4	52.9	251.1	38.3
Unallocated interest income and unallocated non-operating and corporate gains					0.5	2.7
Unallocated non-operating and corporate expenses					(12.6)	(12.5)
Operating profit					239.0	28.5
Finance costs (other than interest on lease liabilities)	(19.5)	(10.1)	–	–	(19.5)	(10.1)
Unallocated finance costs					(8.5)	(16.4)
Profit before tax					211.0	2.0
Income tax					(123.2)	(0.8)
Profit for the period before allocation between equity holders of the parent and non-controlling interests					87.8	1.2
Attributable to:						
Equity holders of the parent					87.8	1.2
Non-controlling interests					–	–
					87.8	1.2

3. Revenue and other income are analysed as follows:

	Six months ended 30th June, 2022 (Unaudited) HK$'M	Six months ended 30th June, 2021 (Unaudited) HK$'M
<u>Revenue</u>		
Revenue from contracts with customers		
Proceeds from sale of properties	**1,030.3**	9.5
Revenue from other sources		
Rental income	**0.4**	1.1
Net gain from sale of financial assets at fair value through profit or loss	–	49.2
Dividend income from listed investments	**0.4**	1.2
	1,031.1	61.0
<u>Other income</u>		
Bank interest income	**0.5**	2.7
Others	**2.3**	0.4
	2.8	3.1

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

	Six months ended 30th June, 2022	**Six months ended 30th June, 2021**
	(Unaudited)	**(Unaudited)**
	HK$'M	**HK$'M**
Profit on disposal of properties	**337.2**	6.2
Depreciation of property, plant and equipment	**0.5**	0.5
Depreciation of right-of-use assets	**0.3**	0.2
Amortisation of an intangible asset	**–**	0.7
	0.8	1.4

5. Finance costs of the Group are as follows:

	Six months ended 30th June, 2022	**Six months ended 30th June, 2021**
	(Unaudited)	**(Unaudited)**
	HK$'M	**HK$'M**
Interest on a bank loan	**0.1**	0.1
Interest on convertible bonds	**8.4**	16.3
Interest on other borrowings	**15.9**	14.2
Interest expense arising from revenue contracts	**6.2**	56.0
	30.6	86.6
Less: Finance costs capitalised	**(2.6)**	(60.1)
	28.0	26.5

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

	Six months ended 30th June, 2022	Six months ended 30th June, 2021
	(Unaudited)	(Unaudited)
	HK$'M	HK$'M
Current – PRC		
Charge for the period	**84.7**	1.1
Land appreciation tax	**64.2**	0.2
Deferred	**(25.7)**	(0.5)
Total tax charge for the period	**123.2**	0.8

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

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

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

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

No provision for tax was required for the joint venture as no assessable profits were earned by the joint venture during the period (2021 – Nil).

7. Dividend

No dividend was paid or proposed during the six months ended 30th June, 2022, nor has any dividend been proposed since the end of the reporting period (2021 – Nil).

8. (a) Basic earnings per share

The calculation of basic earnings per share for the period ended 30th June, 2022 is based on the profit for the period attributable to equity holders of the parent of HK$87.8 million (2021 – HK$1.2 million) and on the weighted average of 8,688.0 million (2021 – 8,188.0 million) shares of the Company in issue (including ordinary shares and convertible preference shares) during the six months ended 30th June, 2022.

(b) Diluted earnings per share

No adjustment has been made to the earnings per share amount presented for the periods ended 30th June, 2022 and 2021 in respect of a dilution, as the impact of the convertible bonds outstanding during the periods had an anti-dilutive effect on the earnings per share amount presented.

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

	30th June, 2022 (Unaudited) HK$'M	31st December, 2021 (Audited) HK$'M
Non-current		
Prepayments (Note (a))	**124.7**	133.7
Current		
Trade debtors (Note (b))	**0.9**	1.4
Contract costs	**2.2**	17.2
Prepayments	**37.0**	49.6
Deposits	**0.1**	0.1
Other receivables	**6.6**	8.5
	46.8	76.8

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 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, 2022	**31st December, 2021**
	(Unaudited)	**(Audited)**
	HK$'M	**HK$'M**
Outstanding balances with ages:		
Within 3 months	**0.1**	0.7
4 to 6 months	**0.2**	–
7 to 12 months	**–**	–
Over 1 year	**1.2**	1.3
	1.5	2.0
Impairment	**(0.6)**	(0.6)
	0.9	1.4

10. Other borrowings are analysed as follows:

	30th June, 2022 (Unaudited) HK$'M	31st December, 2021 (Audited) HK$'M
Non-current		
Other borrowings	**357.0**	357.0
Current		
Other borrowings	**304.7**	121.9

Other borrowings, comprising a term loan of HK$357.0 million and revolving loan of HK$304.7 million (31st December, 2021 – term loan of HK$357.0 million and revolving loan of HK$121.9 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 was originally due on 12th October, 2021. Pursuant to a supplemental agreement entered into with that fellow subsidiary in September 2021, the repayment date of the revised loan facilities in the aggregate amount of HK$857.0 million was extended for three years to 12th October, 2024. The term loan is accordingly classified under non-current other borrowings and the revolving loan is classified as short-term borrowings as at 30th June, 2022.

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, 2022.

REVIEW OF RESULTS

The Group's condensed consolidated financial statements for the six months ended 30th June, 2022 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, 2022 to be despatched to shareholders.

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30th June, 2022, 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, 2022, except that:

- 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.

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
Mr. Abraham SHEK Lai Him, GBS, JP

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 25th August, 2022