

2015 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

Industrial and Commercial Bank of China (Asia) Limited

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 70; *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 41; *Vice Chairman and Managing Director* — Appointed to the Board in 1999. Mr. Jimmy Lo has been a Vice Chairman and Managing Director of the Company since 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 58; *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 65; *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 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 35; *Executive Director* — Appointed to the Board in 2007. Miss Lo is also an executive director and a vice chairman of CCIHL, an executive director, a 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 functions of the RHIHL Group and also undertakes responsibilities in the business development of the Century City Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. 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 85; *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 70; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2002. Mr. Shek 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, a member of both of the Court and the Council of The University of Hong Kong, a director of The Hong Kong Mortgage Corporation Limited and a non-executive director of the Mandatory Provident Fund Scheme Authority. 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, Jinheng Automotive Safety Technology 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 60; *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, Fortunet e-Commerce Group Limited, Golden Eagle Retail Group Limited, TPV Technology Limited, Yuan Heng Gas Holdings Limited and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 32 years of experience in finance, accounting and management.

Mr. Kenneth Wong Po Man, aged 49; *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 2015 Interim Report of the Company.

FINANCIAL RESULTS

For the six months ended 30th June, 2015, the Group attained an unaudited consolidated profit attributable to shareholders of HK\$54.9 million, as compared to HK\$16.2 million for the corresponding period in 2014.

During the period under review, the Group's business operations have overall performed satisfactorily. Operating profit before depreciation, finance costs and tax for the period amounted to HK\$503.1 million, which represents an increase of approximately 33.4% over the comparative amount of HK\$377.2 million in 2014. As the Group's entire portfolio of hotel properties are effectively self-operated, they are treated in the consolidated financial statements as property, plant and equipment and subject to depreciation charges. Total depreciation charges for the half year, which are mostly related to the hotel property portfolio, amounted to HK\$282.0 million (2014 – HK\$242.9 million) which, although of a non-cash nature, have nonetheless adversely affected the reported profit.

BUSINESS OVERVIEW

The Group's property development and investment businesses in Hong Kong are now principally undertaken through P&R Holdings Limited, a joint venture 50:50 held by each of the Company and Regal Hotels International Holdings Limited. As Regal is a listed subsidiary of the Company, P&R Holdings is effectively also a subsidiary of the Group.

As at 30th June, 2015, the Group held an effective controlling shareholding interest of approximately 65.3% in Regal which, in turn, held approximately 74.6% of the outstanding units of Regal Real Estate Investment Trust, a listed subsidiary of Regal which owned all the eight hotels of the Group operating in Hong Kong.

Apart from its own property development and investment businesses, P&R Holdings also held as at 30th June, 2015 an effective controlling shareholding interest of approximately 71.8% in Cosmopolitan International Holdings Limited (comprising interests in its ordinary shares and convertible preference shares) and, in addition, substantial interest in the convertible bonds of Cosmopolitan. Cosmopolitan is consequently a listed subsidiary of the Group and its principal business activities are engaged in property development and investment businesses with a primary focus in the People's Republic of China.

Further information on the latest progress of the Group's property businesses as well as the financial results and operational review of Regal (including Regal REIT) and Cosmopolitan are presented below.

PROPERTIES

During the period under review, the property market in Hong Kong overall remained stable, despite the hefty stamp duty levied by the Hong Kong Government to deter speculative activities. Newly built residential apartments, particularly those smaller-sized units that cater to small families, continued to be in very strong demand, with residential property price indices generally reaching new highs.

P&R Holdings formally launched in June 2015 the presale of the apartment block, named Domus, in the residential project at Tan Kwai Tsuen Road in Yuen Long, and all the 134 units were sold in one day. The 36 luxurious garden houses, which constitute the main component of the project and named Casa Regalia, are planned to be marketed for sale within the next few months.

Earlier this month, P&R Holdings further launched the sale programme for the ten residential duplex units remaining in Rainbow Lodge in Yuen Long. The market response was equally very favourable and all the ten units were sold within a short period of time.

To replenish its land bank after the sale of the two iclub hotel developments in Sheung Wan and Fortress Hill to Regal REIT, P&R Holdings successfully secured from the Urban Renewal Authority in June 2015 the contract for the development of a new hotel project located at Anchor Street/Fuk Tsun Street in Tai Kok Tsui, Kowloon, which is planned to be developed into a multi-storey hotel building comprising about 288 guest rooms, with ancillary accommodation.

The operation review on the property businesses presently conducted in China through Cosmopolitan is set out in the paragraph headed "Cosmopolitan International Holdings Limited" below.

Further details on the development projects and properties of P&R Holdings as well as those of Cosmopolitan, the Group's construction and building related business and other investments are contained in the section headed "Management Discussion and Analysis" in this Interim Report.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2015, Regal attained an unaudited consolidated profit attributable to shareholders of HK\$123.8 million, as compared to HK\$167.1 million recorded for the same period in 2014.

Despite the challenging business environment encountered by the tourism industry in Hong Kong in the period under review, the Regal group has maintained steady results in respect of its overall business operations. The operating profit before depreciation, finance costs and tax of the Regal group for the half year amounted to HK\$579.2 million, which slightly exceeded the comparative profit of HK\$573.3 million recorded in 2014. Depreciation charges on the Regal group's hotel properties in Hong Kong for the period amounted to HK\$225.7 million (2014 – HK\$202.7 million) which, though having no impact on cash flows, have adversely affected its reported profit.

BUSINESS OVERVIEW

HOTELS

MARKET OVERVIEW

For the period under review, most of the advanced world economies sustained gradual recoveries. The International Monetary Fund has projected global growth at 3.3% in 2015, which is marginally lower than in 2014, with a gradual pickup in advanced economies and a slowdown in emerging market and developing economies. While the economy in the United States is expected to continue to strengthen, it is generally believed that the US Dollar interest rate may revert to an upward trend and if its interest rate indeed begins to rise in the not too distant future, it may have a significant impact on the global economy. In the emerging market economies, the continued slowdown reflected several factors, including lower commodity prices and tighter external financial conditions, structural bottlenecks, rebalancing in China, and economic distress related to geopolitical factors. Through various accommodative fiscal policies to support domestic demand, China was able to maintain a growth rate of 7% year-on-year in its GDP for both the first and second quarters of 2015. China remains one of the highest growth economies globally and a key economic partner to Hong Kong.

Meanwhile, Hong Kong's economy expanded moderately by 2.6% in the first half of 2015 and the GDP for the whole year is forecast to grow by 2% to 3% in real terms. In the same period, total visitors to Hong Kong amounted to over 29.3 million, representing a modest increase of 2.8% year-on-year, with visitors from Mainland China accounting for about 78% of the total headcount. In this total headcount, overnight visitors amounted to 12.7 million, which actually decreased by 3.8% year-on-year, primarily due to the substantial decline in the number of visitors from Mainland China under the Individual Visit Scheme since March 2015. At the same time, the value of total retail sales in Hong Kong contracted by 1.6% year-on-year, with the adverse change most notable in the high end consumer goods sector.

Against this backdrop, the average hotel room occupancy for all the surveyed hotels under different categories in Hong Kong for the half year ended 30th June dropped from 89% in 2014 to 85% in 2015, with the average achieved room rate also shrinking by 8.7% over the same comparative period, based on information published by the Hong Kong Tourism Board.

The setback in Hong Kong's tourism and related business sectors in recent months can be attributed to a number of factors, including the strengthening of the Hong Kong Dollar, the lowering of spending by stay-over visitors, the spill-over effects from the Occupy Central movement and, more recently, the anti-parallel trading activities that have deterred many Mainland travellers from visiting Hong Kong. The implementation of the "one trip per week" policy for Shenzhen residents, who are mostly same day visitors, has, however, had no significant impact on the local hotel market.

HOTEL OWNERSHIP

REGAL REAL ESTATE INVESTMENT TRUST

Regal Portfolio Management Limited, a wholly owned subsidiary of the Regal group, acts as the REIT Manager of Regal REIT.

For the six months ended 30th June, 2015, Regal REIT recorded an unaudited consolidated loss before distribution to unitholders of HK\$1,376.9 million, as compared to the profit of HK\$319.6 million attained in the corresponding period in 2014. When reviewing these comparative results of Regal REIT, it should be noted that the loss incurred by Regal REIT was solely attributable to the reduction of HK\$1,631.4 million in the fair value of Regal REIT's investment properties portfolio based on their independent market valuations as at 30th June, 2015, as compared to those last prevailing as at 31st December, 2014. If the fair value changes are excluded, the core profit before distribution to the unitholders of Regal REIT for the period under review would amount to HK\$254.6 million, an increase of approximately 3.6% over HK\$245.6 million attained for the corresponding period in 2014.

The five initial Regal Hotels, which are operating as full-service hotels under the "Regal" brand name, were initially leased by Regal REIT to a wholly owned subsidiary of the Regal group for terms up to 31st December, 2015. At an extraordinary general meeting of Regal REIT held on 14th April, 2015, the independent unitholders approved the extension of the lease agreements for the five initial Regal Hotels for another 5 years to 31st December, 2020, with the market rental packages for the extended term continuing to be determined annually by a jointly appointed independent professional property valuer. The market rental review for 2016 is being conducted by the independent professional property valuer and will be determined before the end of September 2015.

At that same general meeting, the unitholders of Regal REIT also approved revisions to the trust deed of Regal REIT to align with the amendments to the REIT Code that became effective in August 2014. The objectives of the revisions were principally to provide additional flexibility and discretion to Regal REIT, allowing it to invest in certain financial instruments and to undertake property development activities under certain thresholds. With the widening of its investment boundaries, Regal REIT is placed in a more advantageous position when pursuing investment opportunities in the future.

Apart from the five initial Regal Hotels, Regal REIT also owns the three other hotels in Hong Kong that are operating 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 under the "iclub" brand was the iclub Wan Chai Hotel, which has been self-operated by Regal REIT since 2011. This hotel has since its opening been well received by individual and business travellers, but due to the stiff market competition arising as a result of the various market factors mentioned above, its operating performance in the period under review has also been adversely affected. Though this hotel managed to maintain virtually full occupancy during the period, the average achieved room rate retracted by 22.2%. Aggregate net property income (NPI) from this property, including increased lease rentals from the non-hotel portions, amounted to HK\$11.5 million for the first half year, which was a reduction of approximately 20.0% as compared with the same period last year.

The other two iclub hotels, namely, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel, have also been leased to the same lessee of the Regal group under initial lease terms up to 31st December, 2019, with an option to Regal REIT to extend the leases for another five years. Rentals for the first three years of the lease terms are fixed, while the rentals for the remainder of the lease terms will be determined annually through independent market rental reviews.

HOTEL OPERATIONS

Due to the setback encountered by the tourism industry in Hong Kong in the period under review, the five initial Regal Hotels in Hong Kong attained a combined average occupancy rate of 83.0%, a decrease of 9.9 percentage points as compared with the same period last year. Their combined average room rate over the same period also decreased by 3.7%, resulting in a reduction in RevPAR (Revenue per Available Room) of 14.0% year-on-year. Although the room business of these hotels has been adversely affected, the food and beverage businesses for the first half year have conversely achieved substantial improvement and generated total revenue of HK\$302.5 million, reflecting a year-on-year increase of 12.4%. Aggregate NPI for these five hotels for the period amounted to HK\$372.6 million, as compared with HK\$447.2 million attained in the same period in 2014, which is slightly below the prorated base rent of HK\$381.5 million payable to Regal REIT under the leases.

The occupancy levels of the other two new iclub hotels at Sheung Wan and Fortress Hill during the half year under review were 91.2% and 73.6%, respectively. Although these occupancy levels are considered satisfactory for new start-up hotels under the prevailing market conditions, there are still much rooms for improvement. As previously mentioned, any shortfall in the income from the operation of these two hotels below the lease payments payable by the lessee during the first three years of the lease terms will be fully reimbursed by P&R Holdings.

To combat the competitive environment, the Regal group will continue to invest resources to enhancing its market network and positioning and, in the meantime, will further streamline its business operations to contain costs.

The Regal group acquired, in October 2014, through a wholly owned subsidiary the La Mola Hotel & Conference Centre in Spain, which is a 4-star luxury hotel with about 186 rooms situated on the outskirts of Barcelona neighbouring a major category golf course. The hotel is currently self-managed by the Regal group under an external franchise arrangement. The Regal group is determining for this hotel an operating mode that can best suit its market position and, at the same time, is also planning a renovation programme to upgrade this hotel property.

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 full-service Regal Hotels and the three select-service iclub Hotels owned by Regal REIT in Hong Kong.

In China, the Regal group is providing hotel management services to seven operating hotels, including four in Shanghai, one in Xi'an and two in Dezhou, including the latest Regal Kangbo Hotel and Residence in Dezhou which was just opened in early August 2015. Two more hotels to be managed by the Regal group, namely, the Regal Financial Center Hotel in Foshan and the iclub Yuhong Hotel in Zhengzhou, are scheduled to be opened within the fourth quarter of 2015. Six other hotels are in the pipeline, which are planned to come on stream in 2016 and 2017.

In addition, the Regal group is also directly managing the La Mola Hotel & Conference Centre in Barcelona, Spain that it acquired in 2014.

PROPERTIES

As mentioned above, the Regal group holds a 50% joint venture interest in P&R Holdings, through which its property development and investment businesses are presently principally conducted.

Of the 19 luxury garden houses retained by the Regal group in Regalia Bay, Stanley, one of the houses was recently sold in May 2015, pending completion of the sale and purchase. The Regal group may lease out some more of these retained houses for rental income, pending their gradual disposals at satisfactory prices.

OTHER INVESTMENTS

The Regal group maintains a sizable investment portfolio comprising primarily listed securities, investment funds, bonds as well as treasury and yield enhancement products, including the holding of approximately 10% interest in the issued shares of Asia Standard Hotel Group Limited, a company listed in Hong Kong principally engaged in hotel and investment businesses. This investment portfolio has on the whole appreciated in value during the period under review.

The Regal group completed the acquisition of a fleet of twelve Embraer aircraft in February 2015 for an aggregate purchase price of US\$34.5 million. One of these Embraer aircraft, an ERJ 170 model aircraft, was sold in June 2015 and generated attractive return as compared to its acquisition cost. Together with the other two aircraft previously acquired, being one Airbus 321-211 which is wholly owned and another Airbus A321-200 which is effectively 85%-owned, the Regal group now owns a portfolio of thirteen aircraft, twelve of which are under leases to airline operators operating in different parts of the world, yielding satisfactory rental income. The lease for the one remaining Embraer aircraft expired recently and negotiations are being conducted for its re-lease or sale.

The Regal group intends to further expand its aircraft ownership and leasing business and is reviewing from time to time new investment opportunities for the acquisition of additional aircraft. The Regal group is also considering certain restructuring proposals for the holding of these assets, with a view to ultimately establishing this new line of business as an independent operating business unit of the Regal group.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2015, Cosmopolitan recorded an unaudited consolidated loss attributable to shareholders of HK\$164.0 million, as compared to the loss of HK\$78.1 million for the corresponding six months in 2014.

As explained in the profit warning announcement of Cosmopolitan dated 14th August, 2015, the increased loss recorded for the period under review was primarily due to the recognition of additional financial liability associated with the outstanding subscription option for the subscription of the optional convertible bonds due 2017, which was granted to the Group in conjunction with the issue of the convertible bonds due 2017 of the Cosmopolitan group in August 2014. Under the prevailing accounting standards and policies adopted by the Cosmopolitan group, such subscription option is required to be recognised as a derivative financial liability and its fair value is measured at each reporting date by reference to an independent professional appraisal. As the market price of Cosmopolitan's shares as at 30th June, 2015 had risen substantially over that prevailing as at the year end of 2014, additional derivative financial liability in a sum of HK\$121.5 million was recognised in respect of such subscription option, resulting in a loss in the same amount for the period under review. However, it should be noted that such financial liabilities are non-cash in nature and do not have any impact on the cash flows of the Cosmopolitan group nor will they affect its business operations.

BUSINESS OVERVIEW

The Cosmopolitan group's principal business activities are engaged in property development and investment, with a primary focus in Mainland China, investment in financial assets and other investments.

Through various accommodative fiscal policies to support domestic demand, China was able to maintain a growth rate of 7% year-on-year in its Gross Domestic Product for both the first and second quarters of 2015. However, the increased volatility in its financial market could still pose potential downside risk. The Cosmopolitan group is also monitoring the recent devaluation of the Renminbi and any impact it may have on its financial position if such downward adjustment should persist.

After a relatively stagnant period, the property market in the first and second tier cities in China has begun to regain some momentum over the past few months, both in terms of transacted price and turnover volume, led by prime cities like Beijing, Shanghai and Shenzhen.

The Cosmopolitan group is undertaking three ongoing property projects in China, which are respectively a composite development consisting of hotel, commercial, office, service apartment and residential components in Chengdu, a mixed use development comprising commercial, office and residential components in Tianjin and a re-forestation and land grant project in Urumqi, Xinjiang. Depending on the market conditions, the Cosmopolitan group plans to launch the presale of some of the residential units in both the Chengdu and the Tianjin projects within the next few months.

OUTLOOK

REGAL GROUP

Although the second half of the year is traditionally the high season for the local hotel industry, the outlook of the hotel businesses for the coming few months continues to be full of challenges. The tourism related industries hope that more Mainland cities will be included in the Individual Visit Scheme to open up new sources of overnight visitors to Hong Kong. On the other hand, Hong Kong will need to put in additional resources to expand its tourist attractions and the Hong Kong community as a whole should also work more closely together to re-cultivate a harmonious environment to maintaining Hong Kong's position as one of the most favourite tourist and shopping destinations in Asia as well as in the world, making it worthy of its long-held reputation.

The Regal group believes that the recent setback experienced by the tourism market in Hong Kong should be temporary and that the prospects of the hotel businesses in Hong Kong in the long term will remain favourable. The REIT Manager will continue to prudently pursue accretive investment opportunities for Regal REIT, both locally and overseas, with a view to further strengthening its recurring income base.

Apart from the strategic controlling interest in Regal REIT, the Regal group owns a substantial portfolio of diversified business interests, including the 50% joint venture interest in P&R Holdings, the growing aircraft ownership and leasing business and other investments.

The directors of Regal group are optimistic that, with its solid financial strength, the Regal group will continue to achieve steady progress in the years ahead.

COSMOPOLITAN GROUP

China will continue to be one of the highest growth economies globally, albeit at a slower pace. The Cosmopolitan group will continue to focus its resources on its ongoing property projects in China and, in the meantime, is also actively reviewing a number of investment opportunities which can complement its present principal activities as well as expand its overall business base.

PALIBURG GROUP

When the various transport infrastructures linking with the Mainland are gradually completed, including the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge, Hong Kong will further integrate as a crucial gateway to China. This is anticipated to bring an increasing number of visitors to Hong Kong and will further stimulate its economic growth.

The sale programmes recently launched for the apartments units in the Tan Kwai Tsuen development and the remaining duplex residential units in Rainbow Lodge, both in Yuen Long, have been very well received. Following on this successful track, the marketing programme for the luxurious garden houses in the Tan Kwai Tsuen development, which constitute the main component of the project, is scheduled to be launched shortly.

The majority of the other projects presently undertaken by P&R Holdings, including the hotel project at Ha Heung Road in To Kwa Wan, the shopping mall project in Ma On Shan, the residential project in Kau To, Sha Tin and the commercial/residential joint venture project with the URA in Sham Shui Po, are all expected to be completed before the end of 2017.

While certain of these development projects, such as the shopping mall project in Ma On Shan, is presently intended to be retained as investment property after completion to boost recurring rental income, most of the other development projects of P&R Holdings are planned for sale, which are expected to generate substantial profits and cash flows for both the Regal group and the Group as a whole.

The Directors are hopeful that the Group will continue to achieve satisfactory results in the coming years.

LO YUK SUI

Chairman

Hong Kong
25th August, 2015

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, aircraft ownership and leasing business and other investments including financial assets investments.

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"), 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, aircraft ownership and leasing and other investment businesses. Cosmopolitan International Holdings Limited ("Cosmopolitan") is a listed subsidiary of the Group held through P&R Holdings. The principal business activities of the Cosmopolitan group comprise property development and investment, mainly focused in 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 Management Discussion and Analysis.

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.

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, and is a subsidiary of the Company. 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 financing 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 and the latest Anchor Street/Fuk Tsun Street development project in Tai Kok Tsui, Kowloon, which are being undertaken pursuant to the development contracts awarded by the Urban Renewal Authority of Hong Kong, all of the following ongoing development projects and properties are wholly owned by P&R Holdings group.

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

This residential project has a site area of approximately 11,192 square metres (120,470 square feet) and will provide 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 have been completed and the occupation permit is expected to be issued in the third quarter of 2015. The presale programme for the units in the apartment block, named Domus, was formally launched in June 2015 and all the 134 units were sold in one day. The sale programme for the 36 garden houses, which constitute the main component of the development and named Casa Regalia, is planned to be launched within the next few months.

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

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and is 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 and the technical difficulties encountered in relation to the adjoining building are being resolved. Some further delay in the construction works is anticipated.

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

The project has 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 have been completed and the superstructure works are progressing smoothly. This hotel development project is scheduled to be completed in the first half of 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 proceeding and currently expected to be completed in the first quarter of 2016. The project is scheduled to be completed in 2017 and is intended to be retained for rental income.

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

The project has a site area of 17,476 square metres (188,100 square feet) and is planned for a luxurious residential development comprising 7 mid-rise apartment blocks with about 136 units, 24 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 the site formation works and foundation works are progressing. This development is scheduled to be completed in 2017.

Management Discussion and Analysis (Cont'd)

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 have been approved and foundation works commenced. The development is scheduled to be completed in 2017.

Anchor Street/Fuk Tsun Street, Tai Kok Tsui, Kowloon

This is a hotel development project also awarded by the Urban Renewal Authority of Hong Kong through a tender process in June 2015. The project has a site area of 725.5 square metres (7,809 square feet) and total permissible gross floor area of approximately 6,529 square metres (70,278 square feet) and is planned to be developed into a multi-storey hotel building comprising about 288 guest rooms, with ancillary accommodation. The general building plans are being finalised and will be submitted to the Building Authority for approval shortly. Further details with regards to this development project are contained in the announcement of the Company dated 17th June, 2015.

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

These properties 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. To prepare for the planned disposals, the tenancies for those units that were previously under lease have been terminated, and the sale programme launched in August 2015. The market response was very favourable and all the ten residential units and 13 car parks were sold within a short period of time.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

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

Property Development

Chengdu Project

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, service apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres. The first stage of the development 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. The construction works for these three residential towers are presently expected to be completed in the third quarter of 2016 and units presale is anticipated to be launched within the next few months. Having considered the current local market environment, a series of business remodeling works are being planned for the hotel, which is now anticipated to be completed in phases from late 2016. The second stage of the development comprises six residential towers with about 960 units, the construction works for which have commenced and are expected to be completed in the second quarter of 2017. The other components comprised within the overall development will continue to be developed in stages.

Tianjin Project

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres, which is planned for a mixed use development comprising commercial, office 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 basement excavation works have commenced. Presale of the two residential towers with about 250 residential units is anticipated to be launched within the next few months. The entire development is now anticipated to be completed in stages from 2017.

Xinjiang Project

This is 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 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 is still ongoing and certain remedial re-forestation works will be undertaken to meet the requirements of the government authorities. In the meantime, the Cosmopolitan group is working on the design of the master plan to prepare for the land grant procedures. 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 on the land, in stages, a large scale mixed use development comprising residential, hotel, recreational and commercial properties.

Property Investment

Beijing Tongzhou Project

As previously reported, certain conditions required to be fulfilled by the counterparty with respect to the co-operation agreement entered into in 2014 for the captioned project have not been satisfied and the co-operation agreement has lapsed. The Cosmopolitan group has determined that the captioned project will not be further pursued.

HANG FOK PROPERTIES LIMITED

Hang Fok is an entity that is 50% beneficially owned by each of the Group and the Regal group and is effectively a subsidiary of the Group. Hang Fok holds equity interests in a joint venture project company involved in a development project in the Central Business District in Beijing, the PRC. As previously reported, Hang Fok was engaged in a series of legal actions in the PRC with the other joint venture parties in the Beijing project, some of which were initiated by Hang Fok to protect its equity interests in the Beijing project. Appropriate provisions had been made by Hang Fok in the prior years and the interest held by the Group in the project was carried in the consolidated financial statements at an insignificant amount as at 31st December, 2013. In the process of the legal actions taken, the other joint venture parties have funded the joint venture project company and procured the latter to deposit an amount of approximately RMB195 million into the court in the PRC in August 2014, as repayment proceeds of certain of the shareholder's loans, plus accrued interest thereon, made by Hang Fok to the joint venture project company, which is pending collection by Hang Fok. Accordingly, Hang Fok had recorded a recovery of loans receivable and related interest income of approximately HK\$159.0 million and HK\$84.2 million respectively, which was reflected in the results of the Group in the financial year ended 31st December, 2014. The Group will continue to exercise strenuous efforts with a view to salvaging the value of the Group's interest in this development project.

CONSTRUCTION AND BUILDING RELATED BUSINESS

The Group's wholly owned construction arm, Chatwin Engineering Limited ("Chatwin"), was the main contractor for the construction of P&R Holdings' hotel developments at Bonham Strand, Sheung Wan and at Merlin Street, Fortress Hill, which have been completed in January and May 2014, respectively. Chatwin is also undertaking the main contract works for P&R Holdings' residential project in Yuen Long and the hotel development project at Ha Heung Road, To Kwa Wan, awarded 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 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.

FINANCIAL REVIEW

ASSETS VALUE

As at 30th June, 2015, the Group's net assets attributable to equity holders of the parent amounted to HK\$13,106.7 million, representing HK\$11.76 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 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 Hong Kong dollar is pegged to the US dollar, the exchange risks are considered to be insignificant and no currency hedging has been deployed. As regards the Group's overseas investments which are based in currencies other than US dollar and Hong Kong dollar, the Group will consider hedging part or all of the investment amounts into US dollars or Hong Kong dollars to contain the Group's exposure to currency fluctuation.

Cash Flows

Net cash flows generated from operating activities during the period under review amounted to HK\$1.5 million (2014 – net cash flows used in operating activities of HK\$130.3 million). Net interest payment for the period amounted to HK\$134.7 million (2014 – HK\$128.8 million).

Borrowings and Gearing

As at 30th June, 2015, the Group had cash and bank balances and deposits of HK\$2,455.3 million (31st December, 2014 – HK\$3,332.5 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$10,734.5 million (31st December, 2014 – HK\$10,025.4 million).

As at 30th June, 2015, the gearing ratio of the Group was 29.3% (31st December, 2014 – 27.1%), representing the Group's borrowings net of cash and bank balances and deposits of HK\$10,734.5 million (31st December, 2014 – HK\$10,025.4 million), as compared to the total assets of the Group of HK\$36,607.2 million (31st December, 2014 – HK\$36,942.1 million).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2015 are shown in notes 11 and 12 to the condensed consolidated financial statements.

Pledge of Assets

As at 30th June, 2015, certain of the Group's property, plant and equipment, investment properties, properties held for sale, properties under development, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, bank deposits and bank balances in the total amount of HK\$18,695.6 million (31st December, 2014 – HK\$17,861.1 million) were pledged to secure general banking facilities granted to the Group and, in addition, certain 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\$458.3 million (31st December, 2014 – HK\$454.6 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, 2015, certain ordinary shares in a listed subsidiary with a market value of HK\$424.9 million (31st December, 2014 – HK\$445.0 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 15 to the condensed consolidated financial statements.

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2015 are shown in note 17 to the condensed consolidated financial statements.

Contingent Liabilities

The Group had no contingent liability as at 30th June, 2015.

Share Capital

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

Management Discussion and Analysis (Cont'd)

DIVIDEND

The Directors have declared the payment of an interim dividend of HK2.3 cents (2014 – HK\$2.3 cents) per ordinary share for the financial year ending 31st December, 2015, absorbing an amount of approximately HK\$25.6 million (2014 – HK\$25.6 million) and will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 9th October, 2015.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Wednesday, 7th October, 2015 to Friday, 9th October, 2015, 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, 6th October, 2015. The relevant dividend warrants are expected to be despatched on or about 23rd October, 2015.

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 2,210 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

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

With a view to providing long term incentives, the Company and RHIHL maintained 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. The life of both of the share option schemes of the Company and RHIHL ended on 15th June, 2015.

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2, 3	1,265.8	1,061.0
Cost of sales		(757.5)	(549.8)
Gross profit		508.3	511.2
Other income and gain	3	39.0	28.9
Fair value gains on investment properties, net		42.9	1.2
Fair value gains on financial assets at fair value through profit or loss, net		68.7	16.3
Administrative expenses		(155.8)	(180.4)
OPERATING PROFIT BEFORE DEPRECIATION		503.1	377.2
Depreciation		(282.0)	(242.9)
OPERATING PROFIT	2, 4	221.1	134.3
Finance costs	5	(116.6)	(114.5)
Share of profits and losses of associates		(13.2)	(8.6)
PROFIT BEFORE TAX		91.3	11.2
Income tax	6	(5.7)	45.9
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		85.6	57.1
Attributable to:			
Equity holders of the parent		54.9	16.2
Non-controlling interests		30.7	40.9
		85.6	57.1
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		HK4.93 cents	HK1.45 cents

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	85.6	57.1
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	5.9	29.3
Cash flow hedges:		
Changes in fair value of cash flow hedges	(0.3)	(4.4)
Transfer from hedge reserve to the statement of profit or loss	1.2	3.1
	0.9	(1.3)
Exchange differences on translating foreign operations	(5.5)	(70.2)
Share of other comprehensive loss of an associate	—	(0.2)
Other comprehensive income/(loss) for the period	1.3	(42.4)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	86.9	14.7
Attributable to:		
Equity holders of the parent	55.8	(3.2)
Non-controlling interests	31.1	17.9
	86.9	14.7

Condensed Consolidated Statement of Financial Position

		30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	Notes	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment		19,631.7	19,687.6
Investment properties		2,101.6	1,946.6
Properties under development		1,306.0	1,305.1
Investments in associates		21.0	25.7
Available-for-sale investments		142.0	131.8
Financial assets at fair value through profit or loss		1.9	1.9
Loans receivable		1.5	1.7
Deposits and prepayments		110.7	87.2
Deferred tax assets		62.4	62.4
Trademark		610.2	610.2
Goodwill		261.0	261.0
Total non-current assets		24,250.0	24,121.2
CURRENT ASSETS			
Properties under development		7,040.2	6,617.0
Properties held for sale		876.8	1,000.5
Inventories		66.2	57.2
Debtors, deposits and prepayments	9	703.5	558.0
Loans receivable		7.0	13.3
Held-to-maturity investments		344.6	378.1
Financial assets at fair value through profit or loss		862.2	864.3
Derivative financial instruments		1.4	–
Restricted cash		38.1	47.2
Pledged time deposits and bank balances		192.2	333.8
Time deposits		551.3	761.5
Cash and bank balances		1,673.7	2,190.0
Total current assets		12,357.2	12,820.9
CURRENT LIABILITIES			
Creditors and accruals	10	(607.9)	(661.3)
Deposits received		(66.0)	(24.5)
Interest bearing bank borrowings	11	(725.3)	(1,375.9)
Derivative financial instruments		–	(4.8)
Tax payable		(149.4)	(126.5)
Total current liabilities		(1,548.6)	(2,193.0)
NET CURRENT ASSETS		10,808.6	10,627.9
TOTAL ASSETS LESS CURRENT LIABILITIES		35,058.6	34,749.1

Condensed Consolidated Statement of Financial Position (Cont'd)

		30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	Notes	HK\$'million	HK\$'million
TOTAL ASSETS LESS CURRENT LIABILITIES		35,058.6	34,749.1
NON-CURRENT LIABILITIES			
Creditors and deposits received		(107.4)	(27.8)
Interest bearing bank borrowings	11	(8,250.0)	(7,770.8)
Other borrowings	12	(4,214.5)	(4,211.2)
Deferred tax liabilities		(2,260.9)	(2,296.2)
Total non-current liabilities		(14,832.8)	(14,306.0)
Net assets		20,225.8	20,443.1
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		111.4	111.4
Reserves		12,969.7	12,847.4
Dividends		25.6	103.7
		13,106.7	13,062.5
Non-controlling interests		7,119.1	7,380.6
Total equity		20,225.8	20,443.1

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Condensed Consolidated Statement of Cash Flows

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
Net cash flows generated from/(used in) operating activities	1.5	(130.3)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale investments	(4.3)	(26.5)
Purchases of held-to-maturity investments	(537.7)	(566.6)
Proceeds from redemption of held-to-maturity investments	571.2	359.6
Decrease in loans receivable	6.7	0.6
Additions to investment properties	(93.0)	(1.9)
Purchases of items of property, plant and equipment	(229.5)	(152.9)
Deposit paid for purchases of items of property, plant and equipment	(3.4)	–
Proceeds from disposal of items of property, plant and equipment	64.0	–
Advances to associates	(8.5)	(10.8)
Interest received	27.3	28.4
Decrease in pledged time deposits and bank balances	141.6	24.7
Decrease in restricted cash	6.6	7.9
Net cash flows used in investing activities	(59.0)	(337.5)
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)
Drawdown of new bank loans	914.8	2,186.1
Repayment of bank loans	(1,088.9)	(838.1)
Interest paid	(172.0)	(164.8)
Payment of loan and other costs	(18.6)	(13.1)
Dividends paid	(103.5)	(103.5)
Dividends paid to non-controlling shareholders	(110.1)	(107.3)
Distribution to a non-controlling shareholder	–	(1.3)
Acquisition of non-controlling interests in listed subsidiaries	(89.7)	(83.4)
Decrease in restricted cash	2.4	0.3
Net cash flows from/(used in) financing activities	(665.6)	799.9

Condensed Consolidated Statement of Cash Flows (Cont'd)

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(723.1)	332.1
Cash and cash equivalents at beginning of period	2,951.5	2,385.3
Effect of foreign exchange rate changes, net	(3.4)	(22.9)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,225.0</u>	<u>2,694.5</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,673.7	1,250.4
Non-pledged time deposits with original maturity of less than three months when acquired	<u>551.3</u>	<u>1,444.1</u>
	<u>2,225.0</u>	<u>2,694.5</u>

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, 2014, 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, 2015.

Amendments to HKAS 19 <i>Annual Improvements</i> <i>2010-2012 Cycle</i>	<i>Defined Benefit Plans: Employee Contributions</i> Amendments to a number of HKFRSs
<i>Annual Improvements</i> <i>2011-2013 Cycle</i>	Amendments to a number of HKFRSs

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 seven 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 trading of financial assets at fair value through profit or loss and other financial assets investments;
- (f) the aircraft ownership and leasing segment engages in the aircraft ownership and leasing for rental income; and
- (g) the others segment mainly comprises the provision of financing services, travel agency services, sale of food products 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.

Following the acquisition of additional aircraft during the current period by Regal Hotels International Holdings Limited ("RHIHL"), a listed subsidiary of the Company, together with its subsidiaries (the "RHIHL Group"), the RHIHL Group has increased its focus on the aircraft ownership and leasing business. A change on the reporting structure of operating segments was made for facilitating management to make decisions about operating matters, resources allocation and performance assessment. Accordingly, an additional reportable operating segment of "Aircraft ownership and leasing" was separately disclosed and certain comparative amounts previously reported under the reportable operating segment of "Others" have been reclassified and restated to conform with the current period's presentation.

Notes to Condensed Consolidated Financial Statements (Cont'd)

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

	Property development and investment		Construction and building related businesses		Hotel operation and management and hotel ownership		Asset management		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2015	2014	Six months ended 30th June, 2015	2014	Six months ended 30th June, 2015	2014	Six months ended 30th June, 2015	2014	Six months ended 30th June, 2015	2014	Six months ended 30th June, 2015	2014	Six months ended 30th June, 2015	2014	Six months ended 30th June, 2015	2014	Six months ended 30th June, 2015	2014
	(Unaudited)	(Unaudited)	(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	HK\$m	HK\$m
Segment revenue:																		
Sales to external customers	126.9	6.5	6.4	3.7	1,039.9	1,019.1	-	-	31.8	3.8	46.6	16.7	14.2	11.2	-	-	1,265.8	1,061.0
Intersegment sales	3.9	3.8	177.4	117.8	-	-	50.6	64.2	-	-	-	-	0.7	-	(232.6)	(185.8)	-	-
Total	130.8	10.3	183.8	121.5	1,039.9	1,019.1	50.6	64.2	31.8	3.8	46.6	16.7	14.9	11.2	(232.6)	(185.8)	1,265.8	1,061.0
Segment results before depreciation	8.2	(28.3)	0.2	(6.5)	381.1	446.9	(5.4)	(5.4)	105.8	22.6	56.0	14.7	(2.9)	5.6	-	-	543.0	449.6
Depreciation	(7.1)	(0.9)	(0.2)	(0.5)	(253.2)	(252.1)	(0.2)	-	-	-	(20.2)	(8.3)	(0.5)	(0.8)	-	-	(281.4)	(242.6)
Segment results	1.1	(29.2)	-	(7.0)	127.9	214.8	(5.6)	(5.4)	105.8	22.6	35.8	6.4	(3.4)	4.8	-	-	261.6	207.0
Unallocated interest income and unallocated non-operating and corporate gains																	17.2	13.8
Unallocated non-operating and corporate expenses																	(57.7)	(86.5)
Operating profit																	221.1	134.3
Finance costs																	(116.6)	(114.5)
Share of profits and losses of associates	-	0.2	-	-	-	-	-	-	-	-	-	-	(13.2)	(8.8)	-	-	(13.2)	(8.6)
Profit before tax																	91.3	11.2
Income tax																	(5.7)	45.9
Profit for the period before allocation between equity holders of the parent and non-controlling interests																	85.6	57.1
Attributable to:																		
Equity holders of the parent																	54.9	16.2
Non-controlling interests																	30.7	40.9
																	85.6	57.1

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, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
<u>Revenue</u>		
Rental income:		
Hotel properties	23.8	23.0
Investment properties	8.9	7.5
Properties held for sale	1.4	1.4
Aircraft	46.6	16.7
Construction and construction-related income	3.9	1.3
Proceeds from sale of a property	120.0	–
Estate management fees	2.5	2.4
Net gain/(loss) from sale of financial assets at fair value		
through profit or loss	18.0	(3.7)
Net gain/(loss) on settlement of derivative financial instruments	1.7	(5.4)
Interest income from financial assets at fair value		
through profit or loss	9.9	9.4
Dividend income from listed investments	2.2	3.5
Hotel operations and management services	1,012.7	993.8
Other operations	14.2	11.1
	<u>1,265.8</u>	<u>1,061.0</u>
<u>Other income and gain</u>		
Bank interest income	16.4	12.8
Other interest income	6.7	15.1
Fair value gain upon reclassification of		
a property held for sale to an investment property	–	0.1
Gain on disposal of items of property, plant and equipment, net	14.7	–
Others	1.2	0.9
	<u>39.0</u>	<u>28.9</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

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

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
Profit/(Loss) from sale of financial assets at fair value through profit or loss	18.0	(3.7)
Profit/(Loss) on settlement of derivative financial instruments	1.7	(5.4)
Loss on disposal of a property	(10.0)	–
	<u> </u>	<u> </u>

5. Finance Costs

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans wholly repayable within five years	79.4	73.0
Interest on other borrowings wholly repayable within five years	90.7	90.6
Amortisation of debt establishment costs	18.6	15.8
	<u> </u>	<u> </u>
Total interest expenses on financial liabilities not at fair value through profit or loss	188.7	179.4
Fair value changes on derivative financial instruments – cash flow hedges (transfer from hedge reserve)	1.0	3.1
Other loan costs	7.4	4.1
	<u> </u>	<u> </u>
	197.1	186.6
Less: Finance costs capitalised	(80.5)	(72.1)
	<u> </u>	<u> </u>
	116.6	114.5
	<u> </u>	<u> </u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

6. Income Tax

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
Current – Hong Kong		
Charge for the period	41.1	42.2
Current – Overseas		
Charge for the period	0.4	2.4
Overprovision in prior years	(1.7)	–
Deferred	(34.1)	(90.5)
Total tax charge/(credit) for the period	5.7	(45.9)

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2014 - 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 was required for the associates as no assessable profits were earned by the associates during the period (2014 - Nil).

7. Dividend

The Directors have declared the payment of an interim dividend of HK2.3 cents (2014 - HK2.3 cents) per ordinary share for the financial year ending 31st December, 2015, absorbing a total amount of approximately HK\$25.6 million (2014 - HK\$25.6 million).

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

(a) Basic earnings per ordinary share

The calculation of the basic earnings per ordinary share is based on the profit for the period attributable to equity holders of the parent of HK\$54.9 million (2014 - HK\$16.2 million) and on the weighted average of 1,114.6 million (2014 - 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, 2015 and 2014 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\$230.8 million (31st December, 2014 - HK\$125.6 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, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	212.7	112.1
Between 4 to 6 months	5.4	4.1
Between 7 to 12 months	4.8	2.7
Over 1 year	10.2	9.0
	<u>233.1</u>	<u>127.9</u>
Impairment	(2.3)	(2.3)
	<u>230.8</u>	<u>125.6</u>

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 fellow subsidiaries and a related company of HK\$1.2 million (31st December, 2014 - HK\$0.9 million) and HK\$1.3 million (31st December, 2014 - 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\$86.3 million (31st December, 2014 - HK\$136.2 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, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	85.5	135.3
Between 4 to 6 months	0.4	0.2
Between 7 to 12 months	0.1	0.3
Over 1 year	0.3	0.4
	<u>86.3</u>	<u>136.2</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\$2.8 million (31st December, 2014 - HK\$1.6 million) and HK\$3.6 million (31st December, 2014 - HK\$6.7 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, 2015 (Unaudited)	31st December, 2014 (Audited)
	Maturity	Maturity
	HK\$'million	HK\$'million
Current		
Bank loans – secured	2015-2016 725.3	2015 1,375.9
Non-current		
Bank loans – secured	2016-2019 8,250.0	2016-2019 7,770.8
	8,975.3	9,146.7

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'million	HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year	725.3	1,375.9
In the second year	334.2	191.4
In the third to fifth years, inclusive	7,915.8	7,579.4
	8,975.3	9,146.7

The agreement for term loan facilities of HK\$4,500.0 million and a revolving loan facility of up to HK\$300.0 million (the "2013 IH Facilities") was entered into on 23rd July, 2013 by Regal REIT, through its wholly owned subsidiaries, namely, Bauhinia Hotels Limited and Rich Day Investments Limited as the borrowers, for a term of five years to July 2018, and is secured by three of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel. As at 30th June, 2015, the outstanding amount on the 2013 IH Facilities was HK\$4,500.0 million comprised solely of the full amount of the term loan facilities. On 23rd July, 2015, Regal REIT group cancelled the HK\$300.0 million revolving loan facility under the 2013 IH Facilities as there are other unutilised revolving loan facilities available which bear lower rates of interest. The Regal REIT group entered into interest rate swap arrangements to hedge against interest rate exposure for the term loan facilities for a notional amount of HK\$3.0 billion. The interest rate swaps expired on 9th March, 2015.

On 22nd December, 2014, a term loan facility agreement for a principal amount of HK\$440.0 million (the "2014 WC Facility"), which is secured by the iclub Wan Chai Hotel, was entered into for a term of five years to December 2019. The 2014 WC Facility was fully drawn with the proceeds being applied mainly for the repayment of the previous term loan facility entered into during 2012. As at 30th June, 2015, the outstanding amount on the 2014 WC Facility was HK\$440.0 million.

On 10th February, 2014, Regal REIT group, through its wholly owned subsidiary, Tristan Limited, arranged for a bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving loan facility of up to HK\$158.0 million (the "2014 SW Facilities"), which is secured by the iclub Sheung Wan Hotel. The 2014 SW Facilities have a term of five years to February 2019. As at 30th June, 2015, the utilised 2014 SW Facilities were comprised of the full term loan amount of HK\$632.0 million only.

On 28th July, 2014, Regal REIT group, through its wholly owned subsidiary, Wise Decade Investments Limited, arranged for another bilateral loan facility of up to HK\$825.0 million, comprised of a term loan facility of HK\$660.0 million and a revolving loan facility of up to HK\$165.0 million (the "2014 FH Facilities"), which is secured by the iclub Fortress Hill Hotel. The 2014 FH Facilities have a term of five years to July 2019. As at 30th June, 2015, the utilised 2014 FH Facilities were comprised of the full term loan amount of HK\$660.0 million and part of the revolving loan facility amounting to HK\$65.0 million.

As at 30th June, 2015, the outstanding loan facilities of Regal REIT group bear interest at the Hong Kong Interbank Offered Rates plus an interest margin ranging from 1.4% per annum to 1.62% per annum (31st December, 2014: ranging from 1.4% per annum to 1.62% per annum).

Bank borrowings under the 2013 IH Facilities, the 2014 WC Facility, the 2014 SW Facilities and the 2014 FH Facilities are guaranteed by Regal REIT and/or certain individual companies of the Regal REIT group on a joint and several basis.

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 15 to the condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements (Cont'd)

12. Other Borrowings

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'million	HK\$'million
Non-current		
Unsecured other borrowings repayable in the third to fifth years, inclusive	<u>4,214.5</u>	<u>4,211.2</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 guaranteed by RHIHL (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.

13. Notes to the condensed consolidated statement of cash flows

Major non-cash transactions

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
Security deposits, maintenance liabilities and other liabilities assumed in purchases of aircraft	<u>103.6</u>	<u>—</u>
Security deposit and maintenance liabilities settled upon disposal of an aircraft	<u>35.4</u>	<u>—</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

14. 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, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
A wholly owned subsidiary of the listed ultimate holding company:		
Management fees	27.8	23.7
An associate:		
Advertising and promotion fees (including cost reimbursements)	8.2	4.2

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, 2014.

(b) Outstanding balances with related parties:

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'million	HK\$'million
Due from associates	54.1	45.6
Due from fellow subsidiaries	1.2	0.9
Due from a related company	1.3	1.3
Due to fellow subsidiaries	(3.6)	(6.7)
Due to an associate	(2.8)	(1.6)

Notes to Condensed Consolidated Financial Statements (Cont'd)

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

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	20.7	21.2
Staff retirement scheme contributions	1.3	1.3
Total compensation paid to key management personnel	22.0	22.5

15. Pledge of Assets

As at 30th June, 2015, certain of the Group's property, plant and equipment, investment properties, properties held for sale, properties under development, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, bank deposits and bank balances in the total amount of HK\$18,695.6 million (31st December, 2014 - HK\$17,861.1 million) were pledged to secure general banking facilities granted to the Group and, in addition, certain 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\$458.3 million (31st December, 2014 - HK\$454.6 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, 2015, certain ordinary shares in a listed subsidiary with a market value of HK\$424.9 million (31st December, 2014 - HK\$445.0 million) were also pledged to secure general banking facilities granted to the Group.

16. 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 tenants 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 2 to 3 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

Notes to Condensed Consolidated Financial Statements (Cont'd)

At 30th June, 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'million	HK\$'million
Within one year	133.8	88.0
In the second to fifth years, inclusive	189.7	141.5
	<u>323.5</u>	<u>229.5</u>

(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, 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'million	HK\$'million
Land and buildings:		
Within one year	14.5	12.7
In the second to fifth years, inclusive	7.9	5.5
After five years	0.3	0.5
	<u>22.7</u>	<u>18.7</u>
Other equipment:		
Within one year	0.3	0.3
In the second to fifth years, inclusive	0.7	0.7
	<u>1.0</u>	<u>1.0</u>
	<u>23.7</u>	<u>19.7</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

17. Commitments

In addition to the operating lease commitments detailed in note 16(b) above, the Group had the following outstanding commitments at the end of the reporting period:

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'million	HK\$'million
Authorised, but not contracted for:		
Property development projects	2,325.9	2,438.2
Hotel buildings	95.3	110.6
	<u>2,421.2</u>	<u>2,548.8</u>
Contracted, but not provided for:		
Property development projects	2,448.0	2,292.9
Aircraft	–	253.7
Furniture, fixtures and equipment	2.4	–
	<u>2,450.4</u>	<u>2,546.6</u>
	<u>4,871.6</u>	<u>5,095.4</u>

18. Share Options

The Paliburg Holdings Limited Share Option Scheme

The Company operated 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 previously granted under the Paliburg Share Option Scheme did not confer rights on the holders to dividends or to vote at shareholders' meetings. The life of the Paliburg Share Option Scheme ended on 15th June, 2015.

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 operated 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 previously granted under the Regal Share Option Scheme did not confer rights on the holders to dividends or to vote at shareholders' meetings. The life of the Regal Share Option Scheme ended on 15th June, 2015.

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

19. 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, 2015

	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	–	–	138.1	138.1
Financial assets at fair value through profit or loss:				
Listed equity investments	584.8	17.2	–	602.0
Listed debt investments	–	260.2	–	260.2
Structured deposit	–	1.9	–	1.9
Derivative financial instruments	–	1.4	–	1.4
	584.8	280.7	138.1	1,003.6

Notes to Condensed Consolidated Financial Statements (Cont'd)

Assets measured at fair value as at 31st December, 2014

	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	–	–	131.8	131.8
Financial assets at fair value through profit or loss:				
Listed equity investments	593.4	17.0	–	610.4
Listed debt investments	–	253.9	–	253.9
Structured deposit	–	1.9	–	1.9
	<u>593.4</u>	<u>272.8</u>	<u>131.8</u>	<u>998.0</u>

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

	2015 (Unaudited) HK\$'million	2014 (Audited) HK\$'million
Available-for-sale investments – unlisted:		
At 1st January	131.8	18.3
Purchases	0.4	85.3
Total gains recognised in other comprehensive income	5.9	28.2
At 30th June/31st December	<u>138.1</u>	<u>131.8</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

Liabilities measured at fair value as at 31st December, 2014

	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	–	4.8	–	4.8

The Group did not have any financial liabilities measured at fair value as at 30th June, 2015.

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, 2014 - 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 or valued by a financial institution based on the quoted market price of the underlying listed security.

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

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

20. Approval of the Unaudited Condensed Consolidated Financial Statements

The unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 25th August, 2015.

Other Information

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2015)
			Personal interests	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 (74.51%)
	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, 2015)
				Personal interests	Corporate interests	Family/Other interests	
2.	Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	103,787,396	1,769,164,691 (Note a)	380,683	1,873,332,770 (58.47%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
		Mr. 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	610,881,261 (Note c)	260,700	611,166,161 (66.14%)
		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)	–	2,826,776,716 (Note e)	–	2,826,776,716
			(ii) (unissued)	–	4,683,461,057 (Note f)	–	4,683,461,057
						Total:	7,510,237,773 (176.69%)
			Preference (issued)	–	2,004,889,629 (Note f)	–	2,004,889,629 (85.45%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.05%)
		Miss Lo Po Man	Ordinary (issued)	1,380,000	–	–	1,380,000 (0.03%)

Other Information (Cont'd)

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, 2015)
				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 (74.99%)
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 58.46% shareholding interests as at 30th June, 2015.

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 58.46% shareholding interests as at 30th June, 2015. The interests in 593,515,861 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 62.23% shareholding interests as at 30th June, 2015. The interests in the other 16,944,000 issued ordinary shares of RHIHL were held through a wholly owned subsidiary of Cosmopolitan, in which 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) held 64.26% shareholding interests as at 30th June, 2015. The Company held 66.06% shareholding interests in RHIHL as at 30th June, 2015.
- (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 2,731,316,716 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries. The interests in the other 95,460,000 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of RHIHL. The Company, in which CCIHL held 62.23% shareholding interests as at 30th June, 2015, held 66.06% shareholding interests in RHIHL as at 30th June, 2015. Mr. Lo held 58.46% shareholding interests in CCIHL as at 30th June, 2015.

- (f) The interests in 4,683,461,057 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of 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 62.23% shareholding interests as at 30th June, 2015, held 66.06% shareholding interests in RHIHL as at 30th June, 2015. Mr. Lo held 58.46% shareholding interests in CCIHL as at 30th June, 2015.

The interests in 2,004,889,629 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 2,004,889,629 convertible preference shares of Cosmopolitan, convertible into new ordinary shares of Cosmopolitan on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 1,428,571,428 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in the convertible bonds in the principal amount of HK\$500,000,000 issued by a wholly owned subsidiary of Cosmopolitan. The convertible bonds are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.35 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

The interests in 1,250,000,000 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in the possible subscription for the optional convertible bonds in a principal amount of HK\$500,000,000 to be issued by a wholly owned subsidiary of Cosmopolitan pursuant to the subscription agreement dated 30th April, 2014 (as supplemented by a supplemental agreement dated 19th June, 2014) entered into between Cosmopolitan and P&R Holdings. The optional convertible bonds, if subscribed for and issued, will be convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.40 per ordinary share (subject to adjustments in accordance with the terms of the optional convertible bonds).

- (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 64.26% 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, 2015. The Company, in which CCIHL held 62.23% shareholding interests as at 30th June, 2015, held 66.06% shareholding interests in RHIHL as at 30th June, 2015. Mr. Lo held 58.46% shareholding interests in CCIHL as at 30th June, 2015.
- (h) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 58.46% shareholding interests as at 30th June, 2015, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 30th June, 2015, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Other Information (Cont'd)

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, 2015, 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, 2015
CCIHL (Note i)	693,640,547	–	693,640,547	62.23%
Century City BVI Holdings Limited ("CCBVI") (Note ii)	693,640,547	–	693,640,547	62.23%
Almighty International Limited ("Almighty") (Note ii)	346,510,526	–	346,510,526	31.09%
Cleerview Investments Limited ("Cleerview") (Note ii)	180,811,470	–	180,811,470	16.22%

Notes:

- (i) Mr. Lo Yuk Sui directly and indirectly held 58.46% shareholding interests in CCIHL as at 30th June, 2015, 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, 2015, 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.

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, 2014 is set out below:

Name of Director	Details of changes
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Independent Non-Executive Directors:

- | | |
|-----------------------------------|--|
| Hon Abraham Shek Lai Him, GBS, JP | <ul style="list-style-type: none">Appointed as an independent non-executive director of Jinheng Automotive Safety Technology Holdings Limited, a company listed on the Stock Exchange, with effect from 25th June, 2015. |
| Mr. Wong Chi Keung | <ul style="list-style-type: none">Appointed as an independent non-executive director and a member of the audit committee of Changfeng Axle (China) Company Limited (name changed to Fortunet e-Commerce Group Limited with effect from 28th May, 2015), a company listed on the Stock Exchange, with effect from 25th March, 2015. |

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, 2015, 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, 2015.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2015.

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, 2015, 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 47 which comprises the condensed consolidated statement of financial position as at 30th June, 2015 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

25th August, 2015



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