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 2023 INTERIM RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2023	Six months ended 30th June, 2022	% Change
	(Unaudited)	**(Unaudited)**	
	HK$'M	**HK$'M**	
Revenue	**23.5**	1,031.1	**-97.7%**
Operating profit/(loss) before depreciation, finance costs and tax	**(28.4)**	239.8	**N/A**
Profit/(Loss) attributable to equity holders of the parent	**(98.3)**	87.8	**N/A**
Basic earnings/(loss) per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK(1.13) cents**	HK1.01 cents	**N/A**
	As at 30th June, 2023	**As at 31st Dec, 2022**	
	(Unaudited)	**(Unaudited)**	
Net asset value per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK$0.14**	HK$0.16	**-12.5%**

- **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.**

- **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 remaining components within the Group's Regal Cosmopolitan City development in Chengdu 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, 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. 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.**

- **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.**

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.

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 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 meters (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.

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 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 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 Regal 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 the condensed consolidated financial statements contained in the interim report for the six months ended 30th June, 2023 of the Company ("Interim Financial Statements") to be published on or before 30th September, 2023.

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.

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2023 are shown in the Interim Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2023 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, 2023 (2022 – Nil).

HALF YEAR RESULTS

Condensed Consolidated Statement of Profit or Loss

	Six months ended 30th June, 2023	**Six months ended 30th June, 2022**
	(Unaudited)	**(Unaudited)**
	HK$'M	**HK$'M**
REVENUE (Notes 2 & 3)	**23.5**	1,031.1
Cost of sales	**(17.0)**	(689.3)
Gross profit	**6.5**	341.8
Other income (Note 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	**(30.4)**	(35.7)
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION	**(28.4)**	239.8
Depreciation (Note 4)	**(0.7)**	(0.8)
OPERATING PROFIT/(LOSS) (Notes 2 & 4)	**(29.1)**	239.0
Finance costs (Note 5)	**(35.4)**	(28.0)
PROFIT/(LOSS) BEFORE TAX	**(64.5)**	211.0
Income tax (Note 6)	**(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

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

	Six months ended 30th June, 2023 (Unaudited) HK$'M	Six months ended 30th June, 2022 (Unaudited) HK$'M
Attributable to:		
Equity holders of the parent	**(98.3)**	87.8
Non-controlling interests	**–**	–
	(98.3)	87.8
EARNINGS/(LOSS) PER SHARE (INCLUDING ORDINARY SHARE AND CONVERTIBLE PREFERENCE SHARE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic and diluted	**HK(1.13) cents**	HK1.01 cents

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2023 (Unaudited) HK$'M	Six months ended 30th June, 2022 (Unaudited) HK$'M
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) HK$'M	31st December, 2022 (Audited) HK$'M
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 (Note 9)	**130.8**	129.7
Equity investments designated at fair value through other comprehensive income	**78.7**	85.6
Total non-current assets	**269.9**	292.6
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 (Note 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	**3,712.6**	3,707.9

Condensed Consolidated Statement of Financial Position (Cont'd)

	30th June, 2023 (Unaudited) HK$'M	31st December, 2022 (Audited) HK$'M
CURRENT LIABILITIES		
Creditors and accruals	**(314.5)**	(355.0)
Contract liabilities	**(308.2)**	(320.4)
Deposits received	**(128.2)**	(129.0)
Interest bearing bank borrowing	**(12.5)**	(12.5)
Other borrowings (Note 10)	**(338.2)**	(382.2)
Lease liabilities	**(0.4)**	(0.2)
Tax payable	**(253.2)**	(319.3)
Total current liabilities	**(1,355.2)**	(1,518.6)
NET CURRENT ASSETS	**2,357.4**	2,189.3
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,627.3**	2,481.9
NON-CURRENT LIABILITIES		
Creditors and accruals	**(34.5)**	(29.8)
Deposits received	**(0.9)**	(0.9)
Other borrowings (Note 10)	**(825.0)**	(513.0)
Convertible bonds	**(296.4)**	(287.5)
Lease liabilities	**(0.9)**	–
Deferred tax liabilities	**(239.0)**	(240.0)
Total non-current liabilities	**(1,396.7)**	(1,071.2)
Net assets	**1,230.6**	1,410.7
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**17.4**	17.4
Reserves	**1,213.2**	1,393.3
	1,230.6	1,410.7
Non-controlling interests	**–**	–
Total equity	**1,230.6**	1,410.7

Notes:

1. Accounting Policies

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

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.

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	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Segment revenue:						
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

3. Revenue and other income are analysed as follows:

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

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

	Six months ended 30th June, 2023 (Unaudited) HK$'M	Six months ended 30th June, 2022 (Unaudited) HK$'M
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
	0.7	0.8

5. Finance costs of the Group are as follows:

	Six months ended 30th June, 2023 (Unaudited) HK$'M	Six months ended 30th June, 2022 (Unaudited) HK$'M
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
	36.5	30.6
Less: Finance costs capitalised	**(1.1)**	(2.6)
	35.4	28.0

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

	Six months ended 30th June, 2023 (Unaudited) HK$'M	Six months ended 30th June, 2022 (Unaudited) HK$'M
Current – 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	**33.8**	123.2

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. (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.

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

	30th June, 2023	**31st December, 2022**
	(Unaudited)	**(Audited)**
	HK$'M	**HK$'M**
Non-current		
Prepayments (Note (a))	**130.8**	129.7
Current		
Trade debtors (Note (b))	**0.6**	0.7
Contract costs	**3.2**	2.2
Prepayments	**51.1**	43.2
Deposits	**0.1**	0.1
Other receivables	**6.2**	5.4
	61.2	51.6

Notes:

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

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

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

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. 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) HK$'M	31st December, 2022 (Audited) HK$'M
Outstanding balances with ages:		
Within 3 months	**0.1**	0.1
Over 1 year	**1.1**	1.2
	1.2	1.3
Impairment	**(0.6)**	(0.6)
	0.6	0.7

10. Other borrowings are analysed as follows:

	30th June, 2023 (Unaudited) HK$'M	31st December, 2022 (Audited) HK$'M
Unsecured note (Note (i))	–	156.0
Secured notes (Note (ii))	**468.0**	–
Other loans (Note (iii))	**695.2**	739.2
	1,163.2	895.2
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
	1,163.2	895.2

(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 million at a coupon interest rate of Hong Kong Interbank Offered Rate ("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 million at a coupon interest rate of HIBOR plus 3.11% per annum.

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 (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.

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 Group's condensed consolidated financial statements for the six months ended 30th June, 2023 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, 2023 to be despatched to shareholders.

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30th June, 2023, 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, 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.

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, 2023