



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)

2023
INTERIM
REPORT



66萬m²都會綜合體
2023年11月—145萬m²住宅

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Jimmy Lo Chun To

(Vice Chairman and Managing Director)

Lo Po Man (Vice Chairman)

Kenneth Wong Po Man (Chief Operating Officer)

Kelvin Leung So Po (Chief Financial Officer)

Kenneth Ng Kwai Kai

Independent Non-Executive Directors

Francis Bong Shu Ying, OBE, JP

Alice Kan Lai Kuen

David Li Ka Fai

Abraham Shek Lai Him, GBS, JP

AUDIT COMMITTEE

David Li Ka Fai (Chairman)

Francis Bong Shu Ying, OBE, JP

Alice Kan Lai Kuen

Abraham Shek Lai Him, GBS, JP

REMUNERATION COMMITTEE

Alice Kan Lai Kuen (Chairman)

Lo Yuk Sui

Francis Bong Shu Ying, OBE, JP

David Li Ka Fai

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Francis Bong Shu Ying, OBE, JP

Alice Kan Lai Kuen

David Li Ka Fai

Abraham Shek Lai Him, GBS, JP

SECRETARY

Eliza Lam Sau Fun

AUDITOR

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited

Bank of Communications (Hong Kong) Limited

The Bank of East Asia, Limited

Industrial and Commercial Bank of China (Asia) Limited

SHARE REGISTRAR IN THE CAYMAN ISLANDS

Maples Fund Services (Cayman) Limited

P.O. Box 1093, Boundary Hall

Cricket Square

Grand Cayman, KY1-1102

Cayman Islands

SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wan Chai

Hong Kong

REGISTERED OFFICE

PO Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street

Causeway Bay, Hong Kong

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Mr. Lo Yuk Sui, aged 78; *Chairman and Chief Executive Officer* — Appointed to the Board as an Executive Director in 2013. Mr. Lo also acts as the Chairman and the Chief Executive Officer of the Company since 2013. He has been the managing director and chairman of the respective predecessor listed companies of Century City International Holdings Limited (“CCIHL”) (the ultimate listed holding company of the Company), Paliburg Holdings Limited (“PHL”) (the immediate listed holding company of the Company) and Regal Hotels International Holdings Limited (“RHIHL”) (a listed subsidiary of CCIHL and PHL and a listed fellow subsidiary of the Company) since 1980s. He is also an executive director, the chairman and the chief executive officer of CCIHL, PHL and RHIHL and a non-executive director and the chairman of Regal Portfolio Management Limited (“RPML”), the manager of Regal Real Estate Investment Trust (the listed subsidiary of RHIHL). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

Mr. Lo Chun To (Alias: Jimmy), aged 49; *Vice Chairman and Managing Director* — Appointed to the Board as an Executive Director in 2013. Mr. Jimmy Lo also acts as a Vice Chairman and the Managing Director of the Company since 2013. He is also an executive director and a vice chairman of CCIHL, an executive director, the vice chairman and the managing director of PHL, an executive director of RHIHL and a non-executive director of RPML. Mr. Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. Mr. Lo joined the Century City Group in 1998. He is primarily involved in overseeing the property projects of the Group in the People’s Republic of China (the “PRC”) and, in addition, undertakes responsibilities in the business development of the Century City Group. Mr. Lo is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Miss Lo Po Man, aged 43; *Vice Chairman and Executive Director* — Appointed to the Board as an Executive Director in 2013. Miss Lo also acts as a Vice Chairman of the Company since 2013. She is also an executive director and a vice chairman of CCIHL, an executive director of PHL, an executive director, a vice chairman and the managing director of RHIHL, and a non-executive director and the vice chairman of RPML. Miss Lo graduated from Duke University, North Carolina, the United States, with a Bachelor’s Degree in Psychology. Miss Lo joined the RHIHL Group in 2000 and is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing function of the RHIHL Group and also undertakes responsibilities in the business development of the Century City Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Wong Po Man (Alias: Kenneth), aged 57; *Executive Director and Chief Operating Officer* — Appointed to the Board in 2010 as a Non-Executive Director and re-designated as an Executive Director and the Chief Operating Officer in 2013. Mr. Kenneth Wong is also an executive director of PHL. Mr. Wong graduated from The University of Hong Kong with a Bachelor of Arts Degree in Architectural Studies and a Bachelor’s Degree of Architecture. He also holds a Master of Science Degree in Real Estates from The University of Hong Kong. He is a qualified architect and has over 31 years of experience in architectural design and project management in respect of property development projects. He is also a Technical Director of an engineering company which is registered under the Buildings Ordinance of Hong Kong.

DIRECTORS' PROFILE (Cont'd)

Mr. Leung So Po (Alias: Kelvin), aged 51; Executive Director and Chief Financial Officer — Appointed to the Board in 2008 as a Non-Executive Director and re-designated as an Executive Director and the Chief Financial Officer in 2013. Mr. Kelvin Leung is also an executive director of CCIHL. He is an executive director of PHL and RHIHL with effect from 1st September, 2023. He has been with the Century City Group since 1997 and is involved in the corporate finance function as well as in the China business division of the Century City Group. Mr. Leung holds a Bachelor's Degree in Business Administration and a Master of Laws Degree in Chinese Business Law both from The Chinese University of Hong Kong. He is a member of the American Institute of Certified Public Accountants. He has over 28 years of experience in accounting and corporate finance field.

Mr. Ng Kwai Kai (Alias: Kenneth), aged 68; Executive Director — Appointed to the Board in 2008 as a Non-Executive Director and re-designated as an Executive Director in 2013. Mr. Kenneth Ng is also an executive director and the chief operating officer of CCIHL, an executive director of PHL and RHIHL, and a non-executive director of RPML. He is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. Mr. Ng is a Chartered Secretary.

Mr. Bong Shu Ying, Francis, OBE, JP, aged 81; Independent Non-Executive Director — Appointed to the Board in 2006 as a Non-Executive Director and re-designated as an Independent Non-Executive Director in 2021. Mr. Francis Bong was a director of AECOM Technology Corporation, a company incorporated in the United States and listed on the New York Stock Exchange. Mr. Bong holds a Bachelor's Degree of Science in Engineering from The University of Hong Kong and is a former Chairman of the Hong Kong University Engineering Advisory Committee. He is a former president of the Hong Kong Institution of Engineers, a former president of the Hong Kong Academy of Engineering Sciences and a fellow member of The Institution of Structural Engineers in the United Kingdom.

Ms. Kan Lai Kuen, Alice, aged 68; Independent Non-Executive Director — Invited to the Board as an Independent Non-Executive Director in 2013. Ms. Alice Kan is also an independent non-executive director of RHIHL. Ms. Kan is a shareholder and a director of BLS Capital Limited. She is a licensed responsible officer of BLS Capital Limited for asset management under the Securities and Futures Ordinance of Hong Kong. She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is also an independent non-executive director of Jolimark Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Li Ka Fai, David, aged 68; *Independent Non-Executive Director* — Invited to the Board as an Independent Non-Executive Director in 2006. Mr. David Li is a fellow of The Association of Chartered Certified Accountants, UK. Mr. Li is an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee and the nomination committee of China-Hongkong Photo Products Holdings Limited and Goldlion Holdings Limited, an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee of China Merchants Port Holdings Company Limited, an independent non-executive director and a member of the audit committee and the remuneration committee of Continental Aerospace Technologies Holding Limited, an independent non-executive director and the chairman of the audit committee of Shanghai Industrial Urban Development Group Limited and Wai Yuen Tong Medicine Holdings Limited, all of which companies are listed on the main board of the Stock Exchange.

Mr. Shek Lai Him, Abraham (Alias: Abraham Razack), GBS, JP, aged 78; *Independent Non-Executive Director* — Invited to the Board as an Independent Non-Executive Director in 2013. Mr. Abraham Shek is also an independent non-executive director of PHL and RPML. Mr. Shek holds a Bachelor's Degree of Arts and a Juris Doctor Degree. Mr. Shek is an honorary member of the Court of The Hong Kong University of Science and Technology, a member of both of the Court and the Council of The University of Hong Kong and a member of the Court of City University of Hong Kong. He was a member of the Legislative Council of the Hong Kong Special Administrative Region. Mr. Shek is the chairman, an executive director, the chairman of the corporate governance committee and a member of the nomination committee of Goldin Financial Holdings Limited (In Liquidation), the honorary chairman, an independent non-executive director and the chairman of the audit committee of Chuang's China Investments Limited, an independent non-executive director and the chairman of the audit committee of Chuang's Consortium International Limited, the joint vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited, an independent non-executive director and a member of the audit committee of China Resources Cement Holdings Limited, Country Garden Holdings Company Limited, CSI Properties Limited, Everbright Grand China Assets Limited, Far East Consortium International Limited, Hao Tian International Construction Investment Group Limited, Shin Hwa World Limited and NWS Holdings Limited, and an independent non-executive director of Alliance International Education Leasing Holdings Limited and Lai Fung Holdings Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange).

CHAIRMAN'S STATEMENT

Dear shareholders,

I am presenting herewith the Interim Report of the Company for the six months ended 30th June, 2023.

FINANCIAL RESULTS

For the six months ended 30th June, 2023, the Group recorded a consolidated loss attributable to shareholders of HK\$98.3 million, as compared to a profit of HK\$87.8 million attained in the corresponding period in 2022.

As explained in the profit warning announcement published by the Company on 18th August, 2023, the loss incurred was mainly due to the low level of profits recognised in the period under review from the sale of properties in the two development projects of the Group in Tianjin and Chengdu. While for the comparative half year in 2022, substantial profits were derived from the sale of the remaining residential units in the third stage of the Group's development project in Chengdu.

The Company announced in a joint announcement dated 11th July, 2023 a series of corporate proposals involving, among others, a share consolidation and a bonus issue on the basis of two bonus shares for every one consolidated share or consolidated convertible preference share of the Company, with an option for the holders to elect to receive bonus convertible notes in lieu of the bonus shares. As explained in the joint announcement, the primary purpose of the proposals is to maintain that at least 25% of the issued ordinary shares of the Company will continue to be held in the hands of the public following completion of certain transactions by the controlling shareholder of the Company involving its acquisition of shares in the Company. Detailed information on these proposals are contained in the joint announcement and in a circular to be despatched to shareholders of the Company shortly.

BUSINESS OVERVIEW

Benefiting from the easing policies and measures introduced by the central government in China since the end of 2022 to support its real estate industry and the release of the pent-up demands that were accumulated during the pandemic times, the property market in China experienced a mild rebound in the first quarter of 2023. However, the rebound momentum was not able to sustain into the second quarter, mainly due to the weakness in export trade, domestic consumption and investment confidence. Overall, for the first half of 2023 as a whole, the performance of the real estate market in Mainland China remained relatively stagnant, particularly in the office and commercial sectors.

Most of the residential units in the entire Regal Cosmopolitan City development in Chengdu have already been sold and the remaining shops and car parks in stage 3 of the development, which was completed in the second quarter of 2022, will continue to be disposed of. The other components within this development mainly comprise a commercial complex (including a six-storey shopping mall podium), five towers of office accommodation and a hotel building, the development works for which are proceeding steadily. The presale of some of the office and shop units in one of the office towers has commenced in 2021 and 2022, respectively, but the sale progress was slow due to the sluggish market conditions. Up to date, only about 192 office and 5 shop units have been presold under contracts or subscribed by prospective purchasers.

The Group's other composite development in China is the Regal Renaissance in Tianjin. Apart from the residential units in the development that have been sold, the remaining components in this development mainly comprise two office towers and a four-storey commercial podium which have been completed in 2022. In view of the prevailing market environment, launching of a new sale programme will be deferred to a later appropriate time.

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 policies introduced by government authorities in earlier years to restrict purchases of commodity properties in many Mainland cities have been gradually released. However, due to the concerns over the possible slowdown in the economic growth in China, many home purchasers and investors are taking a wait-and-see attitude, which have suppressed the demands for different types of properties. At present, many real estate developers in China are still encountering severe liquidity strain on account of the slackened sales revenues and the difficulty to access new financings or re-financings. The central government of China has recently reasserted the importance of the real estate industry as one of its economic pillars. It is believed that the central government of China will continue to implement supportive policies to ease market liquidity and to restore market confidence, with an aim to reinstating a steady and healthily growing real estate industry.

The Group remains optimistic of the prospects of the real estate market in China in the long term and anticipates that the remaining components in the Group's two development projects in Chengdu and Tianjin will be able to generate substantial revenues when the market conditions revive.

LO YUK SUI

Chairman

Hong Kong
25th August, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in property development and investment, which are mainly focused in the People's Republic of China (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 preceding Chairman's Statement and in this section.

The Group has no immediate plans for material investments or capital assets, other than those disclosed in the section headed "Business Overview" in the preceding Chairman's Statement and in this 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 now already been sold. Total proceeds from the sales of the residential units amounted to approximately RMB2,047.0 million (HK\$2,203.6 million).

The sale of the shops with about 4,110 square metres (44,250 square feet) comprised in the third stage is in progress. Up to date, a total of 3,965 square meters (42,679 square feet) of shops have been sold or contracted to be sold, for aggregate sale considerations of approximately RMB91.9 million (HK\$98.9 million). The sale of the 1,389 car parking spaces is continuing and, up to date, 465 car parking spaces have been sold or contracted to be sold, for aggregate sales proceeds of approximately RMB50.6 million (HK\$54.5 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 preceding financial year.

The interior construction works of the 325-room hotel for the procurement of the Completion Certificate are in progress and expected to be completed before the end of 2023. 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 proceeding steadily. 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 of the 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), commenced in 2021. Up to date, 192 office units with a total of about 8,300 square metres (89,341 square feet) have been presold under contracts or subscribed by prospective purchasers, for an aggregate sale consideration of RMB72.0 million (HK\$77.5 million).

The presale of the shops of about 2,650 square metres (28,550 square feet) comprised in the commercial portion of the office tower on sale has also commenced in 2022. Up to date, a total of 5 shop units of about 274 square metres (2,949 square feet) have been presold under contracts, for aggregate sale considerations of approximately RMB8.1 million (HK\$8.7 million).

The sale programme for the units in the remaining four office towers will be launched 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 two office towers and the four-storey commercial podium have been completed and the Completion Certificates obtained in March 2022. The market repositioning works for the commercial podium are in progress. In view of the prevailing market environment, launching of a new sale programme for the commercial and office units will be deferred to a later appropriate time.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

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 (convertible into 3,034,500 American depositary 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 is expected to take place by the end of 2023 (as extended). 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, 2024 (as extended).

Investment in Interra Acquisition Corporation

In September 2022, a wholly owned subsidiary of the Group subscribed for and was allocated a total of 12,210,000 Class A Shares (with attached warrants) of Interra Acquisition Corporation at a subscription price of approximately HK\$122.1 million. Interra is a special purpose acquisition company set up for the purpose effecting a De-SPAC Transaction and is listed on The Stock Exchange of Hong Kong Limited. The investment was funded by bank and other borrowings of the Group and under the terms of offering of Interra, subscribers are afforded redemption rights to protect their investments in the subscribed securities of Interra.

The Group considered that this investment in Interra could diversify the Group's investment portfolio and enable the Group to capture possible favourable investment returns. Detailed information on the Group's investment in Interra is contained in the joint announcement of the Company published on 9th September, 2022.

FINANCIAL REVIEW

ASSETS VALUE

As at 30th June, 2023, the Group's net assets attributable to equity holders of the parent amounted to HK\$1,230.6 million, representing approximately HK\$0.14 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 anticipated 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 Regal Hotels International Holdings Limited ("RHIHL") group in relation to the loan facilities granted by the RHIHL 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 further 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 RHIHL Group as well as through other borrowings. 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\$258.8 million (2022 – HK\$241.7 million). Net interest payment for the period amounted to HK\$6.3 million (2022 – net interest receipt of HK\$0.4 million).

Borrowings and Gearing

As at 30th June, 2023, the Group had cash and bank balances and deposits of HK\$110.9 million (31st December, 2022 – HK\$81.6 million) and the Group's borrowings including convertible bonds, net of cash and bank balances and deposits, amounted to HK\$1,361.2 million (31st December, 2022 – HK\$1,113.6 million).

As at 30th June, 2023, the gearing ratio of the Group was 34.2% (31st December, 2022 – 27.8%), representing the Group's borrowings including convertible bonds, net of cash and bank balances and deposits, of HK\$1,361.2 million (31st December, 2022 – HK\$1,113.6 million), as compared to the total assets of the Group of HK\$3,982.5 million (31st December, 2022 – HK\$4,000.5 million).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2023 are shown in notes 11, 12 and 13 to the condensed consolidated financial statements.

Lease Liabilities

As at 30th June, 2023, the Group had lease liabilities of HK\$1.3 million (31st December, 2022 – HK\$0.2 million).

Pledge of Assets

As at 30th June, 2023, certain of the Group's bank deposits and financial assets at fair value through profit or loss in the amount of HK\$23.9 million (31st December, 2022 – HK\$23.0 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2023 are shown in note 15 to the condensed consolidated financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2023 are shown in note 17 to the condensed consolidated financial statements.

Share Capital

During the period under review, there was no change in the share capital of the Company.

DIVIDEND

The Directors have resolved not to declare an interim dividend for the financial year ending 31st December, 2023 (2022 – Nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

During the period under review, there were no material acquisitions or disposals of subsidiaries or associates of the Company.

STAFF AND REMUNERATION POLICY

The Group employs approximately 90 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include a mandatory provident fund scheme as well as medical and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	Notes	HK\$ million	HK\$ million
REVENUE	2, 3	23.5	1,031.1
Cost of sales		<u>(17.0)</u>	<u>(689.3)</u>
Gross profit		6.5	341.8
Other income	3	0.2	2.8
Fair value losses on investment properties, net		(1.0)	(2.3)
Impairment of goodwill		–	(41.6)
Loss on disposal of investment properties		(1.0)	(5.6)
Property selling and marketing expenses		(2.7)	(19.6)
Administrative expenses		<u>(30.4)</u>	<u>(35.7)</u>
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION		(28.4)	239.8
Depreciation	4	<u>(0.7)</u>	<u>(0.8)</u>
OPERATING PROFIT/(LOSS)	2, 4	(29.1)	239.0
Finance costs	5	<u>(35.4)</u>	<u>(28.0)</u>
PROFIT/(LOSS) BEFORE TAX		(64.5)	211.0
Income tax	6	<u>(33.8)</u>	<u>(123.2)</u>
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		<u>(98.3)</u>	<u>87.8</u>
Attributable to:			
Equity holders of the parent		(98.3)	87.8
Non-controlling interests		–	–
		<u>(98.3)</u>	<u>87.8</u>
EARNINGS/(LOSS) PER SHARE (INCLUDING ORDINARY SHARE AND CONVERTIBLE PREFERENCE SHARE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		<u>HK(1.13) cents</u>	<u>HK1.01 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	HK\$ million	HK\$ million
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	(98.3)	87.8
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(76.8)	(67.4)
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	(5.0)	(94.7)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(81.8)	(162.1)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(180.1)	(74.3)
Attributable to:		
Equity holders of the parent	(180.1)	(74.3)
Non-controlling interests	—	—
	(180.1)	(74.3)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30th June, 2023 (Unaudited)	31st December, 2022 (Audited)
	Notes	HK\$ million	HK\$ million
NON-CURRENT ASSETS			
Property, plant and equipment		8.7	9.5
Investment properties		48.0	65.2
Right-of-use assets		1.3	0.2
Investment in a joint venture		2.4	2.4
Prepayments	9	130.8	129.7
Equity investments designated at fair value through other comprehensive income		78.7	85.6
Total non-current assets		<u>269.9</u>	<u>292.6</u>
CURRENT ASSETS			
Properties under development		1,638.0	1,592.4
Properties held for sale		1,751.9	1,831.8
Loans receivable		1.8	1.7
Deposits, prepayments and other assets	9	61.2	51.6
Financial assets at fair value through profit or loss		148.8	148.8
Restricted cash		40.8	24.9
Pledged bank balances		1.3	1.2
Cash and bank balances		68.8	55.5
Total current assets		<u>3,712.6</u>	<u>3,707.9</u>
CURRENT LIABILITIES			
Creditors and accruals	10	(314.5)	(355.0)
Contract liabilities		(308.2)	(320.4)
Deposits received		(128.2)	(129.0)
Interest bearing bank borrowing	11	(12.5)	(12.5)
Other borrowings	12	(338.2)	(382.2)
Lease liabilities		(0.4)	(0.2)
Tax payable		(253.2)	(319.3)
Total current liabilities		<u>(1,355.2)</u>	<u>(1,518.6)</u>
NET CURRENT ASSETS		<u>2,357.4</u>	<u>2,189.3</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,627.3</u>	<u>2,481.9</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

		30th June, 2023 (Unaudited)	31st December, 2022 (Audited)
	Notes	HK\$ million	HK\$ million
NON-CURRENT LIABILITIES			
Creditors and accruals	10	(34.5)	(29.8)
Deposits received		(0.9)	(0.9)
Other borrowings	12	(825.0)	(513.0)
Convertible bonds	13	(296.4)	(287.5)
Lease liabilities		(0.9)	–
Deferred tax liabilities		(239.0)	(240.0)
Total non-current liabilities		<u>(1,396.7)</u>	<u>(1,071.2)</u>
Net assets		<u>1,230.6</u>	<u>1,410.7</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		17.4	17.4
Reserves		1,213.2	1,393.3
		<u>1,230.6</u>	<u>1,410.7</u>
Non-controlling interests		–	–
Total equity		<u>1,230.6</u>	<u>1,410.7</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2023

	Attributable to equity holders of the parent										
	Issued capital (Unaudited) HK\$ million	Share premium account (Unaudited) HK\$ million	Capital redemption reserve (Unaudited) HK\$ million	Capital reserve (Unaudited) HK\$ million	Fair value reserve (Unaudited) HK\$ million	Exchange equalisation reserve (Unaudited) HK\$ million	Contributed surplus [#] (Unaudited) HK\$ million	Equity component of convertible bonds (Unaudited) HK\$ million	Other reserve (Unaudited) HK\$ million	Accumulated losses (Unaudited) HK\$ million	Total equity (Unaudited) HK\$ million
At 1st January, 2023	17.4	2,325.6	0.2	(411.9)	(485.2)	(214.6)	26.8	560.2	(1.1)	(406.7)	1,410.7
Loss for the period	-	-	-	-	-	-	-	-	-	(98.3)	(98.3)
Other comprehensive loss for the period:											
Change in fair value of equity investments designated at fair value through other comprehensive income	-	-	-	-	(5.0)	-	-	-	-	-	(5.0)
Exchange differences on translation of foreign operations	-	-	-	-	-	(76.8)	-	-	-	-	(76.8)
Total comprehensive loss for the period	-	-	-	-	(5.0)	(76.8)	-	-	-	(98.3)	(180.1)
At 30th June, 2023	17.4	2,325.6*	0.2*	(411.9)*	(490.2)*	(291.4)*	26.8*	560.2*	(1.1)*	(505.0)*	1,230.6

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

For the six months ended 30th June, 2023

	Attributable to equity holders of the parent										
	Issued capital (Unaudited) HK\$ million	Share premium account (Unaudited) HK\$ million	Capital redemption reserve (Unaudited) HK\$ million	Capital reserve (Unaudited) HK\$ million	Fair value reserve (Unaudited) HK\$ million	Exchange equalisation reserve (Unaudited) HK\$ million	Contributed surplus [#] (Unaudited) HK\$ million	Equity component of convertible bonds (Unaudited) HK\$ million	Other reserve (Unaudited) HK\$ million	Accumulated losses (Unaudited) HK\$ million	Total equity (Unaudited) HK\$ million
At 1st January, 2022	17.4	2,325.6	0.2	(411.9)	(377.8)	(100.3)	26.8	560.2	(1.1)	(410.7)	1,628.4
Profit for the period	-	-	-	-	-	-	-	-	-	87.8	87.8
Other comprehensive loss for the period:											
Change in fair value of equity investments designated at fair value through other comprehensive income	-	-	-	-	(94.7)	-	-	-	-	-	(94.7)
Exchange differences on translation of foreign operations	-	-	-	-	-	(67.4)	-	-	-	-	(67.4)
Total comprehensive income/(loss) for the period	-	-	-	-	(94.7)	(67.4)	-	-	-	87.8	(74.3)
At 30th June, 2022	17.4	2,325.6*	0.2*	(411.9)*	(472.5)*	(167.7)*	26.8*	560.2*	(1.1)*	(322.9)*	1,554.1

* These reserve accounts comprise the consolidated reserves of HK\$1,213.2 million (30th June, 2022 – HK\$1,536.7 million) in the condensed consolidated statement of financial position.

The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Group's reorganisation in 1991, net of subsequent distributions therefrom. Under the Companies Act of the Cayman Islands, the contributed surplus is distributable under certain specific circumstances.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	HK\$ million	HK\$ million
Net cash flows used in operating activities	<u>(258.8)</u>	<u>(241.7)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in loans receivable	(0.2)	–
Proceeds from disposal of investment properties	13.2	16.0
Decrease/(Increase) in pledged bank balances	(0.1)	1.3
Additions to investment properties	(0.2)	–
Interest received	<u>0.1</u>	<u>0.5</u>
Net cash flows from investing activities	<u>12.8</u>	<u>17.8</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of a secured note	312.0	–
Drawdown of other borrowings	261.9	182.8
Repayment of other borrowings	(305.9)	–
Principal portion of lease payments	(0.2)	(0.2)
Interest paid	<u>(6.4)</u>	<u>(0.1)</u>
Net cash flows from financing activities	<u>261.4</u>	<u>182.5</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	15.4	(41.4)
Cash and cash equivalents at beginning of period	55.5	109.8
Effect of foreign exchange rate changes, net	<u>(2.1)</u>	<u>(5.5)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>68.8</u>	<u>62.9</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>68.8</u>	<u>62.9</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies and Basis of Preparation

The condensed consolidated financial statements for the six months ended 30th June, 2023 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 condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31st December, 2022. 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, 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

The Group has adopted the following new and revised HKFRSs for the first time for the current period’s condensed consolidated financial statements.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1st January, 2023. The amendments did not have any impact on the Group’s interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1st January, 2023. Since the Group’s policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any significant impact on the financial position or performance of the Group upon initial application.
- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1st January, 2023, but are not required to disclose such information for any interim periods ending on or before 31st December, 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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,	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Segment revenue (Note 3):						
Sales to external customers	23.0	1,030.7	0.5	0.4	23.5	1,031.1
Segment results before depreciation	(16.4)	251.5	0.5	0.4	(15.9)	251.9
Depreciation	(0.7)	(0.8)	-	-	(0.7)	(0.8)
Segment results	(17.1)	250.7	0.5	0.4	(16.6)	251.1
Unallocated interest income and unallocated non-operating and corporate gains					0.1	0.5
Unallocated non-operating and corporate expenses					(12.6)	(12.6)
Operating profit/(loss)					(29.1)	239.0
Finance costs (other than interest on lease liabilities)	(18.5)	(19.5)	-	-	(18.5)	(19.5)
Unallocated finance costs					(16.9)	(8.5)
Profit/(loss) before tax					(64.5)	211.0
Income tax					(33.8)	(123.2)
Profit/(loss) for the period before allocation between equity holders of the parent and non-controlling interests					(98.3)	87.8
Attributable to:						
Equity holders of the parent					(98.3)	87.8
Non-controlling interests					-	-
					(98.3)	87.8

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

3. Revenue and Other Income

Revenue and other income are analysed as follows:

	Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	HK\$ million	HK\$ million
<u>Revenue</u>		
<i>Revenue from contracts with customers</i>		
Proceeds from sale of properties	22.2	1,030.3
<i>Revenue from other sources</i>		
Rental income	0.8	0.4
Dividend income from listed investments	0.5	0.4
	23.5	1,031.1
<u>Other income</u>		
Bank interest income	0.1	0.5
Others	0.1	2.3
	0.2	2.8

Disaggregation of revenue from contracts with customers

All of the Group's revenue from contracts with customers for the six months ended 30th June, 2023 represented proceeds from sale of properties to external customers of HK\$22.2 million (2022 – HK\$1,030.3 million) in Mainland China included in the "Property development and investment" segment. The proceeds from sale of properties were recognised at a point in time.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

	Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	HK\$ million	HK\$ million
Profit on disposal of properties, net	4.3	337.2
Depreciation of property, plant and equipment	0.4	0.5
Depreciation of right-of-use assets	0.3	0.3
	<u>0.7</u>	<u>0.8</u>

5. Finance Costs

	Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	HK\$ million	HK\$ million
Interest on a bank loan	0.3	0.1
Interest on convertible bonds	8.9	8.4
Interest on other borrowings	26.2	15.9
Interest expense arising from revenue contracts	1.1	6.2
	<u>36.5</u>	<u>30.6</u>
Less: Finance costs capitalised	(1.1)	(2.6)
	<u>35.4</u>	<u>28.0</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

6. Income Tax

	Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	HK\$ million	HK\$ million
Current – the People’s Republic of China (the “PRC”)		
Charge for the period	–	84.7
Land appreciation tax	34.4	64.2
Deferred	(0.6)	(25.7)
Total tax charge for the period	<u>33.8</u>	<u>123.2</u>

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 (2022 – 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 (2022 – Nil).

7. Dividend

No dividend was paid or proposed during the six months ended 30th June, 2023, nor has any dividend been proposed since the end of the reporting period (2022 – Nil).

8. Earnings/(Loss) Per Share Attributable to Equity Holders of the Parent

(a) Basic earnings/(loss) per share

The calculation of basic loss per share for the period ended 30th June, 2023 is based on the loss for the period attributable to equity holders of the parent of HK\$98.3 million (2022 – profit of HK\$87.8 million) and on the weighted average of 8,688.0 million (2022 – 8,688.0 million) shares of the Company in issue (including ordinary shares and convertible preference shares) during the six months ended 30th June, 2023.

(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, 2023 and 2022 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

9. Deposits, Prepayments and Other Assets

		30th June, 2023 (Unaudited)	31st December, 2022 (Audited)
	Notes	HK\$ million	HK\$ million
Non-current			
Prepayments	(a)	<u>130.8</u>	<u>129.7</u>
Current			
Trade debtors	(b)	0.6	0.7
Contract costs		3.2	2.2
Prepayments		51.1	43.2
Deposits		0.1	0.1
Other receivables		<u>6.2</u>	<u>5.4</u>
		<u>61.2</u>	<u>51.6</u>

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

- (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. 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, 2023 (Unaudited)	31st December, 2022 (Audited)
	HK\$ million	HK\$ million
Outstanding balances with ages:		
Within 3 months	0.1	0.1
Over 1 year	1.1	1.2
	<u>1.2</u>	<u>1.3</u>
Impairment	(0.6)	(0.6)
	<u>0.6</u>	<u>0.7</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

10. Creditors and Accruals

		30th June, 2023 (Unaudited)	31st December, 2022 (Audited)
	Notes	HK\$ million	HK\$ million
Non-current			
Creditors		4.8	–
Loan from the non-controlling shareholder of a subsidiary		3.6	3.7
Due to a joint venture	(a)	22.7	22.7
Deferred income		3.4	3.4
		<u>34.5</u>	<u>29.8</u>
Current			
Creditors		255.4	335.7
Accruals		8.4	10.9
Due to fellow subsidiaries	(b)	50.7	8.4
		<u>314.5</u>	<u>355.0</u>

Notes:

- (a) The amount due to a joint venture is unsecured, interest-free and not repayable within twelve months from the end of the reporting period.
- (b) Included in the balance is an amount due to a fellow subsidiary of HK\$20.5 million (31st December, 2022 – HK\$8.1 million) representing the accrued interest on the other borrowings which is secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects and repayable within one year. The remaining balance is unsecured, interest-free and repayable on demand.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

11. Interest Bearing Bank Borrowing

	30th June, 2023 (Unaudited)		31st December, 2022 (Audited)	
	Maturity	HK\$ million	Maturity	HK\$ million
Current				
Bank loan – secured	2023	12.5	2023	12.5
Analysed into:				
Bank loan repayable within one year		12.5		12.5

The Group's facilities amounting to HK\$20.0 million, of which HK\$12.5 million (31st December, 2022 – HK\$12.5 million) had been utilised at 30th June, 2023, were secured by the pledge of certain of the Group's bank balances and financial assets at fair value through profit or loss amounting to HK\$23.9 million (31st December, 2022 – HK\$23.0 million) in aggregate. As at 30th June, 2023, the outstanding loan facilities of the Group bore interest at the Hong Kong Interbank Offered Rate ("HIBOR") plus an interest margin of 1.25% per annum. The interest bearing bank borrowing was denominated in Hong Kong dollars.

12. Other Borrowings

	Notes	30th June, 2023 (Unaudited)	31st December, 2022 (Audited)
		HK\$ million	HK\$ million
Unsecured note	(i)	–	156.0
Secured notes	(ii)	468.0	–
Other loans	(iii)	695.2	739.2
		<u>1,163.2</u>	<u>895.2</u>
Analysed into:			
Other borrowings repayable:			
Within one year		338.2	382.2
In the second year		357.0	357.0
In the third to fifth years, inclusive		468.0	156.0
		<u>1,163.2</u>	<u>895.2</u>

- (i) On 19th September, 2022, Cosmopolitan International Finance Limited ("CIFL"), a wholly owned subsidiary of the Company, issued a 3-year unsecured note ("Note A") in an aggregate nominal principal amount of US\$20.0 million at a coupon interest rate of HIBOR plus 0.6% per annum.
- (ii) On 14th April, 2023, CIFL issued a 3-year secured note ("Note B") in an aggregate nominal principal amount of US\$40.0 million at a coupon interest rate of HIBOR plus 3.11% per annum.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Upon the issuance of Note B, the Group pledged the equity interest in a holding company of the Group's property development project in Chengdu over both Note A and Note B.

- (iii) Other loans, comprising a term loan of HK\$357.0 million and revolving loan of HK\$338.2 million (31st December, 2022 - term loan of HK\$357.0 million and revolving loan of HK\$382.2 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, 2024 and is classified as non-current other borrowings. The revolving loan is classified as short-term borrowings.

13. Convertible Bonds

As at 30th June, 2023, the Group has issued one (31st December, 2022 – one) tranche of convertible bonds, further details of which are set out as follows:

Purpose:	To provide additional capital to the Group
Convertible bonds:	CB 2026
Issue date:	30th August, 2021
Maturity date:	18th August, 2026
Principal amount:	HK\$300,000,000
Coupon interest:	Zero coupon
Initial conversion price to ordinary shares of the Company:	HK\$0.40 per share (subject to adjustment)
Conversion period:	At any time from 30th August, 2021 to 11th August, 2026
Maximum number of shares of the Company to be converted based on initial conversion price:	750,000,000
Status as at 30th June, 2023:	No conversion happened
Redemption:	If any of the convertible bonds have not been converted, they will be redeemed on the maturity date at 118.94% of their outstanding principal amounts.

CB 2026

On 4th August, 2021, the Company entered into a Deed of Variation with the holder of the outstanding convertible bonds issued by the Group. The maturity date of the convertible bonds in the principal amount of HK\$300.0 million was extended to 18th August, 2026 ("CB 2026") with terms set out above.

CB 2026 contains two components: equity component and liability component. The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without conversion option. The residual amount is assigned as the equity component and is included in reserve. The effective interest rates of the liability components of CB 2026 is 6.22%.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

14. Related Party Transactions

- (a) In addition to the transactions and balances set out elsewhere in the notes to the condensed consolidated financial statements, the Group had the following material related party transactions during the period:

	Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	HK\$ million	HK\$ million
A wholly owned subsidiary of the listed ultimate holding company:		
Management fees	5.1	5.0
Subsidiaries of the listed intermediate holding company:		
Interest expenses on other borrowings	18.5	15.9
Interest expenses on convertible bonds	8.9	8.4
	<u> </u>	<u> </u>

The nature and terms of the above related party transactions have not changed and were already disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2022.

- (b) Compensation of key management personnel of the Group:

	Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	HK\$ million	HK\$ million
Short term employee benefits	3.1	3.0
Staff retirement scheme contributions	0.2	0.2
	<u> </u>	<u> </u>
Total compensation paid to key management personnel	3.3	3.2
	<u> </u>	<u> </u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

15. Commitments

The Group had the following commitments at the end of the reporting period:

	30th June, 2023 (Unaudited)	31st December, 2022 (Audited)
	HK\$ million	HK\$ million
Contracted, but not provided for: Property development projects	<u>424.6</u>	<u>509.3</u>

16. Pledge of Assets

As at 30th June, 2023, certain of the Group's bank deposits and financial assets at fair value through profit or loss in the amount of HK\$23.9 million (31st December, 2022 – HK\$23.0 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.

17. Contingent Liabilities

At the end of the reporting period, the Group had provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of the Group's properties amounting to approximately RMB478.3 million (HK\$515.8 million) (31st December, 2022 – RMB519.6 million (HK\$586.1 million)). The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates and the completion of the proper procedures to register the mortgages under the names of the relevant purchasers, which will generally complete within one to two years after the purchasers take possession of the relevant properties.

No provision has been made in the condensed consolidated financial statements for the guarantees in connection with the mortgage facilities as management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of any default in payments.

18. Fair Value and Fair Value Hierarchy of Financial Instruments

At the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities approximated to their fair values.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. Independent professional valuers are engaged for the valuation as appropriate. The valuation is reviewed and approved by management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in deposits, prepayments and other assets, financial liabilities included in creditors and accruals and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the financial liabilities included in creditors and accruals, and other borrowings was assessed to be insignificant. The fair value of the liability portion of the convertible bonds are estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair values of listed equity investments are determined based on quoted market prices or using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms. The fair value of the unlisted equity investment was derived from the recent transaction price.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value as at 30th June, 2023

	Fair value measurement using			Total (Unaudited) HK\$ million
	Quoted prices in active markets (Level 1) (Unaudited) HK\$ million	Significant observable inputs (Level 2) (Unaudited) HK\$ million	Significant unobservable inputs (Level 3) (Unaudited) HK\$ million	
Equity investments designated at fair value through other comprehensive income:				
Listed equity investment	37.6	–	–	37.6
Unlisted equity investment	–	–	41.1	41.1
Financial assets at fair value through profit or loss:				
Listed equity investments	26.7	122.1	–	148.8
	64.3	122.1	41.1	227.5

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Assets measured at fair value as at 31st December, 2022

	Fair value measurement using			Total (Audited) HK\$ million
	Quoted prices in active markets (Level 1) (Audited) HK\$ million	Significant observable inputs (Level 2) (Audited) HK\$ million	Significant unobservable inputs (Level 3) (Audited) HK\$ million	
Equity investments designated at fair value through other comprehensive income:				
Listed equity investment	42.6	–	–	42.6
Unlisted equity investment	–	–	43.0	43.0
Financial assets at fair value through profit or loss:				
Listed equity investments	148.8	–	–	148.8
	<u>191.4</u>	<u>–</u>	<u>43.0</u>	<u>234.4</u>

The movements in fair value measurements within Level 3 during the period are as follows:

	2023 (Unaudited) HK\$ million	2022 (Unaudited) HK\$ million
Equity investments designated at fair value through other comprehensive income - unlisted equity investment		
As at 1st January	43.0	46.6
Exchange realignment	(1.9)	(2.0)
As at 30th June	<u>41.1</u>	<u>44.6</u>

During the period, the Group transferred the fair value of a listed equity investment at fair value through profit or loss amounting to HK\$122.1 million from Level 1 into Level 2 due to lack of marketability (2022 – Nil).

During the period, there were no transfers into or out of Level 3 for financial assets (2022 – Nil).

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 30th June, 2023 (31st December, 2022 – Nil).

19. Event After the Reporting Period

The Company announced in a joint announcement dated 11th July, 2023 a series of corporate proposals involving, among others, a share consolidation and a bonus issue on the basis of two bonus shares for every one consolidated share or consolidated convertible preference share of the Company, with an option for the holders to elect to receive bonus convertible notes in lieu of the bonus shares. As explained in the joint announcement, the primary purpose of the proposals is to maintain that at least 25% of the issued ordinary shares of the Company will continue to be held in the hands of the public following completion of certain transactions by the controlling shareholder of the Company involving its acquisition of shares in the Company. Detailed information on these proposals are contained in the joint announcement and in a circular to be despatched to shareholders of the Company shortly.

20. Approval of the Unaudited Condensed Consolidated Financial Statements

The unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 25th August, 2023.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2023)
			Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) (issued)	–	5,121,012,144 (Note e)	–	5,121,012,144
		(ii) (unissued)	–	3,045,487,356 (Note f)	–	3,045,487,356
						Total: 8,166,499,500 (127.75%)
		Preference (issued)	–	2,295,487,356 (Note f)	–	2,295,487,356 (99.99%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.04%)
	Miss Lo Po Man	Ordinary (issued)	1,380,000	–	–	1,380,000 (0.02%)
2. Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	111,815,396	2,032,315,326 (Note a)	380,683	2,144,511,405 (69.34%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
	Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
	Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)

OTHER INFORMATION (Cont'd)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2023)
				Personal interests	Corporate interests	Family/Other interests	
2.	CCIHL	Mr. Kelvin Leung So Po	Ordinary (issued)	4,000	–	–	4,000 (0.000%)
3.	Paliburg Holdings Limited ("PHL")	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	–	–	6,200 (0.001%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	50,185	–	–	50,185 (0.005%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
4.	Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	622,855,261 (Note c)	260,700	623,140,161 (69.33%)
		Miss Lo Po Man	Ordinary (issued)	300,000	269,169 (Note d)	–	569,169 (0.06%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	200	–	–	200 (0.000%)
5.	Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note g)	–	2,443,033,102 (74.99%)

OTHER INFORMATION (Cont'd)

Notes:

- (a) (i) The interests in 1,973,420,928 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo").
- (ii) The interests in the other 58,894,398 issued ordinary shares of CCIHL were derivative interests held by YSL International Holdings Limited ("YSL Int'l"), a company wholly owned by Mr. Lo, under the right of first refusal to purchase such shares granted by the Dalton Group (comprising Dalton Investments LLC and its two affiliates).

- (b) The interests in 694,124,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 67.43% shareholding interests.

The interests in 16,271,685 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 30,464,571 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

- (c) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 67.43% shareholding interests. The interests in 622,433,861 issued ordinary shares of RHIHL were held through companies wholly owned by PHL, in which CCIHL held 62.28% shareholding interests. PHL held 69.25% shareholding interests in RHIHL.
- (d) The interests in 269,169 issued ordinary shares of RHIHL were held through a company wholly owned by Miss Lo Po Man.
- (e) (i) The interests in 3,154,167,480 issued ordinary shares of the Company were held through wholly owned subsidiaries of P&R Holdings Limited ("P&R"), which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries. The interests in the other 1,065,191,332 issued ordinary shares of the Company were held through wholly owned subsidiaries of RHIHL. The interests in the other 533,333,332 issued ordinary shares of the Company were held through wholly owned subsidiaries of PHL. PHL, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 67.43% shareholding interests in CCIHL.
- (ii) The interests in 368,320,000 issued ordinary shares of the Company were held by Valuegood International Limited, a wholly owned subsidiary of P&R, as the purchaser to acquire such shares from AMTD Properties (HK) Limited under a conditional agreement dated 30th June, 2023 (the "Cosmo Shares Transfer Agreement"). Completion of the Cosmo Shares Transfer Agreement is subject to fulfilment of certain conditions on or before 31st December, 2023.

- (f) The interests in 3,045,487,356 unissued ordinary shares of the Company were held through wholly owned subsidiaries of P&R, which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 67.43% shareholding interests in CCIHL.

The interests in 2,295,487,356 unissued ordinary shares of the Company are derivative interests held through interests in 2,295,487,356 convertible preference shares of the Company, convertible into new ordinary shares of the Company on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 750,000,000 unissued ordinary shares of the Company are derivative interests held through interests in the convertible bonds in the principal amount of HK\$300,000,000 issued by a wholly owned subsidiary of the Company. The convertible bonds are convertible into new ordinary shares of the Company at a conversion price of HK\$0.40 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

- (g) The interests in 2,439,613,739 issued units of Regal REIT were held through wholly owned subsidiaries of RHIHL. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of PHL. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. PHL, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 67.43% shareholding interests in CCIHL.

Save as disclosed herein, as at 30th June, 2023, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

OTHER INFORMATION (Cont'd)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2023, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares held (unissued)	Total number of ordinary shares (issued and underlying unissued) held	Approximate percentage of issued ordinary shares as at 30th June, 2023
YSL Int'l (Note i)	5,121,012,144	3,045,487,356	8,166,499,500	127.75%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	5,121,012,144	3,045,487,356	8,166,499,500	127.75%
CCIHL (Note iii)	5,121,012,144	3,045,487,356	8,166,499,500	127.75%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	5,121,012,144	3,045,487,356	8,166,499,500	127.75%
PHL (Note v)	5,121,012,144	3,045,487,356	8,166,499,500	127.75%
Paliburg Development BVI Holdings Limited (Note vi)	5,121,012,144	3,045,487,356	8,166,499,500	127.75%
RHIHL (Note vii)	4,587,678,812	3,045,487,356	7,633,166,168	119.41%
Regal International (BVI) Holdings Limited (Note viii)	4,587,678,812	3,045,487,356	7,633,166,168	119.41%
Capital Merit Investments Limited (Note vi)	4,055,820,812	3,045,487,356	7,101,308,168	111.09%
Regal Hotels Investments Limited (Note viii)	4,055,820,812	3,045,487,356	7,101,308,168	111.09%
P&R (Note ix)	3,522,487,480	3,045,487,356	6,567,974,836	102.75%
P&R Strategic Limited (Note x)	99,316,777	1,409,367,512	1,508,684,289	23.60%
Interzone Investments Limited (Note x)	1,428,571,428	–	1,428,571,428	22.35%
Alpha Advantage Investments Limited (Note x)	500,000,000	750,000,000	1,250,000,000	19.55%
Valuegood International Limited (Note x)	1,003,625,000	129,031,239	1,132,656,239	17.72%
Lendas Investments Limited (Note x)	74,107,609	647,915,205	722,022,814	11.29%
Tenshine Limited (Note viii)	531,858,000	–	531,858,000	8.32%
AMTD Properties (HK) Limited (Note xi)	368,320,000	–	368,320,000	5.76%

Notes:

- (i) The interests in the ordinary shares of the Company held by YSL Int'l were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) Grand Modern is a wholly owned subsidiary of YSL Int'l and its interests in the ordinary shares of the Company were included in the interests held by YSL Int'l.
- (iii) CCIHL is owned as to 52.72% by Grand Modern and its interests in the ordinary shares of the Company were included in the interests held by Grand Modern.
- (iv) CCBVI is a wholly owned subsidiary of CCIHL and its interests in the ordinary shares of the Company were included in the interests held by CCIHL.
- (v) PHL is a listed subsidiary of CCIHL, which held 62.28% shareholding interests in PHL, and PHL's interests in the ordinary shares of the Company were included in the interests held by CCIHL.
- (vi) These companies are wholly owned subsidiaries of PHL and their interests in the ordinary shares of the Company were included in the interests held by PHL.
- (vii) RHIHL is a listed subsidiary of PHL, which held 69.25% shareholding interests in RHIHL, and RHIHL's interests in the ordinary shares of the Company were included in the interests held by PHL.
- (viii) These companies are wholly owned subsidiaries of RHIHL and their interests in the ordinary shares of the Company were included in the interests held by RHIHL.
- (ix) P&R is owned as to 50% each by PHL and RHIHL, through their respective wholly owned subsidiaries, and P&R's interests in the ordinary shares of the Company were included in the interests held by PHL and RHIHL.
- (x) These companies are wholly owned subsidiaries of P&R and their interests in the ordinary shares of the Company were included in the interests held by P&R.
- (xi) AMTD Properties (HK) Limited is a wholly owned subsidiary of AMTD Group Company Limited. The 368,320,000 issued ordinary shares of the Company held by AMTD Properties (HK) Limited are the subject sale shares under the Cosmo Shares Transfer Agreement.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 30th June, 2023, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

Details of directorships of the Company's Directors in each of those companies which has an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30th June, 2023 are set out as follows:

- (1) Mr. Lo Yuk Sui is a director of YSL Int'l.
- (2) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To and Miss Lo Po Man are directors of Grand Modern.
- (3) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kelvin Leung So Po and Mr. Kenneth Ng Kwai Kai are directors of CCIHL and CCBVI.
- (4) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Wong Po Man, Mr. Kenneth Ng Kwai Kai and Mr. Abraham Shek Lai Him are directors of PHL.

OTHER INFORMATION (Cont'd)

- (5) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Wong Po Man and Mr. Kenneth Ng Kwai Kai are directors of the wholly owned subsidiaries of PHL which are substantial shareholders as named above, P&R and the wholly owned subsidiaries of P&R which are substantial shareholders as named above.
- (6) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Ms. Alice Kan Lai Kuen and Mr. Kenneth Ng Kwai Kai are directors of RHIHL.
- (7) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of the wholly owned subsidiaries of RHIHL which are substantial shareholders as named above.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the annual report of the Company for the financial year ended 31st December, 2022 is set out below:

Name of Director	Details of changes
<i>Executive Director:</i>	
Mr. Kelvin Leung So Po	<ul style="list-style-type: none">• Appointed as an executive director of each of PHL and RHIHL with effect from 1st September, 2023.
<i>Independent Non-Executive Directors:</i>	
Mr. Francis Bong Shu Ying	<ul style="list-style-type: none">• Retired as an independent non-executive director of China Merchants Port Holdings Company Limited ("China Merchant Port"), a company listed on the Stock Exchange, at the conclusion of the annual general meeting of China Merchants Port held on 2nd June, 2023.
Mr. Abraham Shek Lai Him, GBS, JP	<ul style="list-style-type: none">• Goldin Financial Holdings Limited (In Liquidation), of which Mr. Abraham Shek Lai Him is a chairman and an executive director, was ordered to be wound up by the Supreme Court of Bermuda under the provisions of the Bermuda Companies Act 1981 on 11th August, 2023.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors' Profile".

CORPORATE GOVERNANCE

Corporate Governance Code

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30th June, 2023, 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.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the Model Code as the code of conduct governing the securities transactions by the Directors of the Company. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the Model Code during the six months ended 30th June, 2023.

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, 2023.

REVIEW OF RESULTS

The Audit Committee of the Company currently comprises the following members:

Mr. David Li Ka Fai (Chairman of the Committee) *(Independent Non-Executive Director)*

Mr. Francis Bong Shu Ying, OBE, JP *(Independent Non-Executive Director)*

Ms. Alice Kan Lai Kuen *(Independent Non-Executive Director)*

Mr. Abraham Shek Lai Him, GBS, JP *(Independent Non-Executive Director)*

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group, auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30th June, 2023, in conjunction with the external auditor. The review report of the external auditor is set out on page 44 of this report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



**To the Board of Directors of
Cosmopolitan International Holdings Limited**
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 13 to 35, which comprises the condensed consolidated statement of financial position of Cosmopolitan International Holdings Limited (the “Company”) and its subsidiaries as at 30th June, 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

27/F, One Taikoo Place
979 King’s Road
Quarry Bay, Hong Kong

25th August, 2023

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