

# 2014 INTERIM REPORT



百利保控股有限公司  
**Paliburg**  
Holdings Limited  
(Incorporated in Bermuda with limited liability)  
(Stock Code : 617)

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# Corporate Information

## DIRECTORS

### *Executive Directors*

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Jimmy Lo Chun To

(Vice Chairman and Managing Director)

Donald Fan Tung

(Chief Operating Officer)

Lo Po Man

Kenneth Ng Kwai Kai

Kenneth Wong Po Man

### *Independent Non-Executive Directors*

Bowen Joseph Leung Po Wing, GBS, JP

Ng Siu Chan

Abraham Shek Lai Him, GBS, JP

Wong Chi Keung

## AUDIT COMMITTEE

Wong Chi Keung (Chairman)

Bowen Joseph Leung Po Wing, GBS, JP

Ng Siu Chan

Abraham Shek Lai Him, GBS, JP

## REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)

Lo Yuk Sui

Ng Siu Chan

## NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Bowen Joseph Leung Po Wing, GBS, JP

Ng Siu Chan

Abraham Shek Lai Him, GBS, JP

Wong Chi Keung

## SECRETARY

Eliza Lam Sau Fun

## AUDITORS

Ernst & Young

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

The Bank of East Asia, Limited

Standard Chartered Bank (Hong Kong) Limited

Australia and New Zealand Banking Group Limited

United Overseas Bank Limited, Hong Kong Branch

## PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited

The Belvedere Building, 69 Pitts Bay Road

Pembroke HM08, Bermuda

## BRANCH REGISTRAR IN HONG KONG

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

## REGISTERED OFFICE

The Belvedere Building, 69 Pitts Bay Road

Pembroke HM08, Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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# Directors' Profile

**Mr. Lo Yuk Sui**, aged 69; *Chairman and Chief Executive Officer* — Chairman and Managing Director since 1993 and designated as the Chief Executive Officer in 2007. Mr. Lo has been the Managing Director and the Chairman of the predecessor listed companies of the Group since 1984 and 1986, respectively. He is also an executive director, the chairman and the chief executive officer of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, Regal Hotels International Holdings Limited ("RHIHL") and Cosmopolitan International Holdings Limited ("Cosmopolitan"), both listed subsidiaries of the Company, and a non-executive director and the chairman of Regal Portfolio Management Limited ("RPML"), the manager of Regal Real Estate Investment Trust (the listed subsidiary of RHIHL). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

**Mr. Jimmy Lo Chun To**, aged 40; *Vice Chairman and Managing Director* — Appointed to the Board in 1999. Mr. Jimmy Lo has been elected as the Vice Chairman and appointed as the Managing Director in 2013. He is also an executive director and a vice chairman of CCIHL, an executive director of RHIHL, an executive director, a vice chairman and the managing director of Cosmopolitan, and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. He joined the Century City Group in 1998. Mr. Jimmy Lo is primarily involved in overseeing the Group's property projects in the People's Republic of China (the "PRC") and, in addition, undertakes responsibilities in the business development of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

**Mr. Donald Fan Tung**, aged 57; *Executive Director and Chief Operating Officer* — Appointed to the Board in 1993 and designated as the Chief Operating Officer in 2007. Mr. Fan has been with the Group since 1987 and is principally involved in the Group's property development, architectural design and project management functions as well as overseeing the building construction business of the Group. Mr. Fan is a qualified architect. He is also an executive director of CCIHL and RHIHL and a non-executive director of RPML.

**Mr. Bowen Joseph Leung Po Wing**, GBS, JP, aged 64; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2008. Mr. Leung previously served the Hong Kong Government for over 32 years until his retirement as the Director of the Office of the Government of the Hong Kong Special Administrative Region in Beijing ("Beijing Office") in November 2005. Mr. Leung joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr. Leung had served in various policy bureaux and departments. Senior positions held by Mr. Leung included: Deputy Secretary for District Administration (later retitled as Deputy Secretary for Home Affairs); Deputy Secretary for Planning, Environment and Lands; Private Secretary, Government House, Secretary for Planning, Environment and Lands and Director of the Beijing Office. Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as the Director of the Beijing Office, he had made commendable efforts in promoting Hong Kong in the Mainland, as well as fostering closer links and co-operation between Hong Kong and the Mainland. Mr. Leung is an independent non-executive director and a member of the Audit Committee of PYI Corporation Limited, North Asia Resources Holdings Limited and Quali-Smart Holdings Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He also acts as special consultant to the board of directors of Sands China Limited, which is a company listed on the Stock Exchange.

## Directors' Profile (Cont'd)

**Miss Lo Po Man**, aged 34; *Executive Director* — Appointed to the Board in 2007. Miss Lo is also an executive director and a vice chairman of CCIHL, an executive director, the vice chairman and the managing director of RHIHL, an executive director and a vice chairman of Cosmopolitan, and a non-executive director and the vice chairman of RPML. She graduated from Duke University, North Carolina, the United States, with a Bachelor's Degree in Psychology. Miss Lo joined the RHIHL group in 2000 and is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing function of the RHIHL group and also undertakes responsibilities in the business development function of the Century City group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

**Mr. Kenneth Ng Kwai Kai**, aged 60; *Executive Director* — Appointed to the Board in 1995. Mr. Ng is also an executive director and the chief operating officer of CCIHL, an executive director of RHIHL and Cosmopolitan, and a non-executive director of RPML. He has been with the Group since 1985 and is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. Mr. Ng is a Chartered Secretary.

**Mr. Ng Siu Chan**, aged 84; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 1995. Mr. Ng is also an independent non-executive director of CCIHL and RHIHL. He is a non-executive director of Transport International Holdings Limited, which is a company listed on the Stock Exchange.

**Hon Abraham Shek Lai Him**, GBS, JP, aged 69; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2002. He is also an independent non-executive director of Cosmopolitan and RPML. Mr. Shek holds a Bachelor's Degree of Arts. He is currently a member of the Legislative Council of the Hong Kong Special Administrative Region. He is also a Member of the Court of The Hong Kong University of Science and Technology, Member of both of the Court and the Council of The University of Hong Kong, Director of The Hong Kong Mortgage Corporation Limited and Vice Chairman of Independent Police Complaints Council. Mr. Shek is the chairman and an independent non-executive director of Chuang's China Investments Limited, the vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited, an independent non-executive director and a member of the audit committee of China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Country Garden Holdings Company Limited, Dorsett Hospitality International Limited, ITC Corporation Limited, Lifestyle International Holdings Limited, Midas International Holdings Limited, NWS Holdings Limited and SJM Holdings Limited, and an independent non-executive director of Hop Hing Group Holdings Limited, Lai Fung Holdings Limited and MTR Corporation Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange).

**Mr. Wong Chi Keung**, aged 59; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. Mr. Wong is also an independent non-executive director of CCIHL and RHIHL. He holds a Master's Degree in Business Administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management, advising on securities and advising on corporate finance for Greater China Capital Limited under the Securities and Futures Ordinance of Hong Kong. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as "Yuexiu Property Company Limited"), a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, ENM Holdings Limited, Golden Eagle Retail Group Limited, TPV Technology Limited, Yuan Heng Gas Holdings Limited (formerly known as Ngai Lik Industrial Holdings Limited) and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management.

**Mr. Kenneth Wong Po Man**, aged 48; *Executive Director* — Appointed to the Board in 2007. Mr. Wong is a qualified architect. He graduated from The University of Hong Kong with a Bachelor of Arts Degree in Architectural Studies and a Bachelor's Degree of Architecture. He also holds a Master of Science Degree in Real Estates from The University of Hong Kong. Mr. Wong has been with the Group for over 20 years. He has been involved in architectural design and project management in respect of various property development projects of the Group and is also the Technical Director of Chatwin Engineering Limited, the construction arm of the Group, registered under the Buildings Ordinance. Mr. Wong is also an executive director and the chief operating officer of Cosmopolitan.



# Chairman's Statement

Dear shareholders,

I am pleased to present herewith the 2014 Interim Report of the Company.

## FINANCIAL RESULTS

For the six months ended 30th June, 2014, the Group recorded an unaudited consolidated profit attributable to shareholders of HK\$16.2 million, as compared to HK\$27.5 million for the corresponding period in 2013.

During the period under review, the Group's gross profit amounted to HK\$511.2 million, which was mainly contributed by the core hotel business of Regal Hotels International Holdings Limited, the Group's most significant subsidiary, and represents an increase of 10.5% over the HK\$462.5 million attained in the last comparative period. As the Group's hotel properties are all self-operated within the Group, they are carried in the Group's financial statements at cost less accumulated depreciation as required under the currently applicable accounting standards. Accordingly, depreciation charges in an aggregate amount of HK\$228.6 million have thus been provided on the Group's hotel properties for the half year under review which, though having no immediate cash flow impact, have adversely affected the overall reported profit performance. Moreover, although P&R Holdings Limited, the Group's subsidiary engaged in property development business in Hong Kong, has disposed of two of its hotel developments in Hong Kong to Regal Real Estate Investment Trust, the listed subsidiary of Regal, in February and July this year, respectively, for an aggregate consideration of HK\$3,232.5 million, the substantial profits associated with such disposals have not been reflected in the Group's results due to elimination on account of the corporate holding structure.

## DIVIDEND

The Directors have declared the payment of an interim dividend of HK2.3 cents per ordinary share for the financial year ending 31st December, 2014, representing an increase of 4.5% over the interim dividend of HK2.2 cents per ordinary share paid for the last financial year. This interim dividend will absorb an amount of approximately HK\$25.6 million (2013 – HK\$24.5 million) and will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 10th October, 2014.

## BUSINESS OVERVIEW

### PROPERTIES

After a relatively stagnant period, the residential property market in Hong Kong recently regained some momentum with the release of the penned up demand, especially for the smaller-sized apartment units. While the Hong Kong Government is continuing with its ongoing land sales programme to boost supply, the underlying demands for different types of properties in Hong Kong are strong and the outlook of the local real estate sector remains positive.

The Group's property development and investment business in Hong Kong is principally undertaken through P&R Holdings, which was first established in 2011 as a joint venture owned as to 50% each by Regal and the Group itself. As Regal became a subsidiary of the Group in May 2012, P&R Holdings has since effectively become a subsidiary of the Group.

As mentioned in the 2013 Annual Report, P&R Holdings completed in February this year the sale of the new hotel development located at Nos.132-140 Bonham Strand, Sheung Wan to Regal REIT for a total consideration of HK\$1,581.1 million, pursuant to the terms of the Share Purchase Agreement.

On 28th July, 2014, following the satisfaction of the conditions precedent for the due exercise of the option by Regal REIT, P&R Holdings further completed the sale of another new hotel development located at Nos.14-20 Merlin Street, North Point to Regal REIT for a total consideration of HK\$1,651.4 million, comprising the final exercise price of HK\$1,650 million, based on an updated valuation of the hotel property as of 30th April, 2014 by a jointly appointed independent valuer, and current assets adjustment of HK\$1.4 million, pursuant to the terms of the Option Agreement entered into with Regal REIT in June 2013.

Though these transactions have generated substantial profits and cash flow to P&R Holdings, the profits associated with such disposals have not been reflected in the Group's financial statements due to elimination under the current corporate holding structure.

Apart from the two hotel developments sold, P&R Holdings is undertaking a total of six property projects in Hong Kong, encompassing residential, commercial, hotel, and shopping mall developments. P&R Holdings also holds ten residential duplex units and fourteen car parks in Rainbow Lodge located in Tong Yan San Tsuen, Yuen Long, which it acquired from Cosmopolitan International Holdings Limited in September 2013, and a sale programme is planned to be launched for the disposal of these residential units.

Further details on the ongoing projects and properties owned by P&R Holdings are contained in the section headed "Management Discussion and Analysis" in this Interim Report.

### CONSTRUCTION AND BUILDING RELATED BUSINESS

The Group's wholly owned construction arm, Chatwin Engineering Limited, is the main contractor for the construction of P&R Holdings' hotel development in Merlin Street, which has recently been completed in May 2014. Chatwin has also been awarded the main contract works for the residential project of P&R Holdings in Yuen Long through competitive tender process. Due to the increasing number of projects undertaken, the Group's development consultancy division, which provides professional services on architectural, engineering and interior design aspects, is now principally supporting the needs of the Group's member companies.

### OTHER INVESTMENTS

The Group holds a significant portfolio of investments comprising listed securities and other investments, including investment funds, bonds as well as treasury and yield enhancement products, some of which are denominated in Renminbi.

### REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2014, Regal achieved an unaudited consolidated profit attributable to shareholders of HK\$167.1 million, an increase of about 1.8 times over the HK\$60.5 million attained for the comparative period last year.

During the period under review, the core hotel business of the Regal group has achieved satisfactory performance. The gross operating profits for the five initial Regal Hotels and the iclub Wan Chai Hotel for the first six months amounted to HK\$476.0 million, which represents an increase of 8.9% over the corresponding period in 2013. However, for the same reason as explained above, the depreciation charges required to be provided on its hotel properties for the period have adversely affected the amount of profit reported by Regal.



## BUSINESS OVERVIEW

### HOTELS

#### MARKET OVERVIEW

The pace of recovery in the global economy during the period under review was slower than expected but is anticipated to pick up in the latter part of 2014. In China, the central government authorities have implemented limited and targeted policy measures to support economic activities in the second half of the year and the growth in its GDP in 2014 is projected to be around 7.4%. Meanwhile, Hong Kong's economy expanded moderately in the first half of 2014 and its GDP for the year as a whole is now forecast to grow between 2% to 3%. Nevertheless, there are still concerns on potential downside risks, which could be caused by the persistent financial weakness in some economies in the Euro area and Latin America, the raising of long term interest rates and the increased geopolitical tensions in certain regions.

In the first half of 2014, total visitors to Hong Kong amounted to over 28.5 million, which is an increase of 12.5% year-on-year, with visitors from Mainland China accounting for over 76% of the total headcount. Although consumer spending by Mainland visitors in the retail market has contracted somewhat during this period, particularly on high end luxury goods, the hotel market in Hong Kong has continued to perform well. Based on the information published by the Hong Kong Tourism Board, the average hotel room occupancy for all the surveyed hotels under different categories in Hong Kong for the half year ended 30th June has risen from 87% in 2013 to 89% in 2014, with the average achieved room rate also gaining by 2.8% over the same comparative period.

#### HOTEL OWNERSHIP

##### REGAL REAL ESTATE INVESTMENT TRUST

As at 30th June, 2014, the Regal group held 74.6% of the outstanding units of Regal REIT and Regal Portfolio Management Limited, a wholly owned subsidiary of the Regal group, acts as the REIT Manager.

For the six months ended 30th June, 2014, Regal REIT attained an unaudited consolidated profit before distribution to unitholders of HK\$319.6 million, as compared to the profit of HK\$335.4 million recorded in the corresponding period in 2013. Based on the market valuations as of 30th June, 2014, there was an increase of HK\$74.0 million in the fair value of Regal REIT's investment properties portfolio reflected in the results for the period under review, while for the comparative period last year, a gain of HK\$124.8 million was reported for such fair value changes. If the fair value changes are excluded, the core profit before distribution to unitholders for the period would amount to HK\$245.6 million, representing an increase of 16.6% over the HK\$210.6 million attained for the corresponding period in 2013.

The five initial Regal Hotels are under lease to a wholly owned subsidiary of Regal. Under the annual market rental review, the base rent for 2014 has been determined at HK\$743.0 million, with equal sharing of the excess of their aggregate net property income over the annual base rent.

Apart from the five initial Regal Hotels, Regal REIT also owns three other hotels in Hong Kong, all under the "iclub by Regal" brand name. The "iclub" brand is a new line of hotels developed by the Regal group, which are typically positioned as upscale select-service hotels, with contemporary and stylish décor, and equipped with tech-savvy facilities.

The first hotel operated under the "iclub" brand was the "iclub Wan Chai Hotel", which was formerly named as the "Regal iClub Hotel", in Wanchai and is self-operated by Regal REIT. The operating performance of iclub Wan Chai Hotel in the first half of 2014 was satisfactory, with occupancy having maintained at virtually 100% and, despite keen competition, has achieved a growth in RevPAR (Revenue per Available Room) of 2.5% as compared to the same period last year.

As mentioned above, Regal REIT completed in February 2014 the acquisition of the new hotel located at Nos.132-140 Bonham Strand, Sheung Wan, which has been leased to the Regal group effective from the date of completion. The hotel, comprising 34 storeys with 248 guestrooms and suites, is named as the "iclub Sheung Wan Hotel" and has commenced business operations in June 2014.

Subsequent to the half year end date, on 28th July, 2014, Regal REIT further completed the acquisition from P&R Holdings of the other new hotel located at Nos.14-20 Merlin Street, North Point, which has similarly been leased to the Regal group commencing from the date of acquisition. The hotel has 32 storeys with 338 guestrooms and will be named as the "iclub Fortress Hill Hotel". Business operations are anticipated to commence in September this year and this will be the third "iclub" hotel of Regal REIT in Hong Kong.

Apart from strengthening the overall properties portfolio of Regal REIT, the two new "iclub" hotels are also expected to provide accretions to the distributable income of Regal REIT, particularly under the current low interest rate environment. When the iclub Fortress Hill Hotel comes on stream, the total number of hotels owned by Regal REIT in Hong Kong will increase to eight and the total hotel room inventory will have an aggregate of about 4,570 guestrooms and suites.

### HOTEL OPERATIONS

A wholly owned subsidiary of the Regal group has since 2007 been operating the five initial Regal Hotels as lessee. Benefiting from the continuing influx of visitors to Hong Kong, these five hotels achieved during the period under review a combined average occupancy of 92.9%, representing an increase of 6.4% over the 87.3% recorded in the same period last year. At the same time, the combined average room rate gained by 2.9%, which overall resulted in an increase in RevPAR of 9.5% year-on-year. The aggregate net property income for the period amounted to HK\$447.2 million, which exceeded the prorated base rent for the six months of HK\$371.5 million by HK\$75.7 million, 50% of which will be shared by Regal REIT as variable rent under the market rental package. As the latter part of the year is traditionally the busier season for the hotel market in Hong Kong, it is expected that the operating results of these hotels in the second half of 2014 will be even more satisfactory.

The rental review for the initial Regal Hotels for 2015 by the independent professional property valuer has been completed and the aggregate annual base rent for 2015 was determined at HK\$763 million, representing an increase of 2.7% over the annual base rent in 2014, with the excess of the aggregate net property income over the aggregate base rent continuing to be shared equally between Regal REIT as the lessors and the Regal group as the lessee. In the meanwhile, discussions are being conducted between Regal REIT and the Regal group on the renewal of the existing leases for the initial Regal Hotels, which are due to expire on 31st December, 2015 under their prevailing terms.

The lease from Regal REIT of the two new "iclub" hotels are each for a fixed term from the respective dates of acquisition to 31st December, 2019 and extendable at the option of Regal REIT for another 5 years. The rentals under each of these leases for the first three years will be fixed and there will be market rental reviews annually for the determination of the rentals for the residual terms. As part of the overall arrangements, P&R Holdings will reimburse the lessee for the shortfall, if any, of the net operating income of the hotels below the rental payments during the first three years of the leases.

## Chairman's Statement (Cont'd)

### HOTEL MANAGEMENT

Regal Hotels International Limited, the wholly owned management arm of the Regal group, is the hotel manager providing hotel management services to all the five initial Regal Hotels and the three "iclub" hotels owned by Regal REIT in Hong Kong.

In the People's Republic of China, the Regal group is providing hotel management services to five operating hotels, including four in Shanghai and one in Shandong, while the new Regal Airport Hotel in Xi'an is scheduled to be opened before the end of this year. Moreover, management contracts have been signed for various other hotels being planned or under construction and the Regal group will continue to work on securing new management contracts with a view to further expanding its hotel network in Mainland China.

### PROPERTIES

The Regal group owns a 50% equity interest in P&R Holdings, a joint venture with the Group first established in April 2011, and its property development business is now principally undertaken through P&R Holdings.

The Regal group is retaining 19 houses in Regalia Bay, Stanley, five of which have been leased to third parties. Pending sale at satisfactory price, the Regal group may consider leasing out further houses for rental income.

### OTHER INVESTMENTS

The Regal group maintains a substantial portfolio of investments comprising listed financial assets and other investments, including investment funds, bonds as well as treasury and yield enhancement products, some of which are denominated in Renminbi.

Lately in August 2014, the Regal group entered into agreements to subscribe for shares in HS Group Sponsor Fund Ltd. up to an aggregate consideration of US\$15 million, payable in cash on capital calls by the investment manager of the fund. The fund was recently established to invest in hedge funds managed primarily by investment managers that pursue a variety of alternative investment strategies with an emphasis in Asia.

With a view to diversifying its income source, the Regal group has embarked on investing in the aircraft ownership and leasing business. The Regal group presently owns two aircraft, both Airbus A321 model, one wholly owned and the other effectively 85% owned, which have been leased to two separate airline operators generating relatively attractive returns. The Regal group is concurrently reviewing a number of potential investment proposals and might consider increasing its investment in this business sector.

### COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Cosmopolitan became a listed subsidiary of the Group in September 2013 and the Group's investments in Cosmopolitan are all held through P&R Holdings.

For the six months ended 30th June, 2014, Cosmopolitan recorded an unaudited consolidated loss of HK\$78.1 million, as compared to the consolidated loss of HK\$45.3 million (as restated) for the six months ended 30th September, 2013. The loss incurred for the period under review was largely attributable to the non-capitalised interest accruing on the consideration payable for the development project in Chengdu acquired in September 2013.



### BUSINESS OVERVIEW

Since Cosmopolitan became a listed subsidiary of the Group, the business activities of the Cosmopolitan group have mainly been focused on property investment and development in the PRC, investment in financial assets and other investments.

With a view to further strengthening its financial position, Cosmopolitan proposed in April 2014, in conjunction with a share consolidation on the basis that every ten then existing ordinary shares would be consolidated into one consolidated ordinary share, an open offer of new consolidated ordinary shares and/or convertible preference shares and the proposed issue of convertible bonds and optional convertible bonds.

Under the open offer, an aggregate of approximately 4,397.6 million new consolidated ordinary shares and/or convertible preference shares were proposed to be issued at a subscription price of HK\$0.1 each, which would raise for Cosmopolitan new equity proceeds in a gross amount of approximately HK\$439.8 million. The convertible preference shares carry substantially the same rights as those of the ordinary shares of Cosmopolitan except for voting at general meetings, and have been created by Cosmopolitan for election by its shareholders in lieu of ordinary shares under the open offer to ensure the maintenance of its minimum public float.

The open offer was underwritten by a wholly owned subsidiary of P&R Holdings and P&R Holdings has also undertaken to subscribe for its assured entitlement of approximately 2,969.0 million new consolidated ordinary shares and/or convertible preference shares.

Based on the total amount of the applications for assured entitlements and excess applications, the open offer was over-subscribed by 2.4 times and became unconditional on 8th August, 2014. Apart from taking up its assured entitlements, certain subsidiaries of P&R Holdings have also applied for excess applications under the open offer. Consequently, on closing of the open offer on 18th August, 2014, P&R Holdings has come to hold an aggregate of approximately 2,731.3 million consolidated ordinary shares of Cosmopolitan, representing approximately 64.3% of its total issued consolidated ordinary shares and, in addition, approximately 2,004.9 million convertible preference shares of Cosmopolitan, representing approximately 85.4% of its total issued convertible preference shares.

The proposed issue of convertible bonds by Cosmopolitan was made pursuant to a subscription agreement entered into between Cosmopolitan and P&R Holdings on 30th April, 2014. Under the subscription agreement, P&R Holdings will procure its wholly owned subsidiary to subscribe for convertible bonds of Cosmopolitan in the principal amount of HK\$500 million and P&R Holdings will also be entitled to an option to subscribe for optional convertible bonds of Cosmopolitan up to an aggregate principal amount of HK\$500 million. Following the closing of the open offer, the subscription for the convertible bonds in the principal amount of HK\$500 million has also been completed on 18th August, 2014. The proceeds raised from the issue of the convertible bonds have been applied as to HK\$200 million to repay the outstanding amount under a standby facility from the Group and as to HK\$300 million to partially pay down the consideration payable to P&R Holdings.

The detailed terms of these proposals were contained in a joint announcement of the Company dated 30th April, 2014.

### PROPERTIES

All the property projects that the Cosmopolitan group is presently undertaking are in Mainland China. These include the two large-scale composite development projects in Chengdu, Sichuan Province and Tianjin, which were acquired by the Cosmopolitan group in September 2013 and are being developed in stages, and a re-forestation and land grant project in Urumqi, Xinjiang Uygur Autonomous Region that the Cosmopolitan group has engaged in since 2008. Moreover, the Cosmopolitan group is continuing its negotiations with the relevant parties with regard to the two proposed projects in Wuxi and Tongzhou. Further detailed information on these projects is contained in the section headed "Management Discussion and Analysis" in this Interim Report.

### FINANCIAL ASSETS AND OTHER INVESTMENTS

The investment in financial assets and other investments will continue to be an integral part of the Cosmopolitan group's principal business activities, though the level of activities and the size of the funds committed in this business sphere have relatively reduced. The Cosmopolitan group will review from time to time any appropriate investment opportunities that could serve to complement and widen its income base.

### OUTLOOK

#### REGAL GROUP

The directors of the REIT Manager are optimistic on the outlook of the hotel industry in Hong Kong and will seek to maintain Regal REIT's strategic position as one of the pre-eminent hotel owners in Hong Kong, with a diversified portfolio of full-service and select-service hotels. Regal REIT will continue to review accretive acquisition opportunities that can serve to enhance its market positioning in Hong Kong as well as other suitable opportunities outside of Hong Kong which can complement and facilitate its business growth in the long term.

The Securities and Futures Commission has recently released the Consultation Conclusions on Amendments to the Code on Real Estate Investment Trusts, which are working towards allowing a higher degree of flexibility to REITs in Hong Kong to invest in property development and financial instruments. These amendments, when they become effective, are expected to enhance the competitiveness of REITs in Hong Kong as well as the attractiveness of the REIT market as a whole.

Hotel properties in Hong Kong remain to be the predominant component in the assets portfolio of the Regal group. As the tourist industry in Hong Kong continues to prosper, it is expected that the Regal group's core hotel business operation will generate increasing revenue and profit contribution. The Regal group has over the past year substantially invested in the property sector, through P&R Holdings, as well as in other investments, all with the objective to strengthen its earnings base. The directors of Regal are confident that when these new investments gradually mature over the next few years, the Regal group's profitability and capital value will be further enhanced.

#### COSMOPOLITAN GROUP

The economy in China is continuing to grow, though at a slower pace, and the Cosmopolitan group is optimistic that the property market in China in the long term will continue to prosper. The presale of the residential units in the three residential towers included in the first stage of the project in Chengdu is expected to be launched in the fourth quarter of this year and the presale and/or sale of the other components in the Chengdu project as well as the Tianjin project are planned for 2015 and onwards.

### **PALIBURG GROUP**

The Group has developed a strong assets portfolio spreading across property, hotel and other investments. As most of these development projects have only been acquired in recent years, they are still at various stages of development and are scheduled for completion over the course of the next few years. In this regard, sale programmes have been planned for most of the development projects presently undertaken by P&R Holdings and Cosmopolitan, which are expected to generate for the Group significant cash flows and profit contribution when the projects are gradually completed.

Overall, the Directors are optimistic on the future prospects of the Group and will continue to seek suitable growth opportunities.

### **LO YUK SUI**

Chairman

Hong Kong

26th August, 2014



# Management Discussion and Analysis

## BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise property development and investment, construction and building related businesses, hotel ownership, hotel operation and management, asset management and other investments including financial assets investments, and aircraft ownership and leasing business.

The significant investments and business interests of Regal Hotels International Holdings Limited ("RHIHL"), a principal listed subsidiary of the Group, comprise hotel ownership business undertaken through Regal Real Estate Investment Trust ("Regal REIT") (a listed subsidiary of the Company held through RHIHL), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings Limited ("P&R Holdings") and the interest in the retained houses in Regalia Bay in Stanley, and other investment businesses. Cosmopolitan International Holdings Limited ("Cosmopolitan") has become a listed subsidiary of the Company since 16th September, 2013, which is held by the Group through P&R Holdings. The principal business activities of the Cosmopolitan group comprise property development and investment, mainly focused in the People's Republic of China (the "PRC"), and financial assets and other investments.

The performance of the Group's property, construction and building related and other investment businesses, and the principal businesses of RHIHL, Regal REIT as well as those of Cosmopolitan during the period under review, the commentary on the hotel and property sectors in which the Group operates and the changes in general market conditions and the potential impact on their operating performance and future prospects are contained in the preceding Chairman's Statement and in this section.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the sections headed "Business Overview" and "Outlook" in the preceding Chairman's Statement and in this section.

### Joint Venture – P&R Holdings Limited

P&R Holdings is a 50:50 owned joint venture established with RHIHL, with capital contributions to be provided by the Company and RHIHL on a pro-rata basis in accordance with their respective shareholdings in P&R Holdings. The business scope of P&R Holdings is the development of real estate projects for sale and/or leasing, the undertaking of related investment and financial activities, and the acquisition or making of any investments (directly or indirectly) in the financial assets of or interests in, or extending loans to, any private, public or listed corporations or undertakings that have interests in real estate projects or other financial activities where the underlying assets or security comprise real estate properties.

Further information relating to the property development projects being undertaken and properties owned by the P&R Holdings group is set out below:

### Hong Kong

Apart from the Shun Ning Road development project in Sham Shui Po, Kowloon, awarded by the Urban Renewal Authority of Hong Kong, all the following development projects and properties are wholly owned by P&R Holdings group.

### *Nos.14-20 Merlin Street, North Point*

This development project has an aggregate site area of approximately 457 square metres (4,915 square feet) and has been developed into a hotel with about 338 guestrooms, with total gross floor area of approximately 6,849 square metres (73,721 square feet) and covered floor area of approximately 9,393 square metres (101,105 square feet). The occupation permit for the hotel building was issued in May 2014 and the relevant hotel licence is anticipated to be obtained in September 2014.

This property has been sold to Regal REIT on 28th July, 2014 pursuant to the Option Agreement, as mentioned in the section headed "Business Overview" in the preceding Chairman's Statement.

### *Lot No.4309 in Demarcation District No.124, Tan Kwai Tsuen Road, Yuen Long, New Territories*

This development project has a site area of approximately 11,192 square metres (120,470 square feet) and is planned for a residential development with a total of 170 units, comprising 36 luxurious garden houses and a low-rise apartment block with 134 units, having aggregate gross floor area of approximately 11,192 square metres (120,470 square feet). The superstructure works are progressing steadily and the project is scheduled to be completed in the first quarter of 2015. A sale programme for this project is being planned and may be launched within the next six months.

### *Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan*

The properties have an aggregate site area of approximately 345 square metres (3,710 square feet) and are planned for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet). The foundation works have been completed but due to some technical difficulties relating to the adjoining property, the progress of the construction works has been delayed.

### *Nos.8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon*

The properties have an aggregate site area of approximately 700 square metres (7,535 square feet) and is being developed into a hotel with 340 guestrooms, having total gross floor area of approximately 6,298 square metres (67,790 square feet) and covered floor area of approximately 9,490 square metres (102,160 square feet). The foundation works are near completion and the superstructure works are expected to be proceeded with shortly. This hotel development project is scheduled to be completed in 2016.

### *Sha Tin Town Lot No.482 at Po Tai Street, Ma On Shan, Sha Tin, New Territories*

This development site has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site is planned to be developed into a shopping mall and the general building plans have been approved. The foundation works are expected to commence before the end of this year and the development is scheduled to be completed in 2017. The project is intended to be retained for rental income after completion.

## Management Discussion and Analysis (Cont'd)

### *Sha Tin Town Lot No.578, Area 56A, Kau To, Sha Tin, New Territories*

This development site has a site area of 17,476 square metres (188,100 square feet). The project is planned for a luxurious residential development comprising 7 mid-rise apartment blocks with about 138 units, 21 detached garden houses and 198 carparking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The general building plans for the development have been approved and site formation works are expected to commence in the fourth quarter of 2014. This development is scheduled to be completed in 2017.

### *Nos.69-83 Shun Ning Road, Sham Shui Po, Kowloon*

This is a joint venture project awarded by the Urban Renewal Authority of Hong Kong through a tender process in March 2014. The land has a site area of 824.9 square metres (8,879 square feet) and is planned for a commercial/residential development with total gross floor area of 7,159 square metres (77,059 square feet), providing 155 residential units, 2 storeys of shops and 1 storey of basement carpark. The general building plans and foundation plans have already been submitted for approval and the development is scheduled to be completed in 2017.

### *Rainbow Lodge, 9 Ping Shan Lane, Tong Yan San Tsuen, Yuen Long, New Territories*

These existing properties were acquired from Cosmopolitan in September 2013, which comprise ten residential duplex units with gross area of approximately 1,832 square metres (19,720 square feet) and 14 car parks in a completed residential development. Presently, 5 of the duplex units have been leased to third parties for rental income and a sale programme is planned to be launched for the disposal of these residential units.

## **Mainland China**

### *Regal (Chongqing) Equity Investment Fund, L.P.*

P&R Holdings group also holds limited partnership interest of approximately RMB250 million in a cross-border Renminbi fund, named as Regal (Chongqing) Equity Investment Fund, L.P., which was established principally to support the businesses undertaken by P&R Holdings group in China. A wholly owned subsidiary of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, acts as the general partner of the fund and holds a very minor interest in the partnership.

## **Cosmopolitan International Holdings Limited**

Cosmopolitan is a listed subsidiary of the Group held through P&R Holdings. Further information relating to the property development projects being undertaken by the Cosmopolitan group in Mainland China, all of which are wholly owned, is set out below:



### Property Development

#### *Chengdu Project*

This property development project is located in Chengdu, Sichuan Province, the PRC. It is a mixed use development project consisting of hotel, commercial, office, service apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres, and the project is being developed in stages spanning over a period to 2017. The first stage of the development, which includes a hotel with 306 hotel rooms and extensive facilities and three residential towers with about 340 residential units with car parking spaces and ancillary commercial accommodation, is expected to be completed in 2015. Presale of these residential units included in the first stage is anticipated to be launched in the fourth quarter of 2014.

#### *Tianjin Project*

Located in Tianjin, the PRC, this property development project entails a development site with total site area of about 31,700 square metres, which is presently planned to include commercial, office, hotel and residential components with total gross floor area of about 145,000 square metres. The piling works for the project have already been completed and the entire development is anticipated to be completed in stages before the end of 2017.

#### *Xinjiang Project*

The Cosmopolitan group is engaged in a re-forestation and land grant project for a land parcel with site area of about 7,600 mu in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region, the PRC. The Cosmopolitan 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 (equivalent to approximately 1,228,700 square metres) within the project site will be available for commercial development after the requisite inspection, land grant listing and tender procedures are completed. The inspection and measurement of the reforested area by the relevant government authorities are already in progress. It is hoped that the final procedures leading to the land grant listing and tender of the development land would be concluded as soon as practicable. Should the Cosmopolitan group successfully secure the development land and depending on the permitted land use, the Cosmopolitan group preliminarily plans to develop in stages on the land a large scale mixed use development comprising residential, hotel, recreational and commercial properties. Cosmopolitan has recently applied for an increase of US\$10 million in the registered capital of the wholly owned subsidiary engaged in the Xinjiang Project and the requisite approval has been obtained from the relevant government authorities.

#### *Wuxi Project*

With a view to expanding the Cosmopolitan group's property portfolio and business coverage in the PRC, the Cosmopolitan group entered into in October 2013 a Co-operation Agreement for Business and Investment Encouragement with Wuxi Huishan District People's Government and Wuxi Metro Xizhang Area Commission for a parcel of land of about 937 mu (equivalent to approximately 624,700 square metres) located in Huishan District, Wuxi, Jiangsu Province, the PRC. The Co-operation Agreement for the Wuxi Project is subject to certain terms to be agreed by the parties within six months of the date of the agreement. As at the date of this report, the Cosmopolitan group has not reached agreement in respect of certain terms with Wuxi Huishan District People's Government and Wuxi Metro Xizhang Area Commission. The Cosmopolitan group is continuing its negotiations with the relevant parties on the outstanding terms under the Co-operation Agreement.

# Management Discussion and Analysis (Cont'd)

## Property Investment

### *Beijing Tongzhou Project*

A wholly owned subsidiary of Cosmopolitan established in Beijing, the PRC, has entered into an agreement in February 2014 to subscribe for 82.5% equity interest in a company which is involved in a primary development project located in Tongzhou District, Beijing, the PRC. The principal purpose of the project is to develop buildings for the purposes of housing resettlement under PRC government policies. The total site area planned to be developed under the project is approximately 181,000 square metres and the planned above-ground construction area is approximately 412,000 square metres. The Cosmopolitan group's investment in the Tongzhou Project, if concluded, is expected to generate returns on satisfactory terms, which will have support from the PRC government. Moreover, the undertaking of the project is also expected to strengthen the Cosmopolitan group's experience in the management of primary land development projects and foster its relationship with the PRC government authorities in furtherance of its future strategic business development in the PRC. The Cosmopolitan group has recently applied for an increase of approximately RMB200 million in the registered capital of the Beijing subsidiary, with a view to strengthening the capital base of the Beijing subsidiary for potential investment in other property development and investment projects in the PRC. In the meantime, the Beijing subsidiary is negotiating a supplemental agreement with the relevant party to further agree on the timing and conditions for the Beijing subsidiary to complete the subscription of equity interest in the aforesaid investee company.

## FINANCIAL REVIEW

### ASSETS VALUE

As at 30th June, 2014, the Group's net assets attributable to equity holders of the parent amounted to HK\$12,518.9 million, representing HK\$11.23 per ordinary 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.

Property development projects in Hong Kong are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date. Property development projects in the PRC are presently financed by internal resources. Project financing may be arranged on appropriate terms and will normally be in local currency to cover a part of the land cost and/or construction cost, and with the loan maturity tied in to the estimated project completion date.

The Group's banking facilities are mostly denominated in Hong Kong dollar with interest primarily determined with reference to interbank offered rates, while its senior unsecured notes were denominated in US dollar and Hong Kong dollar with fixed coupon interest rates. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Group's management from time to time. As the US dollars are pegged to the Hong Kong dollars, the exchange risks are considered to be insignificant and no currency hedging has been deployed.

### Cash Flow

Net cash flows used in operating activities during the period under review amounted to HK\$130.3 million (2013 – HK\$1,092.2 million). Net interest payment for the period amounted to HK\$128.8 million (2013 – HK\$102.7 million).

### Borrowings and Gearing

As at 30th June, 2014, the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$9,633.0 million (31st December, 2013 – HK\$8,553.9 million).

As at 30th June, 2014, the gearing ratio of the Group was 26.8% (31st December, 2013 – 24.4%), representing the Group's borrowings net of cash and bank balances and deposits of HK\$9,633.0 million (31st December, 2013 – HK\$8,553.9 million), as compared to the total assets of the Group of HK\$35,985.5 million (31st December, 2013 – HK\$34,993.4 million).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2014 are shown in notes 11 and 12 to the condensed consolidated financial statements.

### Pledge of Assets

As at 30th June, 2014, certain of the Group's property, plant and equipment, investment properties, properties held for sale, properties under development, financial assets at fair value through profit or loss, held-to-maturity investments, bank deposits and bank balances in the total amount of HK\$17,154.6 million (31st December, 2013 – HK\$14,529.3 million) were pledged to secure general banking facilities granted to the Group and, in addition, part of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$409.4 million (31st December, 2013 – HK\$428.5 million) were pledged to secure bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 30th June, 2014, certain ordinary shares in a listed subsidiary with a market value of HK\$460.0 million (31st December, 2013 – HK\$460.0 million) were also pledged to secure general banking facilities granted to the Group.

The above details of the pledge of assets of the Group are also shown in note 14 to the condensed consolidated financial statements.

### Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2014 are shown in note 16 to the condensed consolidated financial statements.

### Contingent Liabilities

The Group had no contingent liability as at 30th June, 2014.



## Management Discussion and Analysis (Cont'd)

### Share Capital

During the period under review, the Company repurchased a total of 326,000 ordinary shares of the Company at aggregate purchase prices of HK\$855,360 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). All these repurchased ordinary shares were cancelled subsequent to the period end date.

Further details of the repurchase by the Company of its ordinary shares during the period are disclosed under the sub-section headed "Purchase, Sale or Redemption of the Company's Listed Securities" under the section headed "Other Information" in this Interim Report.

Subsequent to the period end date, the Company further repurchased a total of 114,000 ordinary shares of the Company at an aggregate purchase price of HK\$303,240 on the Stock Exchange. All these repurchased ordinary shares were cancelled before the date of this report.

### CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Wednesday, 8th October, 2014 to Friday, 10th October, 2014, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the interim dividend declared, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Tricor Tengis Limited, no later than 4:30 p.m. on Tuesday, 7th October, 2014. The relevant dividend warrants are expected to be despatched on or about 24th October, 2014.

### MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

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

### STAFF AND REMUNERATION POLICY

The Group employs approximately 2,340 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

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

With a view to providing long term incentives, the Company and RHIHL maintain the share option schemes named as "The Paliburg Holdings Limited Share Option Scheme" and "The Regal Hotels International Holdings Limited Share Option Scheme", respectively, under which share options had been granted to selected eligible persons.

# Condensed Consolidated Statement of Profit or Loss

		Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2, 3	1,061.0	975.2
Cost of sales		(549.8)	(512.7)
Gross profit		511.2	462.5
Other income and gain	3	28.9	52.8
Fair value gains on investment properties, net		1.2	8.0
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		16.3	(20.0)
Administrative expenses		(180.4)	(128.1)
OPERATING PROFIT BEFORE DEPRECIATION		377.2	375.2
Depreciation		(242.9)	(223.2)
OPERATING PROFIT	2, 4	134.3	152.0
Finance costs	5	(114.5)	(117.6)
Share of profits and losses of:			
A joint venture		–	0.1
Associates		(8.6)	46.3
PROFIT BEFORE TAX		11.2	80.8
Income tax	6	45.9	(20.4)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		57.1	60.4
Attributable to:			
Equity holders of the parent		16.2	27.5
Non-controlling interests		40.9	32.9
		57.1	60.4
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		HK1.45 cents	HK2.47 cents

# Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	HK\$'million	HK\$'million
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	57.1	60.4
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	29.3	0.5
Cash flow hedges:		
Changes in fair value of cash flow hedges	(4.4)	4.8
Transfer from hedge reserve to the statement of profit or loss	3.1	2.9
	(1.3)	7.7
Exchange differences on translating foreign operations	(70.2)	45.1
Share of other comprehensive loss of an associate	(0.2)	–
Other comprehensive income/(loss) for the period	(42.4)	53.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	14.7	113.7
Attributable to:		
Equity holders of the parent	(3.2)	57.0
Non-controlling interests	17.9	56.7
	14.7	113.7



# Condensed Consolidated Statement of Financial Position

		30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	Notes	HK\$'million	HK\$'million
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		19,286.6	19,345.0
Investment properties		1,845.4	1,715.4
Properties under development		1,304.7	1,308.6
Investments in associates		29.5	27.6
Available-for-sale investments		74.1	18.3
Financial assets at fair value through profit or loss		1.9	–
Loans receivable		8.4	8.4
Deposits and prepayments		67.1	60.9
Deferred tax assets		62.0	–
Trademark		610.2	610.2
Goodwill		261.0	261.0
Total non-current assets		23,550.9	23,355.4
<b>CURRENT ASSETS</b>			
Properties under development		6,271.4	5,750.4
Properties held for sale		1,393.7	1,513.3
Inventories		64.2	56.5
Debtors, deposits and prepayments	9	280.2	422.6
Loans receivable		6.6	6.7
Held-to-maturity investments		436.3	229.3
Financial assets at fair value through profit or loss		829.3	764.6
Derivative financial instruments		6.1	22.0
Tax recoverable		–	2.2
Restricted cash		43.8	51.9
Pledged time deposits and bank balances		408.5	433.2
Time deposits		1,444.1	1,143.9
Cash and bank balances		1,250.4	1,241.4
Total current assets		12,434.6	11,638.0
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	10	(509.5)	(511.7)
Deposits received		(22.8)	(27.0)
Interest bearing bank borrowings	11	(3,025.1)	(1,624.0)
Derivative financial instruments		(6.6)	–
Tax payable		(125.7)	(108.7)
Total current liabilities		(3,689.7)	(2,271.4)
NET CURRENT ASSETS		8,744.9	9,366.6
TOTAL ASSETS LESS CURRENT LIABILITIES		32,295.8	32,722.0

## Condensed Consolidated Statement of Financial Position (Cont'd)

		30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	Notes	HK\$'million	HK\$'million
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>32,295.8</b>	32,722.0
NON-CURRENT LIABILITIES			
Creditors and deposits received		<b>(22.2)</b>	(13.9)
Interest bearing bank borrowings	11	<b>(5,550.7)</b>	(5,599.8)
Other borrowings	12	<b>(4,204.0)</b>	(4,200.5)
Derivative financial instruments		–	(4.1)
Deferred tax liabilities		<b>(2,293.9)</b>	(2,322.4)
Total non-current liabilities		<b>(12,070.8)</b>	(12,140.7)
Net assets		<b>20,225.0</b>	20,581.3
EQUITY			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		<b>111.5</b>	111.5
Reserves		<b>12,381.8</b>	11,936.7
Dividends		<b>25.6</b>	103.7
		<b>12,518.9</b>	12,151.9
<b>Non-controlling interests</b>		<b>7,706.1</b>	8,429.4
Total equity		<b>20,225.0</b>	20,581.3

**For the six months ended 30th June, 2014**

**PALIBURG HOLDINGS LIMITED**  
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(Cont'd)

**For the six months ended 30th June, 2014**

Attributable to equity holders of the parent														
	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital reserve (Unaudited)	Special reserve (Unaudited)	Available-for-sale investment reserve (Unaudited)	Hedge reserve (Unaudited)	Exchange equalisation reserve (Unaudited)	Retained profits (Unaudited)	Dividends (Unaudited)	Disposal groups classified as held for sale (Unaudited)	Total (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
At 1st January, 2013	111.5	1,357.2	4.2	169.6	689.6	(0.6)	(0.6)	65.2	8,639.2	98.1	-	11,133.4	9,384.2	20,517.6
Profit for the period	-	-	-	-	-	-	-	-	27.5	-	-	27.5	32.9	60.4
Other comprehensive income for the period:														
Changes in fair value of available-for-sale investments	-	-	-	-	-	0.4	-	-	-	-	-	0.4	0.1	0.5
Cash flow hedges	-	-	-	-	-	-	2.9	-	-	-	-	2.9	4.8	7.7
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	26.2	-	-	-	26.2	18.9	45.1
Total comprehensive income for the period	-	-	-	-	-	0.4	2.9	26.2	27.5	-	-	57.0	56.7	113.7
Final 2012 dividend declared	-	-	-	-	-	-	-	-	-	(98.1)	-	(98.1)	(110.7)	(208.8)
Interim 2013 dividend	-	-	-	-	-	-	-	-	(24.5)	24.5	-	-	-	-
Transfer of amounts recognised in other comprehensive income relating to disposal groups classified as held for sale	-	-	-	-	-	-	-	(21.6)	-	-	21.6	-	-	-
At 30th June, 2013	111.5	1,357.2	4.2	169.6	689.6	(0.2)	2.3	69.8	8,642.2	24.5	21.6	11,092.3	9,330.2	20,422.5

# Condensed Consolidated Statement of Cash Flows

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	HK\$'million	HK\$'million
Net cash flows used in operating activities	(130.3)	(1,092.2)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale investments	(26.5)	(0.7)
Purchases of held-to-maturity investments	(566.6)	(217.3)
Proceeds from redemption of held-to-maturity investments	359.6	268.9
Decrease in loans receivable	0.6	0.1
Addition to investment properties	(1.9)	–
Purchases of items of property, plant and equipment	(152.9)	(173.8)
Acquisition of properties	–	(444.3)
Advances to associates	(10.8)	(0.3)
Repayment from a joint venture	–	0.2
Interest received	28.4	22.0
Dividends received from listed and unlisted investments	–	61.4
Decrease in pledged time deposits and bank balances	24.7	86.9
Decrease/(Increase) in restricted cash	7.9	(8.8)
Net cash flows used in investing activities	(337.5)	(405.7)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase and cancellation of ordinary shares	(0.8)	–
Repurchase and cancellation of ordinary shares by a listed subsidiary	(74.2)	–
Increase in other borrowings	–	1,930.0
Drawdown of new bank loans	2,186.1	377.0
Repayment of bank loans	(838.1)	(3.6)
Interest paid	(164.8)	(124.7)
Payment of loan and other costs	(13.1)	(11.9)
Dividends paid	(103.5)	(97.9)
Dividends paid to non-controlling shareholders	(107.3)	(110.5)
Distribution to a non-controlling shareholder	(1.3)	–
Acquisition of non-controlling interests in a listed subsidiary	(83.4)	–
Decrease/(Increase) in restricted cash	0.3	(0.4)
Net cash flows from financing activities	799.9	1,958.0

## Condensed Consolidated Statement of Cash Flows (Cont'd)

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	HK\$'million	HK\$'million
NET INCREASE IN CASH AND CASH EQUIVALENTS	332.1	460.1
Cash and cash equivalents at beginning of period	2,385.3	4,093.3
Effect of foreign exchange rate changes, net	(22.9)	2.5
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,694.5	4,555.9
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,250.4	2,979.5
Non-pledged time deposits with original maturity of less than three months when acquired	1,444.1	1,552.4
Cash and bank balances attributable to disposal groups classified as held-for-sale	—	24.0
	2,694.5	4,555.9



# Notes to Condensed Consolidated Financial Statements

## 1. Accounting Policies

The condensed consolidated financial statements 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 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, 2013, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> – <i>Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> – <i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

The adoption of these new and revised HKFRSs has had no significant financial effect on the Group's results of operation and financial position.

## 2. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

- (a) the property development and investment segment comprises the development and sale of properties, the leasing of properties and the provision of estate agency services;
- (b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;
- (c) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income through Regal Real Estate Investment Trust ("Regal REIT");
- (d) the asset management segment engages in the provision of asset management services to Regal REIT;
- (e) the financial assets investments segment engages in the trading of financial assets at fair value through profit or loss and other financial assets investments; and
- (f) the others segment mainly comprises aircraft ownership and leasing business, the provision of financing services, travel agency services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that certain interest income, finance costs, head office and corporate gains and expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following table presents revenue and profit/(loss) information for the Group's operating segments:

# Group

	Property development and investment		Construction and building related businesses		Hotel operation and management and hotel ownership		Asset management		Financial assets investments		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2014	2013	Six months ended 30th June, 2014	2013	Six months ended 30th June, 2014	2013	Six months ended 30th June, 2014	2013	Six months ended 30th June, 2014	2013	Six months ended 30th June, 2014	2013	Six months ended 30th June, 2014	2013	Six months ended 30th June, 2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Segment revenue:																
Sales to external customers	6.5	5.1	3.7	12.6	1,019.1	942.7	-	-	3.8	(3.3)	27.9	18.1	-	-	1,061.0	975.2
Intersegment sales	3.8	2.4	117.8	78.0	-	-	64.2	43.8	-	-	-	-	(185.8)	(124.2)	-	-
<b>Total</b>	<b>10.3</b>	<b>7.5</b>	<b>121.5</b>	<b>90.6</b>	<b>1,019.1</b>	<b>942.7</b>	<b>64.2</b>	<b>43.8</b>	<b>3.8</b>	<b>(3.3)</b>	<b>27.9</b>	<b>18.1</b>	<b>(185.8)</b>	<b>(124.2)</b>	<b>1,061.0</b>	<b>975.2</b>
Segment results before depreciation	(28.3)	16.0	(6.5)	2.0	446.9	422.0	(5.4)	(6.5)	22.6	(20.7)	20.3	1.4	-	-	449.6	414.2
Depreciation	(0.9)	(0.6)	(0.5)	(0.2)	(232.1)	(220.3)	-	-	-	-	(9.1)	(2.0)	-	-	(242.6)	(223.1)
<b>Segment results</b>	<b>(29.2)</b>	<b>15.4</b>	<b>(7.0)</b>	<b>1.8</b>	<b>214.8</b>	<b>201.7</b>	<b>(5.4)</b>	<b>(6.5)</b>	<b>22.6</b>	<b>(20.7)</b>	<b>11.2</b>	<b>(0.6)</b>	<b>-</b>	<b>-</b>	<b>207.0</b>	<b>191.1</b>
Unallocated interest income and unallocated non-operating and corporate gains															13.8	17.5
Unallocated non-operating and corporate expenses															(86.5)	(56.6)
<b>Operating profit</b>															<b>134.3</b>	<b>152.0</b>
Finance costs															<b>(114.5)</b>	<b>(117.6)</b>
Share of profits and losses of:																
A joint venture	-	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1
Associates	0.2	47.3	-	-	-	(0.3)	-	-	-	-	(8.8)	(0.7)	-	-	(8.6)	46.3
<b>Profit before tax</b>															<b>11.2</b>	<b>80.8</b>
Income tax															<b>45.9</b>	<b>(20.4)</b>
<b>Profit for the period before allocation between equity holders of the parent and non-controlling interests</b>															<b>57.1</b>	<b>60.4</b>
Attributable to:																
Equity holders of the parent															<b>16.2</b>	<b>27.5</b>
Non-controlling interests															<b>40.9</b>	<b>32.9</b>
															<b>57.1</b>	<b>60.4</b>

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 3. Revenue, Other Income and Gain

Revenue (which is also the Group's turnover), other income and gain are analysed as follows:

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	HK\$'million	HK\$'million
<u>Revenue</u>		
Rental income:		
Hotel properties	23.0	17.8
Investment properties	7.5	7.2
Properties held for sale	1.4	0.1
Aircraft	16.7	3.7
Construction and construction-related income	1.3	10.3
Proceeds from sale of property	–	0.3
Estate management fees	2.4	2.2
Property development consultancy and project management fees	–	0.1
Loss from sale of financial assets at fair value through profit or loss	(3.7)	(10.7)
Loss on settlement of derivative financial instruments	(5.4)	–
Interest income from financial assets at fair value through profit or loss	9.4	–
Dividend income from listed investments	3.5	7.4
Hotel operations and management services	993.8	922.4
Other operations	11.1	14.4
	<u>1,061.0</u>	<u>975.2</u>
<u>Other income and gain</u>		
Bank interest income	12.8	12.7
Other interest income	15.1	9.9
Fair value gain upon reclassification of a property held for sale to an investment property	0.1	–
Forfeiture of deposits	–	27.1
Others	0.9	3.1
	<u>28.9</u>	<u>52.8</u>



## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 4. An analysis of profit/(loss) on sale of investments and property of the Group is as follows:

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	HK\$'million	HK\$'million
Loss from sale of financial assets at fair value through profit or loss	(3.7)	(10.7)
Loss on settlement of derivative financial instruments	(5.4)	–
Profit on disposal of property	–	0.2
	<u>          </u>	<u>          </u>

### 5. Finance Costs

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans wholly repayable within five years	73.0	64.7
Interest on other borrowings wholly repayable within five years	90.6	65.1
Fair value changes on derivative financial instruments		
– cash flow hedge (transfer from hedge reserve)	3.1	2.9
Amortisation of debt establishment costs	15.8	16.2
Other loan costs	4.1	3.5
	<u>          </u>	<u>          </u>
	186.6	152.4
Less: Finance costs capitalised	(72.1)	(34.8)
	<u>          </u>	<u>          </u>
	114.5	117.6

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 6. Income Tax

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	HK\$'million	HK\$'million
Group:		
Current – Hong Kong		
Charge for the period	42.2	38.3
Current – Overseas		
Charge for the period	2.4	3.4
Underprovision in prior years	–	0.1
Deferred	(90.5)	(21.4)
Total tax charge/(credit) for the period	(45.9)	20.4

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2013 - 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

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

No provision for tax is required for the associates as no assessable profits were earned by the associates during the period. The share of tax charge attributable to associates amounting to HK\$9.3 million was included in "Share of profits and losses of associates" in the condensed consolidated statement of profit or loss during the prior period.

### 7. Dividend

The Directors have declared the payment of an interim dividend of HK2.3 cents (2013 - HK2.2 cents) per ordinary share for the financial year ending 31st December, 2014, absorbing a total amount of approximately HK\$25.6 million (2013 - HK\$24.5 million).

### 8. Earnings Per Ordinary Share Attributable to Equity Holders of the Parent

#### (a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the period attributable to equity holders of the parent of HK\$16.2 million (2013 - HK\$27.5 million) and on the weighted average of 1,115.0 million (2013 - 1,115.0 million) ordinary shares of the Company in issue during the period.

#### (b) Diluted earnings per ordinary share

No adjustment has been made to the basic earnings per ordinary share amount presented for the periods ended 30th June, 2014 and 2013 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the periods.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 9. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$120.8 million (31st December, 2013 - HK\$130.2 million) representing the trade debtors of the Group. The aged analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	99.1	110.2
Between 4 to 6 months	6.6	9.3
Between 7 to 12 months	5.3	3.8
Over 1 year	12.0	9.1
	<b>123.0</b>	132.4
Impairment	<b>(2.2)</b>	(2.2)
	<b>120.8</b>	130.2

#### Credit terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amounts less impairment which is made when collection of the full amounts is no longer probable. Bad debts are written off as incurred.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade debtors are non-interest bearing.

Included in the balance are amounts due from a fellow subsidiary and a related company of HK\$1.0 million (31st December, 2013 - HK\$0.9 million) and HK\$1.3 million (31st December, 2013 - HK\$1.3 million), respectively, which are unsecured, non-interest bearing and repayable either on similar credit terms to those offered to the major customers of the Group or on demand.



## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 10. Creditors and Accruals

Included in the balance is an amount of HK\$76.1 million (31st December, 2013 - HK\$85.0 million) representing the trade creditors of the Group. The aged analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	75.5	84.2
Between 4 to 6 months	0.2	0.3
Over 1 year	0.4	0.5
	<u>76.1</u>	<u>85.0</u>

The trade creditors are non-interest bearing and are normally settled within 90 days.

Included in the balance are amounts due to an associate and fellow subsidiaries of HK\$1.8 million (31st December, 2013 - HK\$3.0 million) and HK\$13.7 million (31st December, 2013 - HK\$5.8 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment.

# Notes to Condensed Consolidated Financial Statements (Cont'd)

## 11. Interest Bearing Bank Borrowings

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	<b>Maturity</b>	<b>Maturity</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
<b>Current</b>		
Bank loans – secured	<b>2014-2015</b> 3,025.1	2014 1,624.0
<b>Non-current</b>		
Bank loans – secured	<b>2015-2018</b> 5,550.7	2015-2018 5,599.8
	<b>8,575.8</b>	<b>7,223.8</b>

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	<b>HK\$'million</b>	<b>HK\$'million</b>
Analysed into:		
Bank loans repayable:		
Within one year	3,025.1	1,624.0
In the second year	289.6	755.7
In the third to fifth years, inclusive	5,261.1	4,844.1
	<b>8,575.8</b>	<b>7,223.8</b>

A facility aggregating HK\$4.8 billion comprised of a term loan facility of up to HK\$4.5 billion (the "Term Loan Facility") and a revolving facility of up to HK\$300.0 million (the "Revolving Facility") (together, the "2013 Loan Facilities") was granted to the Regal REIT group in 2013, of which the full amount of the Term Loan Facility and HK\$100.0 million of the Revolving Facility were outstanding as at 30th June, 2014. The 2013 Loan Facilities bear interest based on the Hong Kong Interbank Offered Rate ("HIBOR") and are repayable in full in July 2018. The Term Loan Facility was wholly used to early refinance the previous term loan facility for the same principal amount, while the Revolving Facility is being used for the general corporate funding needs of the Regal REIT group. The 2013 Loan Facilities are secured by three of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel. The Regal REIT group has also entered into interest rate swap arrangements to hedge against the interest rate exposure for the Term Loan Facility for a notional amount of HK\$3.0 billion.

The Regal REIT group also has a bilateral loan facility of HK\$340.0 million (the "iclub Facility") for a term of three years, of which HK\$323.8 million was outstanding as at 30th June, 2014. The iclub Facility also bears HIBOR-based interest.

On 10th February, 2014, the Regal REIT group has arranged for another bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving facility of HK\$158.0 million (the "2014 SW Facilities") for a term of five years, of which the full amount of the term loan facility and HK\$100.0 million of the revolving facility were outstanding as at 30th June, 2014. The 2014 SW Facilities also bear HIBOR-based interest.

Bank borrowings under the 2013 Loan Facilities, the iclub Facility and the 2014 SW Facilities are guaranteed by Regal REIT and certain individual companies within the Regal REIT group on a joint and several basis.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

The Regal REIT group's interest bearing bank borrowings are also secured by, among others:

- (i) legal charges and debentures over the corresponding properties;
- (ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, relating to the relevant properties;
- (iii) charges over the relevant rental account, sale proceeds account and other control accounts of the Regal REIT group, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Regal REIT group; and
- (v) an equitable charge over the shares in the relevant companies of the Regal REIT group.

The Group's other bank borrowings are secured by a pledge of the Group's certain assets as further detailed in note 14 to the condensed consolidated financial statements.

### 12. Other Borrowings

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'million	HK\$'million
<b>Non-current</b>		
Unsecured other borrowings repayable in the third to fifth years, inclusive	<u>4,204.0</u>	<u>4,200.5</u>

On 5th October, 2012, RH International Finance Limited (the "MTN Issuer"), a wholly-owned subsidiary of RHIHL, established a US\$1,000 million medium term note programme (the "MTN Programme").

On 19th October, 2012, the MTN Issuer issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$300.0 million at a coupon interest rate of 4.25% per annum. The notes were issued at a discount at 99.444% of the principal amount.

On 11th January, 2013, R-REIT International Finance Limited (the "Regal REIT MTN Issuer"), a wholly-owned subsidiary of Regal REIT, established a US\$1,000 million medium term note programme (the "Regal REIT MTN Programme").

On 22nd March, 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme a series of Hong Kong dollar denominated senior unsecured 5-year term notes in the aggregate nominal principal amount of HK\$775.0 million at a coupon interest rate of 4.125% per annum. The notes were issued at a discount at 99.44% of the principal amount.

On 22nd May, 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$150.0 million at a coupon interest rate of 4.10% per annum. The notes were issued at a discount at 99.553% of the principal amount.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 13. Related Party Transactions

(a) Transactions with related parties

The Group had the following material related party transactions during the period:

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	HK\$'million	HK\$'million
A wholly-owned subsidiary of the listed ultimate holding company:		
Management fees	23.7	15.3
An associate:		
Advertising and promotion fees (including cost reimbursements)	4.2	4.8

The nature and terms of the above related party transactions were already disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2013.

(b) Outstanding balances with related parties:

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'million	HK\$'million
Due from associates	39.7	28.9
Due from a fellow subsidiary	1.0	0.9
Due from a related company	1.3	1.3
Due to fellow subsidiaries	(13.7)	(5.8)
Due to an associate	(1.8)	(3.0)



## Notes to Condensed Consolidated Financial Statements (Cont'd)

(c) Compensation of key management personnel of the Group:

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	21.2	14.8
Staff retirement scheme contributions	1.3	1.1
Total compensation paid to key management personnel	22.5	15.9

### 14. Pledge of Assets

As at 30th June, 2014, certain of the Group's property, plant and equipment, investment properties, properties held for sale, properties under development, financial assets at fair value through profit or loss, held-to-maturity investments, bank deposits and bank balances in the total amount of HK\$17,154.6 million (31st December, 2013 - HK\$14,529.3 million) were pledged to secure general banking facilities granted to the Group and, in addition, part of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$409.4 million (31st December, 2013 - HK\$428.5 million) were pledged to secure bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 30th June, 2014, certain ordinary shares in a listed subsidiary with a market value of HK\$460.0 million (31st December, 2013 - HK\$460.0 million) were also pledged to secure general banking facilities granted to the Group.

## 15. Operating Lease Arrangements

### (a) As lessor

The Group leases certain retail space and areas of its hotel properties and aircraft under operating lease arrangements, with leases negotiated for terms ranging from 1 to 6 years. The terms of the leases generally also require the lessees to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

The Group also leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms of 1 to 3 years. The terms of the leases generally also require the lessees to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 30th June, 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its lessees falling due as follows:

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'million	HK\$'million
Within one year	85.8	79.1
In the second to fifth years, inclusive	169.0	175.1
After five years	—	4.9
	<u>254.8</u>	<u>259.1</u>

## Notes to Condensed Consolidated Financial Statements (Cont'd)

(b) As lessee

The Group leases certain office and shop units and office equipment under operating lease arrangements. Leases for properties are negotiated for terms from 1 to 12 years. Leases for office equipment in respect of the Group are negotiated for terms from 1 to 5 years.

At 30th June, 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'million	HK\$'million
Land and buildings:		
Within one year	14.9	16.0
In the second to fifth years, inclusive	32.5	36.6
After five years	19.4	23.1
	<u>66.8</u>	<u>75.7</u>
Other equipment:		
Within one year	0.3	0.3
In the second to fifth years, inclusive	0.5	0.2
	<u>0.8</u>	<u>0.5</u>
	<u>67.6</u>	<u>76.2</u>

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 16. Commitments

In addition to the operating lease commitments detailed in note 15(b) above, the Group had the following outstanding commitments at the end of the reporting period:

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'million	HK\$'million
Authorised, but not contracted for:		
Property development projects	2,630.4	2,353.7
Hotel buildings	28.8	37.6
	<u>2,659.2</u>	<u>2,391.3</u>
Contracted, but not provided for:		
Property development projects	890.9	1,011.7
Hotel buildings	0.1	–
	<u>891.0</u>	<u>1,011.7</u>
	<u>3,550.2</u>	<u>3,403.0</u>

### 17. Share Options

#### The Paliburg Holdings Limited Share Option Scheme

The Company operates a share option scheme named as “The Paliburg Holdings Limited Share Option Scheme” (the “Paliburg Share Option Scheme”). The Paliburg Share Option Scheme was adopted by the Company's shareholders on 16th June, 2005 and became effective on 21st July, 2005. Share options granted under the Paliburg Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

There were no share options granted, exercised or outstanding under the Paliburg Share Option Scheme during the reporting period.

#### The Regal Hotels International Holdings Limited Share Option Scheme

RHIHL operates a share option scheme named as “The Regal Hotels International Holdings Limited Share Option Scheme” (the “Regal Share Option Scheme”). The Regal Share Option Scheme was adopted by RHIHL's shareholders on 16th June, 2005 and became effective on 21st July, 2005. Share Options granted under the Regal Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

There were no share options granted, exercised or outstanding under the Regal Share Option Scheme during the reporting period.



## 18. Fair Value and Fair Value Hierarchy of Financial Instruments

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

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

### Fair value hierarchy

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

#### *Assets measured at fair value as at 30th June, 2014*

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'million	Significant observable inputs (Level 2) (Unaudited) HK\$'million	Significant unobservable inputs (Level 3) (Unaudited) HK\$'million	Total (Unaudited) HK\$'million
Available-for-sale investments:				
Unlisted equity investments	–	–	74.1	74.1
Financial assets at fair value through profit or loss:				
Listed equity investments	657.1	–	–	657.1
Listed debt investments	–	172.2	–	172.2
Structured deposit	–	1.9	–	1.9
Derivative financial instruments	–	6.1	–	6.1
	<b>657.1</b>	<b>180.2</b>	<b>74.1</b>	<b>911.4</b>

## Notes to Condensed Consolidated Financial Statements (Cont'd)

Assets measured at fair value as at 31st December, 2013

	Fair value measurement using			Total (Audited) HK\$'million
	Quoted prices in active markets (Level 1) (Audited) HK\$'million	Significant observable inputs (Level 2) (Audited) HK\$'million	Significant unobservable inputs (Level 3) (Audited) HK\$'million	
Available-for-sale investments:				
Unlisted equity investments	–	–	18.3	18.3
Financial assets at fair value through profit or loss:				
Listed equity investments	631.1	–	–	631.1
Listed debt investments	–	121.8	–	121.8
Structured deposits	–	11.7	–	11.7
Derivative financial instruments	–	22.0	–	22.0
	<u>631.1</u>	<u>155.5</u>	<u>18.3</u>	<u>804.9</u>

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

	2014 (Unaudited) HK\$'million	2013 (Audited) HK\$'million
Available-for-sale investments – unlisted:		
At 1st January	18.3	9.5
Purchases	26.5	8.8
Total gains recognised in other comprehensive income	29.3	–
At 30th June/31st December	<u>74.1</u>	<u>18.3</u>

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### *Liabilities measured at fair value as at 30th June, 2014*

	Fair value measurement using			Total (Unaudited) HK\$'million
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'million	Significant observable inputs (Level 2) (Unaudited) HK\$'million	Significant unobservable inputs (Level 3) (Unaudited) HK\$'million	
Derivative financial instruments	–	6.6	–	6.6

### *Liabilities measured at fair value as at 31st December, 2013*

	Fair value measurement using			Total (Audited) HK\$'million
	Quoted prices in active markets (Level 1) (Audited) HK\$'million	Significant observable inputs (Level 2) (Audited) HK\$'million	Significant unobservable inputs (Level 3) (Audited) HK\$'million	
Derivative financial instruments	–	4.1	–	4.1

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31st December, 2013 - Nil).

### **Valuation techniques**

The fair values of listed equity investments are based on quoted market prices.

The unlisted equity investments are carried at the net asset values provided by financial institutions or related administrators.

The fair values of the derivative financial instruments, including interest rate swaps and foreign currency option contracts, are determined based on discounted cash flow models or market values provided by financial institutions.

The fair values of listed debt investments and structured deposits are determined based on market values provided by financial institutions.

### 19. Events after the Reporting Period

As announced on 30th April, 2014, Cosmopolitan International Holdings Limited ("Cosmopolitan"), a listed subsidiary of the Company, proposed to, among others, (i) implement the share consolidation on the basis that every ten issued and unissued shares of Cosmopolitan will be consolidated into one consolidated share of Cosmopolitan (the "Share Consolidation"); (ii) make an open offer on the basis that holders of every one consolidated share of Cosmopolitan will be entitled to apply for two shares/convertible preference shares of Cosmopolitan (the "Open Offer"); and (iii) issue convertible bonds or optional convertible bonds. Details of the above proposed transactions are contained in the joint announcements of the Company dated 30th April, 2014 and 19th June, 2014 and the circular of the Company dated 25th June, 2014.

Subsequent to the end of the reporting period, the above proposed transactions were approved by the independent shareholders of Regal Hotels International Holdings Limited, a listed subsidiary of the Company, at its special general meeting held on 14th July, 2014 and the shareholders or the independent shareholders of Cosmopolitan at its extraordinary general meeting held on 14th July, 2014.

The Share Consolidation then became effective on 15th July, 2014. The Open Offer was made to the qualifying shareholders of Cosmopolitan pursuant to the prospectus of Cosmopolitan dated 24th July, 2014 and over-subscribed. On 18th August, 2014, new ordinary shares and convertible preference shares of Cosmopolitan were issued to those entitled. The convertible bonds were also issued by a wholly-owned subsidiary of Cosmopolitan to a wholly-owned subsidiary of P&R Holdings Limited on 18th August, 2014.

### 20. Approval of the Unaudited Condensed Consolidated Financial Statements

The unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 26th August, 2014.



# Other Information

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

The Company/ Name of associated corporation	Name of Director	Class of shares held	Personal interests	Number of shares held		Total (Approximate percentage of the issued shares as at 30th June, 2014)
				Corporate interests	Family/Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,376,803 (Note b)	15,000	830,469,817 (74.48%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
	Mr. Donald Fan Tung	Ordinary (issued)	556	–	–	556 (0.000%)
	Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
	Mr. Ng Siu Chan	Ordinary (issued)	–	–	80,474	80,474 (0.007%)
	Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	–	–	6,200 (0.001%)

## Other Information (Cont'd)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2014)
				Personal interests	Corporate interests	Family/Other interests	
2.	Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	100,587,396	1,769,164,691 (Note a)	380,683	1,870,132,770 (58.25%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.003%)
		Mr. Ng Siu Chan	Ordinary (issued)	–	–	3,521,973	3,521,973 (0.11%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
3.	Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	575,449,261 (Note c)	260,700	575,734,161 (61.85%)
		Miss Lo Po Man	Ordinary (issued)	300,000	–	269,169 (Note d)	569,169 (0.06%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
4.	Cosmopolitan International Holdings Limited ("Cosmopolitan")	Mr. Lo Yuk Sui	Ordinary (i) (issued)	–	14,845,167,190 (Note e)	–	14,845,167,190
			(ii) (unissued)	–	70,761,809,500 (Note f)	–	70,761,809,500
						Total:	85,606,976,690 (389.33%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	7,500,000	–	–	7,500,000 (0.03%)
		Miss Lo Po Man	Ordinary (issued)	4,600,000	–	–	4,600,000 (0.02%)

The Company/ Name of associated corporation	Name of Director	Class of shares held	Personal interests	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2014)
				Corporate interests	Family/Other interests		
5. Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note g)	–		2,443,033,102 (75.00%)
6. 8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note h)	–		1,000 (100%)

## Notes:

- (a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo") and a company, namely Master City Limited, 99.9% owned by Mr. Lo.
- (b) The interests in 693,640,547 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.24% shareholding interests as at 30th June, 2014.

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

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

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

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

- (c) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.24% shareholding interests as at 30th June, 2014, and the interests in the other 575,027,861 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 62.21% shareholding interests as at 30th June, 2014.
- (d) The interests in 269,169 issued ordinary shares of RHIHL were held by Miss Lo Po Man as the beneficiary of a trust.
- (e) The interests in 14,845,167,190 issued ordinary shares of Cosmopolitan before the Share Consolidation (as disclosed in note 19 to the preceding condensed consolidated financial statements) ("Cosmopolitan Shares") were held through wholly owned subsidiaries of P&R Holdings Limited ("P&R Holdings"), which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries. The Company, in which CCIHL held 62.21% shareholding interests as at 30th June, 2014, held 61.77% shareholding interests in RHIHL as at 30th June, 2014. Mr. Lo held 58.24% shareholding interests in CCIHL as at 30th June, 2014.

## Other Information (Cont'd)

- (f) (i) The derivative interests in consolidated Cosmopolitan Shares after the Share Consolidation becoming effective ("Cosmopolitan Consolidated Shares") (information disclosed above in respect of 43,976,095,220 Cosmopolitan Shares was based on 10 Cosmopolitan Shares equal to 1 Cosmopolitan Consolidated Share before the Share Consolidation becoming effective) were acquired on 30th April, 2014 through the provision of the irrevocable undertaking by P&R Holdings, on behalf of certain of its wholly owned subsidiaries, to subscribe for new Cosmopolitan Consolidated Shares and/or convertible preference shares of Cosmopolitan and the entering into of the underwriting agreement by P&R Strategic Limited, a wholly owned subsidiary of P&R Holdings, as the underwriter, both in connection with the Open Offer as disclosed in note 19 to the condensed consolidated financial statements.
- (ii) The derivative interests in Cosmopolitan Consolidated Shares (information disclosed above in respect of 26,785,714,280 Cosmopolitan Shares was based on 10 Cosmopolitan Shares equal to 1 Cosmopolitan Consolidated Share before the Share Consolidation becoming effective) were acquired on 30th April, 2014 through, as disclosed in note 19 to the condensed consolidated financial statements, the entering into of the subscription agreement by P&R Holdings in connection with the issue by a wholly owned subsidiary of Cosmopolitan of the convertible bonds with a principal amount of HK\$500 million (the "Convertible Bonds") and the optional convertible bonds with a principal amount of HK\$500 million (the "Optional Convertible Bonds"). The Convertible Bonds will be convertible into new Cosmopolitan Consolidated Shares ("Conversion Shares") at the conversion price of HK\$0.35 per Conversion Share (subject to adjustment). The Optional Convertible Bonds will be convertible into new Cosmopolitan Consolidated Shares ("Optional Conversion Shares") at the conversion price of HK\$0.40 per Optional Conversion Share (subject to adjustment).
- (g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly owned subsidiary of Cosmopolitan. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly owned subsidiaries of RHIHL. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of the Company. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. Cosmopolitan was held as to 67.51% shareholding interests by P&R Holdings, which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries, as at 30th June, 2014. The Company, in which CCIHL held 62.21% shareholding interests as at 30th June, 2014, held 61.77% shareholding interests in RHIHL as at 30th June, 2014. Mr. Lo held 58.24% shareholding interests in CCIHL as at 30th June, 2014.
- (h) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 58.24% shareholding interests as at 30th June, 2014, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 30th June, 2014, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

During the period, no right has been granted to, or exercised by, the following persons to subscribe for shares in or debentures of the Company under the share option scheme of the Company named as "The Paliburg Holdings Limited Share Option Scheme" (the "Paliburg Share Option Scheme"), and there were no options held by such persons under the Paliburg Share Option Scheme:

- (i) any Directors, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) any participant under the Paliburg Share Option Scheme with options granted in excess of the individual limit;
- (iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;
- (iv) any supplier of goods or services; and
- (v) any other participants under the Paliburg Share Option Scheme.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2014, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares held	Total number of ordinary shares (issued and underlying) held	Approximate percentage of issued ordinary shares as at 30th June, 2014
CCIHL (Note i)	693,640,547	–	693,640,547	62.21%
Century City BVI Holdings Limited ("CCBVI") (Note ii)	693,640,547	–	693,640,547	62.21%
Almighty International Limited ("Almighty") (Note ii)	346,488,526	–	346,488,526	31.07%
Cleerview Investments Limited ("Cleerview") (Note ii)	180,811,470	–	180,811,470	16.22%

### Notes:

- (i) Mr. Lo Yuk Sui directly and indirectly held 58.24% shareholding interests in CCIHL as at 30th June, 2014, and the interests in the ordinary shares of the Company held by CCIHL through its wholly owned subsidiaries were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) These companies are wholly owned subsidiaries of CCIHL and their interests in the ordinary shares of the Company were included in the interests held by CCIHL.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 30th June, 2014, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

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

- (1) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Mr. Donald Fan Tung, Miss Lo Po Man, Mr. Kenneth Ng Kwai Kai, Mr. Ng Siu Chan and Mr. Wong Chi Keung are directors of CCIHL.
- (2) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Mr. Donald Fan Tung, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of CCBVI, Almighty and Cleerview.

## Other Information (Cont'd)

### CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the annual report of the Company for the financial year ended 31st December, 2013 is set out below:

Name of Director	Details of changes
<i>Executive Director:</i>	
Mr. Kenneth Wong Po Man	<ul style="list-style-type: none"><li>Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$158,000 commencing from July 2014. (Note)</li></ul>
<i>Independent Non-Executive Directors:</i>	
Hon Abraham Shek Lai Him, GBS, JP	<ul style="list-style-type: none"><li>Retired as an independent non-executive director of Hsin Chong Construction Group Ltd., a company listed on the Stock Exchange, at the annual general meeting of such company held on 12th May, 2014.</li></ul>
Mr. Wong Chi Keung	<ul style="list-style-type: none"><li>Retired as an independent non-executive director and ceased to be the chairman of the audit committee of PacMOS Technologies Holdings Limited, a company listed on the Stock Exchange, at the annual general meeting of such company held on 30th June, 2014.</li></ul>

Note: An Executive Director is also entitled to a performance based discretionary bonus and other related employee benefits and allowances for the executive role in the Group, and normal Director's fee in the amount of HK\$100,000 per annum in acting as a Director of the Company.

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

### CORPORATE GOVERNANCE

#### Corporate Governance Code

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30th June, 2014, except that:

- (1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals, due to practical necessity to cater to the Group's corporate operating structure.
- (2) The Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Bye-laws of the Company, all Directors (including the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

#### Code of Conduct for Securities Transactions by Directors

The Company has adopted the "Code for Securities Transactions by Directors of Paliburg Holdings Limited" (the "Paliburg Code"), on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the Model Code and the Paliburg Code during the six months ended 30th June, 2014.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30th June, 2014, the Company repurchased a total of 326,000 ordinary shares of the Company at aggregate purchase prices of HK\$855,360 on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
June 2014	326,000	2.660	2.610	855,360
Total	326,000			855,360
Total expenses on shares repurchased				2,582
Total				857,942

All the above 326,000 repurchased ordinary shares were cancelled subsequent to the period end date. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the period.

## REVIEW OF RESULTS

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

Mr. Wong Chi Keung (Chairman of the Committee) (*Independent Non-Executive Director*)  
 Mr. Bowen Joseph Leung Po Wing, GBS, JP (*Independent Non-Executive Director*)  
 Mr. Ng Siu Chan (*Independent Non-Executive Director*)  
 Hon Abraham Shek Lai Him, GBS, JP (*Independent Non-Executive Director*)

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group, auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30th June, 2014, in conjunction with the external auditors. The review report of the external auditors is set out on page 56 of this report.

# Report on Review of Interim Financial Information



**To the Board of Directors of  
Paliburg Holdings Limited**  
(Incorporated in Bermuda with limited liability)

## Introduction

We have reviewed the interim financial information of Paliburg Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 21 to 48 which comprises the condensed consolidated statement of financial position as at 30th June, 2014 and the related condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

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

## Conclusion

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

**Ernst & Young**  
*Certified Public Accountants*

22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

26th August, 2014



