

THE LEBANESE COMPANY FOR THE
DEVELOPMENT AND RECONSTRUCTION
OF BEIRUT CENTRAL DISTRICT S.A.L.

CONDENSED INTERIM CONSOLIDATED
FINANCIAL INFORMATION AND REVIEW
REPORT SIX-MONTH PERIOD ENDED
JUNE 30, 2020

THE LEBANESE COMPANY FOR THE DEVELOPMENT
AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION AND REVIEW REPORT
SIX-MONTH PERIOD ENDED JUNE 30, 2020

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REVIEW REPORT

To the Board of Directors
The Lebanese Company for the Development
and Reconstruction of Beirut Central District S.A.L.
Beirut, Lebanon

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of the Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. and its Subsidiaries (the Group), as at June 30, 2020 and the related interim condensed statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. 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 International 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.

Basis for Qualified Conclusion

The Group holds balances with banks in Lebanon amounting to USD182million as at June 30, 2020 which represent 8% of the Group's total assets. As at June 30, 2020 the Group has provided for allowance for credit losses against these balances to the extent of USD12.8million. As stated in Note 4 of the accompanying financial statements, it is not possible to determine the future effects that the restructuring plan and the economic crisis could have on the recoverable amount of these assets. The accompanying condensed interim consolidated financial statements do not include adjustments that could result from the resolution of these uncertainties.

Qualified Conclusion

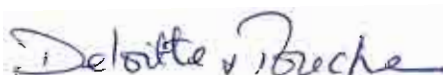
Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".


Emphasis of Matter

We draw attention to Note 20.b of the condensed interim consolidated financial statements, which describes uncertainty related to the outcome of the claim filed by one of the property owners.

Our conclusion is not modified in respect of this matter.

Beirut, Lebanon
December 14, 2020


Deloitte & Touche


Ernst & Young

**THE LEBANESE COMPANY FOR THE DEVELOPMENT
AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<u>ASSETS</u>	<u>Notes</u>	<u>(Unaudited) June 30, 2020 US\$</u>	<u>December 31, 2019 US\$</u>
Cash and banks balances	6	186,975,407	20,445,725
Prepayments and other debit balances		12,360,129	18,680,609
Accounts and notes receivables	7	65,541,541	129,936,268
Investment in asset-backed securities	8	8,699,707	8,699,707
Inventory of land and projects in progress		978,903,995	1,110,548,888
Investment properties, net		568,447,182	565,177,583
Investments in associates and joint ventures	9	343,574,067	351,151,080
Fixed assets, net		<u>43,699,419</u>	<u>45,076,310</u>
Total Assets		<u>2,208,201,447</u>	<u>2,249,716,170</u>
<u>LIABILITIES</u>			
Bank overdrafts and short-term facilities	10	137,245	48,958,855
Accounts payable and other liabilities		109,646,509	109,424,861
Dividends payable		58,185,965	59,014,963
Deferred revenues and other credit balances	11	158,415,375	44,563,992
Term bank loans	12	<u>11,499,972</u>	<u>155,481,298</u>
Total Liabilities		<u>337,885,066</u>	<u>417,443,969</u>
<u>EQUITY</u>			
Issued capital at par value US\$10 per share:			
100,000,000 class (A) shares		1,000,000,000	1,000,000,000
65,000,000 class (B) shares		<u>650,000,000</u>	<u>650,000,000</u>
		1,650,000,000	1,650,000,000
Legal reserve		170,475,527	170,475,527
Retained earnings		49,906,155	11,840,097
Cumulative foreign currency translation reserve		(28,083)	(28,423)
Less: Treasury shares		<u>(37,218)</u>	<u>(15,000)</u>
Total Equity		<u>1,870,316,381</u>	<u>1,832,272,201</u>
Total Liabilities and Equity		<u>2,208,201,447</u>	<u>2,249,716,170</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE
CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

**THE LEBANESE COMPANY FOR THE DEVELOPMENT
AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	<u>Notes</u>	(Unaudited)	
		Six-Month Period	
		Ended June 30,	
		2020	2019
		US\$	US\$
Revenues from land sales		228,747,400	151,055,600
Revenues from rented properties		12,537,358	27,218,755
Revenues from rendered services		3,808,733	3,924,827
Total revenues		<u>245,093,491</u>	<u>182,199,182</u>
Cost of land sales		(139,129,796)	(67,719,862)
Depreciation of and charges on rented properties		(11,532,525)	(10,414,213)
Cost of rendered services		(2,908,694)	(2,706,896)
Loss on cancellation of previously recognized sales, net		(3,439,818)	-
Total cost of revenues		<u>(157,010,833)</u>	<u>(80,840,971)</u>
Gain on sale and disposal of investment properties, net		4,369,670	105,457
Net revenues from operations		92,452,328	101,463,668
Share results of associates and joint ventures	9	(7,553,056)	(16,491,185)
General and administrative expenses		(12,671,496)	(12,543,541)
Selling expenses		(3,954,618)	-
Depreciation of fixed assets		(1,439,601)	(1,299,773)
Write-off of receivables	7	(175,761)	(83,676)
Loss on rescheduled receivables		(82,138)	(1,378,390)
(Provision for)/write-back on impairment of financial assets, net	14	(17,607,506)	869,325
Provision for contingencies		-	(500,000)
Write-back on impairment of fixed assets		187	7,173
Other expense		(500,000)	(2,929)
Other income		86,898	242,841
Taxes, fees and stamps		(919,570)	(237,588)
Discount from early settlement of bank loans	12	8,782,041	-
Interest income		238,141	733,104
Interest expense		(3,357,926)	(15,665,445)
Loss on exchange, net		(1,507,505)	(34,403)
Profit before tax		51,790,418	55,079,181
Income tax expense		(13,724,360)	(12,937,867)
Profit for the period		<u>38,066,058</u>	<u>42,141,314</u>
Basic/diluted earnings per share	13	<u>0.23</u>	<u>0.26</u>
Attributable to:			
Equity owners of the Group		<u>38,066,058</u>	<u>42,141,314</u>
Profit for the period		<u>38,066,058</u>	<u>42,141,314</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE
CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

**THE LEBANESE COMPANY FOR THE DEVELOPMENT
AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME**

	<u>Notes</u>	(Unaudited) Six-Month Period Ended June 30,	
		<u>2020</u>	<u>2019</u>
		US\$	US\$
Profit for the period		<u>38,066,058</u>	<u>42,141,314</u>
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation reserve		<u>340</u>	<u>1,976</u>
Other comprehensive income for the period		<u>340</u>	<u>1,976</u>
Total comprehensive profit for the period		<u><u>38,066,398</u></u>	<u><u>42,143,290</u></u>
Attributable to:			
Equity owners of the Group		<u><u>38,066,398</u></u>	<u><u>42,143,290</u></u>
		<u><u>38,066,398</u></u>	<u><u>42,143,290</u></u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE
CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

**THE LEBANESE COMPANY FOR THE DEVELOPMENT
AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<u>Share Capital</u> US\$	<u>Legal Reserve</u> US\$	<u>Retained Earnings</u> US\$	<u>Cumulative Foreign Currency Translation Reserve</u> US\$	<u>Treasury Shares</u> US\$	<u>Total</u> US\$
Balance at January 1, 2019	1,650,000,000	170,474,545	(37,126,676)	(24,653)	-	1,783,323,216
Total comprehensive income for the period	-	-	42,141,314	1,976	-	42,143,290
Treasury shares	-	-	-	-	(15,000)	(15,000)
Balance as at June 30, 2019 (Unaudited)	<u>1,650,000,000</u>	<u>170,474,545</u>	<u>5,014,638</u>	<u>(22,677)</u>	<u>(15,000)</u>	<u>1,825,451,506</u>
Balance at January 1, 2020	1,650,000,000	170,475,527	11,840,097	(28,423)	(15,000)	1,832,272,201
Total comprehensive income for the period	-	-	38,066,058	340	-	38,066,398
Treasury shares purchase	-	-	-	-	(22,218)	(22,218)
Balance as at June 30, 2020 (Unaudited)	<u>1,650,000,000</u>	<u>170,475,527</u>	<u>49,906,155</u>	<u>(28,083)</u>	<u>(37,218)</u>	<u>1,870,316,381</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

**THE LEBANESE COMPANY FOR THE DEVELOPMENT
AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

	Notes	(Unaudited) Six-Month Period Ended June 30,	
		2020	2019
		US\$	US\$
Cash flows from operating activities:			
Profit for the period before income tax		51,790,418	55,079,181
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	15(a)	8,211,706	8,210,252
Loss on cancellation of previously recognized sales, net		1,828,125	-
Gain on sale and disposal of investment properties		(4,369,670)	(105,457)
Loss on sale of fixed asset		-	2,895
Provision for end-of-service net indemnity and other charges, net		855,402	623,496
Provision for contingencies		-	500,000
Write-back of provision for impairment of fixed assets		(187)	(7,173)
Provision for/(write-back on) impairment of financial assets, net	14	17,607,506	(869,325)
Write-off of receivables	7	175,761	83,676
Loss on rescheduled receivables		82,138	1,378,390
Share results of associates and joint ventures	9	7,553,056	16,491,185
Discount from early settlement of bank loans		(8,782,041)	-
Interest income		(238,141)	(733,104)
Interest expense	15(b)	3,357,926	15,665,445
Changes in working capital:			
Prepayments and other debit balances		112,368	27,460,158
Accounts and notes receivable		34,409,308	32,100,260
Inventory of land and projects in progress		131,644,893	50,511,876
Accounts payable and other liabilities		(6,562,144)	(846,885)
Deferred revenues and other credit balances		113,851,383	18,048,130
Settlements of end-of-service net indemnity and other charges, (net)		(153,649)	(1,465,148)
Settlements of contingencies		(1,765,116)	(4,562,493)
Interest received		238,141	684,169
Taxes paid		(5,963,455)	(9,273,353)
Net cash generated from operating activities		<u>343,883,728</u>	<u>208,976,175</u>
Cash flows from investing activities:			
Investment in asset-backed securities		-	6,399,670
Acquisition of fixed assets		(62,710)	(326,693)
Acquisition of investment properties		(1,558,298)	(3,097,303)
Proceeds from sale of investment properties		17,386,264	1,282,400
Proceeds from sale of fixed assets		187	4,278
Investments in associates and joint ventures		24,298	(24,296)
Net cash generated from investing activities		<u>15,789,741</u>	<u>4,238,056</u>
Cash flows from financing activities:			
Term bank loans		(135,199,285)	(147,000,778)
Dividends paid		(828,998)	(248,818)
Interest paid		(3,271,676)	(16,001,028)
Treasury shares purchase		(22,218)	(15,000)
Short term facilities		(30,000,000)	(32,913,554)
Net cash used in financing activities		<u>(169,322,177)</u>	<u>(196,179,178)</u>
Net change in cash and cash equivalents		190,351,292	17,035,053
Cash and cash equivalents- Beginning of the period	15(e)	9,323,559	(31,958,605)
Cash and cash equivalents- End of the period	15(e)	<u>199,674,851</u>	<u>(14,923,552)</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE
CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

**THE LEBANESE COMPANY FOR THE DEVELOPMENT
AND RECONSTRUCTION OF BEIRUT CENTRAL DISTRICT S.A.L.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
SIX-MONTH PERIOD ENDED JUNE 30, 2020**

1. FORMATION AND ACTIVITIES

The condensed interim consolidated financial information of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. (SOLIDERE) (the “Company”) and its subsidiaries (collectively the “Group”) for the six-month period ended June 30, 2020 was authorized for issue in accordance with a resolution of the directors October 27, 2020.

The Company was established as a Lebanese joint stock company on May 5, 1994 based on Law No. 117/91, and was registered on May 10, 1994 under Commercial Registration No. 67000. The articles of incorporation of the Company were approved by Decree No. 2537 dated July 22, 1992.

The objective of the Company, is to acquire real estate properties, to finance and ensure the execution of all infrastructure works in the Beirut Central District (BCD) area, to prepare and reconstruct the BCD area, to reconstruct or restore the existing buildings, to erect buildings and sell, lease or exploit such buildings and lots and to develop the landfill on the seaside.

An extraordinary general assembly dated November 13, 2006 resolved to amend the objective of the Company to include providing services and consultancy in real estate development for projects outside the BCD area and all over the world.

During 2007, the Company granted Solidere International Limited (an associate) the right to use the “Solidere” brand in the execution of real estate projects outside the Beirut Central District area of Lebanon.

The Company’s shares are listed on the Beirut stock exchange.

2. BASIS OF PREPARATION

The condensed interim consolidated financial information for the six-month period ended June 30, 2020 has been prepared in accordance with IAS 34 “Interim Financial Reporting”.

The condensed interim consolidated financial information does not include all the information and disclosures required for the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2019. Further, results for interim period are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2020.

The accounting policies adopted in the preparation of the condensed interim consolidated financial information are consistent with the accounting policies adopted in the preparation of the annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of the amendments to IFRSs that are effective for annual accounting periods starting from January 1, 2020, which did not have any material impact on the accounting policies, financial position or performance of the Group.

3. BASIS OF CONSOLIDATION

The condensed interim consolidated financial information incorporates the financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. and its controlled subsidiaries drawn up to June 30, 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements, and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Group entities comprise the following:

<u>Company</u>	<u>Ownership Share</u> %	<u>Date of Establishment</u>	<u>Activity</u>
Solidere Management Services S.A.L.	100	June 2006	Real Estate Management
Solidere Management Services (Offshore) S.A.L.	100	March 2007	Dormant
Solidere International Holdings S.A.L.	100	May 2007	Holding
BHC Holding S.A.L. and its Subsidiaries	100	March 2010	Hospitality

4. CRITICAL ACCOUNTING JUDGMENTS AND USE OF ESTIMATES

In the application of the accounting policies described in Note 3 above, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and underlying assumptions made by the Group's management for the preparation of the condensed interim consolidated financial information are consistent with those used in the preparation of the consolidated financial statements as at and for the year ended December 31, 2019.

Operating Environment of the Group

The Group's operations are in Lebanon that has been witnessing, since the last quarter of 2019, severe events that have set off an interconnected fiscal, monetary and economic crisis as well as deep recession that have reached unprecedented levels.

Sovereign credit ratings have witnessed a series of downgrades by all major rating agencies and reached the level of default when, on March 7, 2020, the Lebanese Republic announced that it will withhold payment on the bonds due on March 9, 2020, which was followed by another announcement on March 23, 2020 for the discontinuation of payments on all of its US Dollars denominated Eurobonds.

Throughout this sequence of events, the ability of the Lebanese Government and the banking sector in Lebanon to borrow funds from international markets was significantly affected, reducing it to nil.

Banks have imposed unofficial capital controls, restricted transfers of foreign currencies outside Lebanon and significantly reduced credit lines to companies and withdrawal of cash to private depositors, all of which added to the disruption of the country's economic activity, as the economic model of Lebanon relies mainly on imports and consumption. Businesses are downsizing, closing or going bankrupt and unemployment and poverty are rising fast and have reached unprecedented levels.

The difficulty in accessing foreign currencies led to the emergence of a parallel market to the official peg whereby the price to access foreign currencies has been increasing constantly, deviating significantly from the official peg of 1,507.5 US\$/LBP. This has resulted in an uncontrolled rise in prices and the incessant de facto depreciation of the Lebanese Pound, impacting intensely the purchasing power of the Lebanese citizens, driving high inflation and rise in the consumer price index.

The economy has been contracting at an accelerating pace since the last quarter of 2019 and the coronavirus affecting Lebanon and the whole world is contributing to further deterioration of the economic environment, disruption of businesses, rise of unemployment, and rise in poverty lines.

On April 30, 2020, the council of ministers approved the Lebanese Government's Financial Recovery Plan (the Plan). The Plan involves economic and fiscal reforms, reviewing the peg policy, a comprehensive government debt restructuring, and a comprehensive restructuring of the financial system addressing accumulated FX mismatches, embedded losses and resizing the banking sector.

The assets and liabilities in foreign currency as at June 30, 2020 were valued at the official exchange rate of 1,507.5 US\$ / LBP. However, several exchange rates have emerged since the last quarter of 2019 that vary significantly among each other and from the official exchange rate: parallel exchange markets with high volatility, recently issued Central Bank circulars, estimation exchange rates detailed in the Plan, in addition to a wide range of exchange rates adopted for commercial transactions currently undertaken in the Lebanese territory. These financial statements do not include adjustments from any future change in the official exchange rate. The impact of the valuation of the assets and liabilities in foreign currencies at a different rate will be recognized in the financial statements once the revamping of the peg is officially implemented by the Lebanese Government.

The persisting economic crisis in Lebanon, the unavailability of financing, the imposition of unofficial capital controls together with current instability, might lead to further deterioration in the economy and therefore might affect the Group's future financial performance. The management is closely monitoring the environment in which the Group operates, including key indicators within its business, in order to minimize risks facing the Group and its future performance.

The carrying value of bank balances held with Lebanese Banks amounted to US\$194,416,752 as at June 30, 2020 net of allowance for credit losses of US\$12,836,689.

Furthermore, the outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact.

The extent and duration of such impact remains uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these financial statements. These developments could impact the Group's future financial results, cash flows and financial condition.

Going Concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the condensed interim consolidated financial statements continue to be prepared on the going concern basis.

5. OPERATING SEGMENTS

For management purposes, the Group is organized into business units according to their operations and has three reportable segments as follows:

- Real estate sales
- Real estate rental and rendered services

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit and loss and is measured consistently with operating profit or loss in the condensed interim consolidated financial statements.

	(Unaudited) June 30, 2020			
	Real Estate Sales	Real Estate Rental and Other Services	Eliminations	Total
	US\$	US\$	US\$	US\$
Total assets	<u>1,719,630,424</u>	<u>582,704,791</u>	<u>(94,133,768)</u>	<u>2,208,201,447</u>
Total liabilities	<u>247,503,264</u>	<u>93,372,962</u>	<u>(2,991,160)</u>	<u>337,885,066</u>

	(Unaudited) June 30, 2020			
	Real Estate Sales	Real Estate Rental and Other Services	Eliminations	Total
	US\$	US\$	US\$	US\$
Revenues	228,747,400	17,311,253	(965,162)	245,093,491
Cost of revenues	(142,569,614)	(16,314,265)	1,873,046	(157,010,833)
Gain on sale and disposal of investment properties, net	<u>-</u>	<u>4,369,670</u>	<u>-</u>	<u>4,369,670</u>
Net revenues from operations	85,494,902	5,366,658	907,884	92,452,328
Share results of associates and joint ventures	-	(7,553,056)	-	(7,553,056)
General and administrative expenses	(10,547,138)	(1,204,674)	(919,684)	(12,671,496)
Selling expenses	(3,954,618)	-	-	(3,954,618)
Depreciation of fixed assets	(1,293,546)	(369,145)	223,090	(1,439,601)
Write-off of receivables	(175,761)	-	-	(175,761)
Loss on rescheduled receivables	(82,138)	-	-	(82,138)
Provision for impairment of financial assets, net	(9,293,107)	(8,314,399)	-	(17,607,506)
Write-back on impairment of fixed assets, net	-	187	-	187
Other expenses	(500,000)	-	-	(500,000)
Other income	40,600	7,284	39,014	86,898
Taxes, fees and stamps	(914,612)	(4,958)	-	(919,570)
Discount from early settlement of bank loans	8,782,041	-	-	8,782,041
Interest income	230,544	7,597	-	238,141
Interest expense	(3,350,318)	(7,608)	-	(3,357,926)
Loss on exchange, net	(1,507,486)	(19)	-	(1,507,505)
Profit/(loss) before tax	63,612,247	(12,072,132)	250,304	51,790,418
Income tax expense	(13,721,060)	(3,300)	-	(13,724,360)
Profit/(loss) for the period	<u>49,891,187</u>	<u>(12,075,433)</u>	<u>250,304</u>	<u>38,066,058</u>

	December 31, 2019			
	Real Estate Sales	Real Estate Rental and Other Services	Eliminations	Total
	US\$	US\$	US\$	US\$
Total assets	<u>1,735,127,240</u>	<u>599,796,681</u>	<u>(85,207,751)</u>	<u>2,249,716,170</u>
Total liabilities	<u>304,280,725</u>	<u>120,111,465</u>	<u>(6,948,221)</u>	<u>417,443,969</u>

	(Unaudited) June 30, 2019			
	Real Estate Sales	Real Estate Rental and Other Services	Eliminations	Total
	US\$	US\$	US\$	US\$
Revenues	151,055,600	32,608,582	(1,465,000)	182,199,182
Cost of revenues	(67,719,862)	(14,324,355)	1,203,246	(80,840,971)
Gain on sale and disposal of investment properties, net	-	105,457	-	105,457
Net revenues from operations	83,335,738	18,389,684	(261,754)	101,463,668
Share results of associates and joint ventures	-	(16,491,185)	-	(16,491,185)
General and administrative expenses	(10,052,912)	(2,730,733)	240,104	(12,543,541)
Depreciation of fixed assets	(1,169,796)	(329,977)	200,000	(1,299,773)
Write-off of receivables	-	(83,676)	-	(83,676)
Loss on rescheduled receivables	(1,378,390)	-	-	(1,378,390)
Write-back on impairment of financial assets, net	869,325	-	-	869,325
Provision for contingencies	(500,000)	-	-	(500,000)
Write-back on impairment of fixed assets, net	-	7,173	-	7,173
Other expenses	-	(2,929)	-	(2,929)
Other income	198,410	13,366	31,065	242,841
Taxes, fees and stamps	(236,106)	(1,482)	-	(237,588)
Interest income	703,123	29,981	-	733,104
Interest expense	(15,608,583)	(56,862)	-	(15,665,445)
(Loss)/gain on exchange, net	(38,088)	3,685	-	(34,403)
Profit/(loss) before tax	56,122,721	(1,252,955)	209,415	55,079,181
Income tax expense	(12,934,567)	(3,300)	-	(12,937,867)
Profit/(loss) for the period	<u>43,188,154</u>	<u>(1,256,255)</u>	<u>209,415</u>	<u>42,141,314</u>

6. CASH AND BANKS BALANCES

	(Unaudited) June 30, 2020	December 31, 2019
	US\$	US\$
Cash on hand	1,931,748	519,433
Checks for collection	117,846	407,669
Current accounts	196,811,026	22,462,914
Short-term deposits	<u>951,476</u>	<u>4,892,398</u>
	199,812,096	28,282,414
Less: allowance for credit losses	<u>(12,836,689)</u>	<u>(7,836,689)</u>
	<u>186,975,407</u>	<u>20,445,725</u>

Short-term deposits mature within three months (December 31, 2019: the same). The average yield on the term deposits for the six-months period ended June 30, 2020 was approximately 1.18% (4.51% for the year ended December 31, 2019).

The allowance for credit losses recognized during the six-month period ended June 30, 2020 amounted to US\$5,000,000 (US\$ nil during the six-month ended June 30, 2019)

7. ACCOUNTS AND NOTES RECEIVABLES

	(Unaudited) June 30, 2020 <u>US\$</u>	December 31, 2019 <u>US\$</u>
Notes receivable (a)	109,665,708	189,768,377
Accounts receivable (b)	2,762,311	20,213,200
Less: Unearned interest	(20,559,164)	(45,038,621)
Less: Allowance for credit losses on notes and accounts receivable (d)	(62,031,654)	(82,639,914)
	<u>29,837,201</u>	<u>82,303,042</u>
Receivables from tenants (c)	45,717,975	49,082,590
Less: Allowance for credit losses on receivable from tenants (d)	(32,071,652)	(23,507,381)
	<u>13,646,323</u>	<u>25,575,209</u>
Reserve Account Receivable from BCD 1 Fund (Note 8)	12,279,048	12,279,048
Reserve Account Receivable from BCD 2 Fund (Note 8)	9,778,969	9,778,969
	<u>22,058,017</u>	<u>22,058,017</u>
	<u>65,541,541</u>	<u>129,936,268</u>

The Group's credit risk exposure in notes and accounts receivable is spread over 22 counter-parties; 7 customers constitute 90% of the total exposure and 15 customers constitute the remaining 10% as at June 30, 2020 (19 counter-parties; 7 customers constitute 93% of the total exposure and 12 customers constitute the remaining 7% as of December 31, 2019).

The Group's credit exposure in receivables from tenants is spread over a large number of counter-parties; with 2 tenants constituting 44% of the total exposure as at June 30, 2020 (2 tenants constitute 59% of the total exposure as of December 31, 2019).

The average yield on accounts and notes receivable is mainly dependent on the Libor rate.

(a) Notes receivable, which mainly resulted from sales, carry the following maturities and are distributed as follows:

	(Unaudited) June 30, 2020	December 31, 2019
	<u>US\$</u>	<u>US\$</u>
Impaired	109,509,708	187,683,672
Overdue but not impaired	-	1,405,956
2020	78,000	288,736
2021 and thereafter	<u>78,000</u>	<u>390,013</u>
	<u>109,665,708</u>	<u>189,768,377</u>

(b) Accounts receivable, which mainly resulted from sales, carry the following maturities and are distributed as follows:

	(Unaudited) June 30, 2020	December 31, 2019
	<u>US\$</u>	<u>US\$</u>
Impaired	1,474,609	1,503,200
Overdue but not impaired	-	2,010,000
2020	<u>1,287,702</u>	<u>16,700,000</u>
	<u>2,762,311</u>	<u>20,213,200</u>

(c) Receivables from tenants includes an amount of US\$19,038,976 as at June 30, 2020 (US\$22,858,408 as of December 31, 2019) due from the Lebanese Ministry of Foreign Affairs and Immigrants in respect of the rent of property 1134 Zokak Blat for the use of the Economic and Social Commission for Western Asia – ESCWA

During the six-month period ended June 30, 2020, the Group wrote-off long outstanding receivables of US\$175,761 (US\$83,676 during the six-month period ended June 30, 2019) recorded under “Write-off of receivables” in the condensed interim consolidated statement of profit or loss.

(d) The movement of the allowance for credit losses of receivables is as follows:

	(Unaudited) June 30, 2020 US\$	December 31, 2019 US\$
Balance at the beginning of the period/year	106,147,295	158,597,754
Additions, net	6,399,394	5,829,164
Write-off	(31,541,407)	(61,030,544)
Transfer from unearned interest	13,098,024	-
Transfer from provision for contingencies	-	2,000,000
Transfer from provision for other debit balances	-	750,921
Balance at the end of the period/year	<u>94,103,306</u>	<u>106,147,295</u>

Following the settlement agreements reached during 2020, the Group wrote-off an amount of US\$30,571,700 of previously provided for doubtful receivables from two land sales made in previous years (US\$60,585,176 during 2019). In addition, the Group wrote-off doubtful receivables from tenants in the amount of US\$969,707 that were already provided for under “allowance for credit losses” (US\$445,368 during 2019).

8. INVESTMENT IN ASSET-BACKED SECURITIES

During 2013, the Group signed an agreement with a local financial institution to securitize notes receivable with an aggregate nominal value of US\$185million relating to 4 customers creating Beirut Central District SIF 1 Fund (the BCD 1 Fund). As a result, the Group collected an amount of US\$93,821,227, net of reserve account and transaction costs.

During 2018, the Group signed another agreement with the same financial institution to securitize notes receivable with an aggregate nominal value of US\$81million relating to 4 customers creating Beirut Central District SIF 2 Fund (the BCD 2 Fund). As a result, the Group collected an amount of US\$19,168,014, net of reserve account and transaction costs. Subsequent to the date of the fund inception, a restructuring of the BCD 2 fund securities took place, whereas US\$4.6million worth of Class A Notes and US\$18.8 million worth of Class B Notes were paid back to the Group.

The Group subscribed to the following notes issued by the BCD Funds:

<u>Class of Notes</u>	<u>Total Issuance</u> US\$	<u>Subscription Amount</u> US\$	<u>(Unaudited) June 30, 2020</u> US\$	<u>December 31, 2019</u> US\$	<u>Rate</u> %
BCD1:					
Class A	130,000,000	28,000,000	-	-	5
Class B	45,000,000	45,000,000	5,378,559	5,378,559	5
Class C	<u>10,160,450</u>	<u>10,160,450</u>	<u>10,160,450</u>	<u>10,160,450</u>	-
	<u>185,160,450</u>	<u>83,160,450</u>	<u>15,539,009</u>	<u>15,539,009</u>	
Allowance for expected credit losses			(7,100,000)	(7,100,000)	
BCD2:					
Class A	56,777,280	6,546,883	5,327,578	5,327,578	7
Class B	<u>24,333,120</u>	<u>24,333,120</u>	<u>24,333,120</u>	<u>24,333,120</u>	-
	<u>81,110,400</u>	<u>30,880,003</u>	<u>29,660,698</u>	<u>29,660,698</u>	
Allowance for expected credit losses			(29,400,000)	(29,400,000)	
	<u>266,270,850</u>	<u>114,040,453</u>	<u>8,699,707</u>	<u>8,699,707</u>	

BCD 1 Fund:

Class B Notes are redeemable on a semi-annual basis. Class B Notes were subordinated to Class A Notes. Class C Notes are subordinated to Class A and Class B Notes and will be repaid by the BCD 1 Fund solely if excess funds are available from collection of assets.

Interest on Class B Notes is non-cumulative and is paid semi-annually solely from available funds after payment of the BCD 1 Fund's dues for the related periods.

The Group placed a reserve account in the amount of US\$6,650,000, as stipulated by the BCD 1 Fund's regulations, to cover any shortfall in payments of principal and interest of the asset-backed securities issued by the BCD 1 Fund and to cover the senior expenses of the BCD 1 Fund. The Group funds this reserve account to maintain the required balance.

During the six-month period ended June 30, 2020, an amount of US\$229,224 was used to cover the shortfall in the Fund's payments (US\$491,498 during 2019) and the outstanding reserve account balance decreased to US\$178,376 as at June 30, 2020 (US\$407,600 as of December 31, 2019).

The movement of the reserve account receivable from BCD 1 Fund presented under “Accounts and notes receivable, net” (Note 7), is as follows:

	(Unaudited) June 30, 2020 <u>US\$</u>	December 31, 2019 <u>US\$</u>
Balance at the beginning of the period/year	407,600	899,098
Used to cover shortfall in principal and interest	(229,224)	(491,498)
Balance at the end of the period/year	<u>178,376</u>	<u>407,600</u>

The movement of the deferred charges from securitization of notes from BCD 1 Fund (Note 6), is as follows:

	(Unaudited) June 30, 2020 <u>US\$</u>	December 31, 2019 <u>US\$</u>
Balance, beginning of the period/year	11,871,448	11,379,950
Withdrawals from reserve BCD 1 Fund	229,224	491,498
Balance, end of the period/year	<u>12,100,672</u>	<u>11,871,448</u>

BCD 2 Fund:

Class A and B Notes are redeemable on a pro rata basis on each quarterly payment date, subject to available amounts at the bank accounts. Class B Notes are subordinated to Class A Notes. Class B Notes will be repaid by the BCD 2 Fund in accordance with the applicable priority of payments.

The Group placed a reserve account in the amount of US\$7,178,969 as stipulated by the BCD 2 Fund’s regulations, to cover any shortfall in payments of principal and interest of the asset-backed securities issued by the BCD 2 Fund and to cover the senior expenses of the BCD 2 Fund. According to the BCD 2 Fund regulations, the reserve account balance should be maintained at US\$7,178,969.

During the six-month period ended June 30, 2020, an amount of US\$303,673 was used to cover the shortfall in the Fund’s payments (US\$9,887,241 during 2019) and the outstanding reserve account balance decreased to US\$2,188,445 as at June 30, 2020 (US\$ 2,492,118 as of December 31, 2019).

During 2019, an additional cash injection amounting to US\$2,600,000 was added to the reserve account to cover shortfall in payments.

The movement of the reserve account receivable from BCD 2 Fund presented under “Accounts and notes receivable, net” (Note 7), is as follows:

	(Unaudited) June 30, 2020 <u>US\$</u>	December 31, 2019 <u>US\$</u>
Balance at the beginning of the period/year	2,492,118	9,779,359
Additions	-	2,600,000
Used to cover shortfall in principal and interest	(303,673)	(9,887,241)
Balance at the end of the period/year	<u>2,188,445</u>	<u>2,492,118</u>

The movement of the deferred charges from securitization of notes from BCD 2 Fund (Note 7), is as follows:

	(Unaudited) June 30, 2020 <u>US\$</u>	December 31, 2019 <u>US\$</u>
Balance at the beginning of the period/year	7,286,851	(2,600,390)
Withdrawals from reserve BCD 2 Fund	<u>303,673</u>	<u>9,887,241</u>
Balance at the end of the period/year	<u>7,590,524</u>	<u>7,286,851</u>

Interest income from the Funds:

Interest income in the amount of US\$145,521 for the period ended June 30, 2020 (US\$396,464 for the period ended June 30, 2019) is recorded under "Interest income" in the condensed interim consolidated statement of profit or loss and other comprehensive income.

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	(Unaudited) June 30, 2020 US\$	December 31, 2019 US\$
Investment in Solidere International Limited (Associate)	332,861,320	338,870,440
Investment in BCD Cinemas S.A.L. (Associate)	703,919	1,027,942
Investment in Beirut Waterfront Development S.A.L. (Joint Venture)	(13,342,946)	(12,168,329)
Investment in Beirut Real Estate Management and Services S.A.L. (Joint Venture)	20,075	21,335
Investment in ASB - Downtown S.A.L. (Associate)	175,699	219,395
Investment in STOW Waterfront Holding S.A.L.	<u>506,000</u>	<u>530,297</u>
	320,924,067	328,501,080
Long-term loan to Beirut Waterfront Development S.A.L. (Joint Venture)	36,540,000	36,540,000
Less: Allowance for impairment	(13,890,000)	(13,890,000)
	<u>343,574,067</u>	<u>351,151,080</u>

The movement in investments in associates and joint ventures is as follows:

	(Unaudited) Six Month Ended June 30,	
	2020 US\$	2019 US\$
Balance at the beginning of the period	351,151,080	397,598,001
Share results of associates and joint ventures	(7,553,056)	(16,491,185)
Foreign currency translation reserve	340	1,976
Investment in STOW Waterfront Holding S.A.L.	(24,297)	24,296
Balance at the end of the period	<u>343,574,067</u>	<u>381,133,088</u>

Details of the Group's investments in associates and joint ventures are as follows:

	Country of Incorporation	Ownership Interest %	June 30, 2020		December 31, 2019	
			At Cost US\$	Group's Share of Equity US\$	At Cost US\$	Group's Share of Equity US\$
Solidere International Limited (Associate)	UAE	39.00	213,625,786	332,861,320	213,664,801	338,870,440
BCD Cinemas S.A.L. Sal (Associate)	Lebanon	40.00	8,000	703,919	8,000	1,027,942
Beirut Waterfront Development S.A.L. (Joint Venture)	Lebanon	50.00	11,385,075	(13,342,946)	11,385,075	(12,168,329)
Beirut Real Estate Management and Services (Joint Venture)	Lebanon	45.00	9,000	20,075	9,000	21,335
ASB - Downtown S.A.L. (Associate)	Lebanon	24.50	4,877	175,699	4,877	219,395
STOW Waterfront Holding S.A.L.	Lebanon	1.68	<u>506,000</u>	<u>506,000</u>	<u>530,297</u>	<u>530,297</u>
			<u>225,538,738</u>	<u>320,924,067</u>	<u>225,602,050</u>	<u>328,501,080</u>

Summarized financial information in respect of the Group's associates and joint ventures is set out below:

	Six-Month Period Ended June 30, 2020 (Unaudited)			
	Solidere International Limited	Beirut Waterfront Development S.A.L.	Other Associates and Joint Ventures	Total
	US\$	US\$	US\$	US\$
	US\$	US\$	US\$	US\$
Total Revenue	8,360,720	3,787,837	1,571,653	13,720,210
Total Cost of Revenue	(669,854)	(3,901,690)	(2,061,811)	(6,633,354)
Loss for the period	(15,308,169)	(2,354,495)	(990,885)	(18,653,550)
Group's share of results loss	(5,970,444)	(1,174,617)	(368,981)	(7,514,042)
	Six-Month Period Ended June 30, 2019 (Unaudited)			
	Solidere International Limited	Beirut Waterfront Development S.A.L.	Other Associates and Joint Ventures	Total
	US\$	US\$	US\$	US\$
	US\$	US\$	US\$	US\$
Total Revenue	2,997,673	4,819,192	5,446,785	13,263,650
Total Cost of Revenue	(2,599,228)	(4,388,719)	(1,976,447)	(8,964,394)
Profit/(loss) for the period	(39,488,985)	(2,230,649)	303,369	(41,416,265)
Group's share of results profit/(loss)	(15,444,142)	(1,115,320)	70,253	(16,489,209)

10. BANK OVERDRAFTS AND SHORT TERM FACILITIES

	(Unaudited)	
	June 30, 2020	December 31, 2019
	US\$	US\$
Bank overdrafts	137,245	18,958,855
Short term facilities	-	30,000,000
	<u>137,245</u>	<u>48,958,855</u>

Interest expense on bank overdrafts for the six-month period ended June 30, 2020 amounted to US\$600,250 and is recorded under "Interest expense" in the condensed interim consolidated statement of profit or loss and other comprehensive income (US\$2,603,900 for the six-month period ended June 30, 2019).

Short-term facilities mature within a period of one year and consist of the following:

Facility Amount	Maturity Date	Covenants	(Unaudited)	December 31,
			June 30, 2020	2019
US\$			US\$	US\$
50,000,000	July 31, 2019	(a)	-	30,000,000

- a) The covenants of the facility stipulate that the Group maintains a minimum equity of US\$1 billion, a minimum equity to asset ratio of 40% and a maximum debt to equity ratio of 40% and a maximum debt to equity ratio of 50%. During the six-month period ended June 30, 2020, the Group fully settled the outstanding balance.

Interest expense on short term facilities for the six-month period June 30, 2020 amounted to US\$452,127 (US\$2,121,863 for the six-month period ended June 30, 2019) and recorded under "Interest expense" in the condensed interim consolidated statement of profit and loss.

11. DEFERRED REVENUES AND OTHER CREDIT BALANCES

	(Unaudited)	December 31,
	June 30, 2020	2019
	US\$	US\$
Cash down payments and commitments on sales contracts	132,957,131	19,133,871
Deferred rental revenue and related deposits	14,708,244	14,680,121
Unrealized gain on sale of properties to a joint venture	10,750,000	10,750,000
	<u>158,415,375</u>	<u>44,563,992</u>

12. TERM BANK LOANS

(Unaudited)	December 31,	Maturity	Interest	Loan	Outstanding Balance	
					June 30, 2020	December 31, 2019
June 30, 2020	2019	date	Rate	Repayment and Covenants	(Unaudited)	
US\$	US\$				US\$	US\$
50,000,000	50,000,000	December 30, 2021	variable	(a)	-	21,000,058
50,000,000	50,000,000	December 30, 2020	variable	(a)	-	6,250,000
95,000,000	95,000,000	December 29, 2021	variable	(a)	-	23,200,000
40,000,000	40,000,000	December 30, 2021	variable	(a)	-	14,000,000
100,000,000	100,000,000	June 25, 2022	fixed	(a)	-	14,735,988
50,000,000	50,000,000	December 25, 2022	variable	(a)	-	24,945,987
30,000,000	30,000,000	December 25, 2022	variable	(a)	-	20,001,101
19,300,000	19,300,000	December 8, 2024	variable	(a)	-	13,348,164
18,000,000	18,000,000	December 31, 2021	variable	(b)	11,499,972	18,000,000
					<u>11,499,972</u>	<u>155,481,298</u>

Variable interest rates are linked to either Libor or Beirut Reference Rate (BRR).

- (a) During the six-month period ended June 30, 2020, the Group fully settled these loan balances prior to maturity.
- (b) During 2019, the Group signed a new loan agreement for US\$18million with a non-resident bank for a period of two years for working capital needs and investment financing. The loan was fully withdrawn in 2019. The repayment of the loan will be through 4 equal installments amounting to US\$4.5million each, starting November 30, 2020 to December 31, 2021. The covenants of the loan stipulate that the Group should maintain a maximum debt to equity ratio of 1:1 and a minimum of US\$1.75billion in net tangible assets. During the six-month period ended June 30, 2020, the Group early settled an amount of US\$6.5million. Subsequent to the period-end, the Group fully settled the loan balance prior to maturity.

Early settlement of term bank loans resulted in a discount of US\$8,782,041 recognized in the condensed interim consolidated statement of profit or loss and other comprehensive income (Note 15 (d)).

Interest expense on term bank loans for the six-month period ended June 30, 2020 amounted to US\$2,633,347 (US\$11,214,833 for the six-month period ended June 30, 2019), and is recorded under "Interest expense" in the condensed interim consolidated statement of profit or loss and other comprehensive income.

13. BASIC/DILUTED EARNINGS PER SHARE

The computation of earnings per share is based on net income for the period and the weighted average number of outstanding class (A) and (B) shares during each period net of treasury shares held by the Group.

The weighted average number of shares to compute basic and diluted income per share is 164,996,767 shares for the six-month period ended June 30, 2020 (164,998,750 shares for the six-month period ended June 30, 2019).

14. PROVISION FOR/(WRITE-BACK ON) IMPAIRMENT OF FINANCIAL ASSETS, NET

	(Unaudited)	
	Six Month Ended	
	June 30,	
	<u>2020</u>	<u>2019</u>
	US\$	US\$
Allowance for credit losses on bank balances	5,000,000	-
Allowance for credit losses on BCD Cinemas receivable	2,199,721	-
Allowance for credit losses on other debit balances	4,008,391	-
Allowance for credit losses/(write-back on) Beirut Souks receivable	2,106,287	(869,325)
Provision for cancelation of land sales contracts	4,293,107	-
	<u>17,607,506</u>	<u>(869,325)</u>

15. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Depreciation was applied as follows:

	(Unaudited)	
	Six Month Ended	
	June 30,	
	<u>2020</u>	<u>2019</u>
	<u>US\$</u>	<u>US\$</u>
Depreciation of fixed assets	1,439,601	1,299,773
Depreciation of investment properties	<u>6,772,105</u>	<u>6,910,479</u>
	<u>8,211,706</u>	<u>8,210,252</u>

(b) Interest expense consists of the following:

	(Unaudited)	
	Six Month Ended	
	June 30,	
	<u>2020</u>	<u>2019</u>
	<u>US\$</u>	<u>US\$</u>
Interest charged as period cost	3,357,926	15,665,445
Interest expense allocated to inventory of land and projects in progress	<u>107,849</u>	<u>621,968</u>
Total interest expense	<u>3,465,775</u>	<u>16,287,413</u>

(c) Non-cash transactions in investing activities for the six-month period ended June 30, 2020, include cumulative foreign currency translation reserve in the amount of US\$340 (US\$1,976 for the six-month period ended June 30, 2019) which was excluded from investments in associates and joint ventures against cumulative foreign currency translation reserve under equity.

Also during the six-month period ended June 30, 2020, the following non-cash item was excluded from the operating activities in the statement of cash flows:

- Decrease of USD21.5million in “Accounts and notes receivables” against increase in “Investment properties, net”

(d) Changes in liabilities arising from financing activities:

	(Unaudited) Six Month Ended June 30,	
	<u>2020</u>	<u>2019</u>
	US\$	US\$
Total liabilities from financing activities at January 1	185,481,298	424,511,085
Repayment (Notes 10 and 12)	(165,199,285)	(179,914,332)
Discount from early settlement of bank loans (Note 12)	(8,782,041)	-
Total liabilities from financing activities at June 30	<u>11,499,972</u>	<u>244,596,753</u>

	Year Ended December 31,	
	<u>2019</u>	<u>2018</u>
	US\$	US\$
Total liabilities from financing activities at January 1	424,511,085	445,176,170
Repayment	(231,604,787)	(20,665,085)
Discount from early settlement of bank loans	(7,425,000)	-
Total liabilities from financing activities at June 30	<u>185,481,298</u>	<u>424,511,085</u>

(e) Cash and cash equivalents comprise the following:

	(Unaudited) Six Month Ended June 30,	
	<u>2020</u>	<u>2019</u>
	US\$	US\$
Cash on hand	1,885,116	75,048
Checks under collection	177,846	358,917
Current accounts	196,797,658	6,766,036
Short term deposits	951,476	12,208,101
Bank overdrafts	(137,245)	(34,331,654)
	<u>199,674,851</u>	<u>(14,923,552)</u>

	Year Ended	
	December 31,	
	<u>2019</u>	<u>2018</u>
	US\$	US\$
Cash on hand	519,433	20,284
Checks under collection	407,669	13,237,344
Current accounts	22,462,914	8,252,367
Short term deposits	4,892,398	5,669,800
Bank overdrafts	(18,958,855)	(59,138,400)
	<u>9,323,559</u>	<u>(31,958,605)</u>

16. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

The following table provides the outstanding balances due from related parties for the relevant financial period/year:

	(Unaudited)	
	June 30,	December 31,
	<u>2020</u>	<u>2019</u>
	US\$	US\$
Solidere International Limited (Associate)	32,261	32,261
City Makers S.A.R.L (Related Party)	90,381	65,897
BCD Cinemas S.A.L. (Associate)	2,199,721	2,157,504
Beirut Waterfront Development S.A.L. (Joint Venture)	469,225	448,559
ASB - Downtown S.A.L. (Associate)	241,145	241,881
Less: Allowance for credit losses on BCD Cinemas S.A.L. (Associate)	(2,199,721)	-
	<u>833,012</u>	<u>2,946,102</u>

The following table provides the outstanding balances due to related parties for the relevant financial period/year:

	(Unaudited)	
	June 30,	December 31,
	<u>2020</u>	<u>2019</u>
	US\$	US\$
GroupMed Insurance and Reinsurance Company S.A.L.	223,917	1,685,966
Beirut Waterfront Development S.A.L. (Joint Venture)	126,686	121,524
	<u>350,603</u>	<u>1,807,490</u>

Cash and bank balances include US\$140,385,631 as at June 30, 2020 (US\$8,971,812 as of December 31, 2019) representing current bank accounts with local banks who are minority shareholders of the Group.

Certain directors are members of the boards of directors of banks and insurance companies with whom the Group has various banking activities.

Included under “Interest income” in the condensed interim consolidated statement of profit or loss and other comprehensive income an amount of US\$ nil for the period ended June 30, 2020 (US\$122,024 for the period ended June 30, 2019) representing interest income on term deposits with local banks who are significant but minority shareholders of the Group.

Term loans include US\$11,500,000 as at June 30, 2020 (US\$41,200,000 as of December 31, 2019) representing a term loan with a bank who is a significant but minority shareholder of the Group.

Included under “Interest expense” in the condensed interim consolidated statement of profit or loss is an amount of US\$923,269 for the six-month period ended June 30, 2020 (US\$3,200,405 for the six-month period ended June 30, 2019) representing interest expense on bank overdrafts, short term facilities and term loans with a local bank who is a significant but minority shareholder of the Group.

Included under “Discount from early settlement of bank loans” in the condensed interim consolidated statement of profit or loss is an amount of US\$2million for the six-month period ended June 30, 2020 (US\$nil for the six-month period ended June 30, 2019) representing discount on early settlement of term bank loan with a local bank who is significant but minority shareholder of the Group.

Total benefits of executives and members of the Board of Directors (including salary, bonus and others), included within “General and administrative expenses”, for the period ended June 30, 2020 amounted to US\$1,247,000 (US\$2,553,000 for the period ended June 30, 2019).

During the six-month period ended June 30, 2020, the Group cancelled a land sale contract with one of the members of the Board of Directors amounting to US\$2million.

Income arising and expenses incurred from the Group’s transactions with other related parties, other than those disclosed in the financial statements, do not form a significant portion of the Group’s operations.

17. COMMITMENTS AND CONTINGENCIES

- (a) An agreement between the Group and the Council for Development and Reconstruction (“CDR”) was promulgated through Decree No. 5665 dated September 21, 1994, duly approved by the Council of Ministers. By virtue of this agreement, the Group was granted 291,800Sqm of the reclaimed land surface (totaling 608,000Sqm) against the execution by the Group of the sea landfill and infrastructure works.

- (b) The total cost of the BCD project, as updated on December 31, 2019, has been estimated by management to be approximately US\$2.3billion. This amount is used as a base for the determination of cost of sales.
- (c) Commitments for contracted works not executed as at June 30, 2020 amounted to approximately US\$18million (US\$49million as of December 31, 2019).
- (d) In prior periods, the Group has submitted to the “CDR” claims aggregating US\$13.6million representing mainly change orders to infrastructure works in the traditional BCD which were incurred by the Group on behalf of the Government. These claims were neither approved nor confirmed by the concerned party nor recorded as receivables in the accompanying condensed interim consolidated financial statements.
- (e) The Group is a defendant in various legal proceedings and has litigations pending before the courts and faces several claims raised by contractors and other parties. On the basis of advice received from the external legal counsel and the Group’s technical department, the directors are of the opinion that any negative outcome thereof, if any, would not have a material adverse effect on the financial condition of the Group.
- (f) On June 7, 1997, the Group signed an exchange agreement with the Lebanese Government. By virtue of this agreement, the Group acquired additional built up area of approximately 58,000Sqm and 556,340 Class A shares in exchange for approximately 15,000Sqm and the payment of US\$38.7million to restore governmental buildings. US\$25million has already been paid and accounted for and the balance of US\$13.8million continues to be included under accounts payable. According to the terms of the agreement, the Group undertook to build a governmental building and to conclude ten finance leases over seven years for certain buildings belonging to the Lebanese Government. In 1999, the government canceled the exchange and finance lease agreement. The implementation and the effect of cancellation is not yet determined and has not been reflected in the accompanying condensed interim consolidated financial statements.
- (g) In prior periods, the Group submitted to the Ministry of Culture and Higher Education claims totaling US\$17.7million representing compensation for delays that resulted from excavation works. These claims were not yet approved nor confirmed by the concerned authorities nor recorded as receivables in the accompanying condensed interim consolidated financial statements.
- (h) For the purpose of enhancing and improving land value in Zokak Al Blat area and to settle the recuperation of a lot in that area, the Group signed in 2002 an agreement with the Armenian Orthodox prelacy to demolish the building on the recuperated lot and to transfer corresponding building rights to another adjacent lot with minimum building rights of 4,900Sqm against ceding of owners’ shares from both lots. Additionally, a built-up area of 5,335Sqm (US\$2,700,000) remains as a contingent loss to the Group in case the prelacy decides to build this area within the next 10 years following this agreement. During November 2010, an agreement was signed by both parties in which it was agreed that November 2010 would be the start date for the 10 years period as it represents the date of finalization of parcellation and massing of plots number 1137 and 1138 of Zokak Al Blat area subject to the said agreements.

- (i) The Group is defendant in a lawsuit raised by a Group of jewelers and the jewelers syndicate. The Group appealed the court's decision in which the Group was required to register certain commercial shops in Beirut Souks. The case was deferred until April 4, 2016 and then deferred to June 13, 2016. A final binding judgment was rendered on July 4, 2019 by the Supreme Court against the Group confirming in substance the judgment rendered by Beirut Court of Appeal and thus ordering the Group to register the units in Beirut Souks in the name of the plaintiffs. In 2017, other separate lawsuits were filed against the Company in connection with, or deriving from, the original lawsuit, and are still pending. As the judgement by the Supreme Court supersedes the separate lawsuits that are still pending, management does not expect their outcome to be in favor of the Group. However, management assessed that no negative financial impact is to be further expected.
- (j) The Group has commitments and contingencies in the form of letters of guarantee in the amount of US\$1,899,121 as at June 30, 2020 (US\$3,205,000 as of December 31, 2019).

18. CLASSIFICATION OF STATEMENT OF FINANCIAL POSITION ITEMS

<u>ASSETS</u>	(Unaudited) June 30, 2020 US\$	December 31, 2019 US\$
<i>Current Assets</i>		
Cash and banks balances	186,975,407	20,445,725
Prepayments and other debit balances - Current portion	10,006,714	13,907,007
Accounts and notes receivables- Current portion	22,351,992	86,395,798
Investment in assets-backed securities - Current portion	4,337,877	4,337,877
Total Current Assets	<u>223,671,990</u>	<u>125,086,407</u>
<i>Non-Current Assets</i>		
Prepayments and other debit balances - Non-current portion	2,353,415	4,773,602
Accounts and notes receivables - Non-current portion	43,189,549	43,540,470
Investments in assets-backed securities - Non-current portion	4,361,830	4,361,830
Inventory of land and projects in progress	978,903,995	1,110,548,888
Investment properties, net	568,447,182	565,177,583
Investment in joint ventures and associates	343,574,067	351,151,080
Fixed assets, net	43,699,419	45,076,310
Total Non-Current Assets	<u>1,984,529,457</u>	<u>2,124,629,763</u>
TOTAL ASSETS	<u>2,208,201,447</u>	<u>2,249,716,170</u>
<u>LIABILITIES</u>		
<i>Current Liabilities</i>		
Bank overdrafts and short-term facilities	137,245	48,958,855
Accounts payable and other liabilities - Current portion	82,778,494	79,015,061
Dividends payable	58,185,965	59,014,963
Deferred revenue and other credit balances - Current portion	147,665,375	33,813,992
Term bank loans - Current portion	6,999,972	25,750,000
Total Current Liabilities	<u>295,767,051</u>	<u>246,552,871</u>
<i>Non-Current Liabilities</i>		
Accounts payable and other liabilities - Non-current position	26,868,015	30,409,800
Deferred revenue and other credit balances - Non-current position	10,750,000	10,750,000
Term bank loans - Non-current position	4,500,000	129,731,298
Total Non-Current Liabilities	<u>42,118,015</u>	<u>170,891,098</u>
TOTAL LIABILITIES	<u>337,885,066</u>	<u>417,443,969</u>
<u>EQUITY</u>		
Issued capital at par value US\$10 per share:		
100,000,000 class (A) shares	1,000,000,000	1,000,000,000
65,000,000 class (B) shares	650,000,000	650,000,000
	1,650,000,000	1,650,000,000
Legal reserve	170,475,527	170,475,527
Retained earnings	49,906,155	11,840,097
Cumulative foreign currency translation reserve	(28,083)	(28,423)
Less: Treasury shares	(37,218)	(15,000)
Total Equity	<u>1,870,316,381</u>	<u>1,832,272,201</u>
TOTAL LIABILITIES AND EQUITY	<u>2,208,201,447</u>	<u>2,249,716,170</u>

19. FAIR VALUE MEASUREMENT

The Group's financial assets and liabilities are measured at amortized cost.

The fair value of investment properties as at June 30, 2020 amounted to approximately USD1.2billion based on estimation performed during the first quarter of 2020. This is classified as Level 2 in the fair value hierarchy.

The fair value of financial assets and financial liabilities was determined using the discounted cash flow method based on a discount rate equivalent to the market interest rate.

The fair value of the investment properties was estimated by management based on market comparability approach.

20. SUBSEQUENT EVENTS

- a. On August 4, 2020, a devastating deadly blast occurred at the Beirut seaport causing severe property damages across a wide area of the capital along with a large number of casualties, aggravating the financial crisis prevailing in the country. On August 10, 2020, the Lebanese Council of Ministers resigned.

Management has performed an assessment on the Group's operations and financial implications caused by this explosion and noted damages amounting to US\$ 33,417,743 (including VAT). Management believes that this amount is fully recoverable from the insurance companies.

- b. Following the resolution of the Company's shareholders during 1998 to amend the duration of the Company from 25 years to 75 years, the Council of Ministers issued decree No. 15909 limiting the extension of the Company's duration to 10 years, to become 35 years. During 2016, one of the property owners in the Beirut Central District, filed a claim before the Lebanese State *Shura* Council "مجلس شورى الدولة" against the State of Lebanon, to revoke and suspend the execution of the Council of Ministers decree No. 15909, and citing the Company as a third-party to the claim, which was rejected by the State *Shura* Council. During the same year, the plaintiff asked for a retrial.

On October 12, 2020, the designated Counselor "المستشار المقرر" of the State *Shura* Council, submitted a report setting forth her opinion and concluding that the request for a retrial is admissible, and which was concurred by the Assistant State Commissioner "مفوض الحكومة المعاون" on October 20, 2020.

The final outcome of the above cannot be presently determined.

21. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved the condensed interim consolidated financial information for the six-month period ended June 30, 2020, on October 27, 2020.