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

2017 INTERIM REPORT

Contents

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

AUDITOR

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

11th Floor, 68 Yee Wo Street
Causeway Bay, Hong Kong
Tel: 2894 7888
Fax: 2890 1697
Website: www.paliburg.com.hk

Mr. Lo Yuk Sui, *aged 72; 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 43; 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 60; Executive Director and Chief Operating Officer* — Appointed to the Board in 1993 and designated as the Chief Operating Officer in 2007. Mr. Fan is a qualified architect and has been with the Group since 1987. He is also an executive director of CCIHL and RHIHL and a non-executive director of RPML. Mr. Fan 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. Bowen Joseph Leung Po Wing, *GBS, JP, aged 67; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2008. Mr. Leung is also an independent non-executive director of RPML. 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, both of which are companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Miss Lo Po Man, *aged 37; 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 also an independent non-executive director of Meitu, Inc., which is a company listed on the Stock Exchange. 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 62; 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 87; 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 72; 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 Advisory Committee on Corruption of the Independent Commission Against Corruption of Hong Kong, 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, and a non-executive director of the Mandatory Provident Fund Schemes 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, Lifestyle International Holdings Limited, Midas International Holdings Limited, NWS Holdings Limited and SJM Holdings Limited, and an independent non-executive director of Goldin Financial Holdings Limited, Hop Hing Group Holdings Limited, Lai Fung Holdings Limited and MTR Corporation Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange).

Mr. Wong Chi Keung, *aged 62; 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 a responsible officer for asset management and advising on securities 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 Shanshui Cement Group Limited, China Ting Group Holdings Limited, Fortunet e-Commerce Group Limited, Golden Eagle Retail Group Limited, Nickel Resources International Holdings Company 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 34 years of experience in finance, accounting and management. Mr. Wong lately resigned as an independent non-executive director of Heng Xin China Holdings Limited, a company listed on the Stock Exchange, with effect from 19th September, 2017.

Mr. Kenneth Wong Po Man, *aged 51; Executive Director* — Appointed to the Board in 2007. Mr. Wong is also an executive director and the chief operating officer of Cosmopolitan. 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 is a qualified architect and has been with the Group for over 24 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.

Chairman's Statement

Dear shareholders,

I am pleased to present herewith the 2017 Interim Report of the Company.

FINANCIAL RESULTS

For the six months ended 30th June, 2017, the Group achieved an unaudited consolidated profit attributable to shareholders of HK$159.1 million, as compared to a loss of HK$1.2 million (as restated) for the corresponding period in 2016.

In the interim results announced by the Company in August 2016, an unaudited consolidated profit of HK$17.2 million was stated as attributable to shareholders for the six months ended 30th June, 2016. The profit as reported has taken into account a gain on bargain purchase recognised on the acquisition by Cosmopolitan International Holdings Limited, a listed subsidiary of the Company, of 60% equity interest in a logistics business in Shanghai, the People's Republic of China in May 2016, which was subject to the finalisation of the fair value estimations within 12 months from the date of acquisition. After the fair value estimations were finally determined, the gain on bargain purchase recognised in the unaudited interim results of 2016 has been adjusted downwards by HK$27.2 million and the relevant adjustments have already been reflected in the audited financial statements of the Group presented for the financial year ended 31st December, 2016. Consequently, the interim results for the comparative period in 2016 are now restated as a loss attributable to shareholders of HK$1.2 million.

During the period under review, the overall business of the Group achieved steady progress and benefiting from the relatively buoyant conditions in the property and capital markets, the Group recorded sizable fair value gains on its investment properties and financial assets, as well as the write-back of an impairment loss on a property under development. Operating profit before depreciation and amortisation, finance costs and tax amounted to HK$718.6 million, representing an increase of 80.0% over the HK$399.3 million (as restated) recorded for the corresponding period last year.

As explained before, the Group's hotel properties, which still constitute the Group's most significant assets, are all owned and operated within the Group. Accordingly, to comply with the currently applicable accounting standards, they are classified in the Group's consolidated financial statements as property, plant and equipment and subject to depreciation charges. Total depreciation charges on the Group's hotel properties for the period amounted to HK$258.1 million, which although not having an effect on cash flow, have nonetheless impacted the Group's reported profit.

Supplementary information showing the adjusted net asset value of the Company of HK$14.89 per share as at 30th June, 2017, after adjusting for the market value of the hotel properties in Hong Kong owned through Regal group on the basis therein presented, is contained in the paragraph headed "Assets Value" in the section headed "Management Discussion and Analysis" in this Interim Report.

BUSINESS OVERVIEW

The Group comprises a total of four listed entities, with diversified business interests in properties, hotels, other investments and aircraft ownership and leasing businesses.

As at 30th June, 2017, the Group directly held a controlling shareholding interest of approximately 68.7% in Regal Hotels International Holdings Limited which, in turn, held approximately 74.6% of the outstanding units of Regal Real Estate Investment Trust, a listed subsidiary of Regal that operates as the hotel owning entity.

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

Apart from its property development and investment businesses, P&R Holdings also held as at 30th June, 2017 an effective controlling shareholding interest of approximately 77.0% in Cosmopolitan (comprising interests in its ordinary shares and convertible preference shares) and, in addition, convertible bonds of Cosmopolitan. Cosmopolitan is consequently also a listed member of the Group, which is principally focused on property development and investment in the PRC and other investment businesses.

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

Despite the hefty stamp duty on residential properties imposed in November 2016 and the progressive tightening of mortgage lending policies, the property market in Hong Kong during the period under review continued on the rise, with the aggregate value of the total recorded property transactions almost doubling that in the first half of 2016. The growing price of the primary sales continued to drive the residential market, as the units put on to the market by property developers were often oversubscribed.

After the completion of the "Domus and Casa Regalia" residential development at Tan Kwai Tsuen Road, Yuen Long and the iclub Ma Tau Wai Hotel in Kowloon in 2016, there are five property projects under development by P&R Holdings in Hong Kong. They are respectively, in the order of their scheduled completion, a shopping mall project in Ma On Shan, the commercial/residential development named "Ascent" in Sham Shui Po, a large scale luxury residential development in Kau To, Sha Tin, a hotel project awarded by the Urban Renewal Authority of Hong Kong in Tai Kok Tsui in Kowloon and another hotel development in Sheung Wan. While the shopping mall project in Ma On Shan and the "Ascent" development are scheduled to be completed within this year, the other two projects, apart from the hotel development in Sheung Wan, are anticipated for completion before the end of 2018.

As previously reported, in December 2016, P&R Holdings disposed of a 50% equity interest in the company that beneficially owns the iclub Ma Tau Wai Hotel to an independent third party based on an agreed value of HK$1,300 million for the hotel, realising part of the property value. Subsequently in May 2017, P&R Holdings entered into a letter of intent with Regal REIT for the proposed sale of the entire equity interests in the company beneficially owning the iclub Ma Tau Wai Hotel at a possible consideration of HK$1,360 million. To facilitate the contemplated transaction under the letter of intent, P&R Holdings re-acquired at the same time from the said independent third party the 50% equity interest that it sold in December 2016. The hotel licence for this 340-room hotel has since been obtained and its business operations commenced in May 2017.

On 29th June, 2017, P&R Holdings formally entered into a sale and purchase agreement with Regal REIT for the sale to Regal REIT of the entire equity interests in the group of companies that own the iclub Ma Tau Wai Hotel at a consideration of HK$1,360 million. Under the terms of the sale and purchase agreement, P&R Holdings will procure the lessee wholly owned by Regal to lease the hotel from Regal REIT for a term of 5 years with escalating fixed rentals at an average yield of 4.5% per annum. P&R Holdings has agreed with the Regal lessee that, subject to the lease agreement becoming and remaining effective, if there is any shortfall of the total cumulative income derived from the hotel below the total cumulative payments (including rent) under the lease agreement for any of the 5 years, P&R Holdings shall account for such cumulative shortfall to the lessee after the end of each year on an annual basis. This transaction was approved by the independent unitholders of Regal REIT in July 2017 and, subject to the satisfactory fulfilment of the other conditions precedent, including the approval by the independent shareholders of Regal, the sale and purchase is expected to be completed in September 2017. Detailed information relating to this transaction is contained in the joint announcement dated 29th June, 2017 published by the Company.

In the meantime, the shopping mall project in Ma On Shan is nearing completion and the occupation permit is expected to be issued in September 2017. This project is intended to be retained for rental income and the marketing works for the leasing of the units are progressing steadily.

On the other hand, the luxury residential development in Kau To is presently scheduled to be completed in 2018 and the unit sales are planned to be launched after project completion.

The Group will continue to actively participate in the government land tenders but the competition is intense, particularly with the increasing participation of the Mainland Chinese developers. The Group is exploring alternative opportunities in Hong Kong as well as, if deemed appropriate, overseas to strengthen its development property portfolio.

Further details on the development projects and properties of P&R Holdings, Regal and Cosmopolitan, as well as 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, 2017, Regal achieved an unaudited consolidated profit attributable to shareholders of HK$270.3 million, an increase of about 1.3 times over the profit of HK$119.9 million (as restated) attained for the same period in 2016.

With the gradual recovery in the tourist market of Hong Kong, the Regal group's hotel business achieved improved performance over the corresponding six months in 2016. The local stock market maintained a general uptrend during the period and the Regal group has recorded sizable fair value gains on its financial assets portfolio. Furthermore, the Regal group accounted for in the interim results under review the reimbursement from P&R Holdings the rental expenses (net of hotel operating income) with regard to the leasing of the iclub Sheung Wan Hotel for the initial 3-year term with escalating fixed rentals. Operating profit before depreciation, finance costs and tax of the Regal group for the first half of 2017 amounted to HK$726.2 million, representing an increase of approximately 37.7% above the comparative amount of HK$527.4 million in 2016. Depreciation charges for the period amounted to HK$252.7 million (2016 – HK$265.9 million), most of which were related to the Regal group's hotel properties, which although not having an impact on cash flow, have nonetheless impacted on its reported profit.

BUSINESS OVERVIEW

HOTELS

MARKET OVERVIEW

Based on the information recently released by the World Bank Group, global growth is firming and contributing to an improvement in confidence. A recovery in industrial activity has coincided with a pickup in global trade, after two years of marked weakness. Despite substantial political and policy uncertainties, global growth is projected to accelerate to 2.7 percent in 2017 and increasing further to 2.9 percent in 2018/2019. Growth in major advanced economies has strengthened and their short-term outlooks have improved. Modest recoveries should continue, with output gaps narrowing and inflation gradually converging toward central bank targets. U.S. monetary policy normalisation is expected to proceed at a measured pace and China's policy-guided gradual transition to slower but more sustainable growth continues as expected.

For the first half of 2017, the Gross Domestic Product in real terms of Hong Kong expanded by 4.0% year-on-year, doubling its 2.0% growth pace in 2016. Hong Kong's external trade grew steadily, underpinned by the generally positive global economic environment. Supported by the favourable labour market conditions and improved economic sentiment, the growth in domestic demand in Hong Kong stayed robust. However, due to a notable decrease in the value of sales of some high end and luxury commodities, the value of total retail sales is estimated to drop slightly as compared with the first half of 2016.

For the period under review, total visitors to Hong Kong amounted to approximately 27.8 million, representing an increase of 2.4% year-on-year, of which 20.9 million were visitors from Mainland China, an increase of 2.3% year-on-year. Visitors from the traditional short haul markets (excluding Mainland China) increased by 5.2% over the same period in 2016 while those from the traditional long haul markets remained stable. Of the total visitor arrivals, overnight visitors accounted for approximately 13.1 million, an increase of 5.0% when compared on a year-on-year basis.

According to the information published by the Hong Kong Tourism Board, the average hotel room occupancy level for all the surveyed hotels under different categories in Hong Kong for the half year ended 30th June increased from 84% in 2016 to 87% in 2017, while the average achieved room rate receded by 2.4%, resulting in a slight increase in the Revenue per Available Room (RevPAR) of 1.0% year-on-year.

HOTEL OWNERSHIP

As reported earlier, a wholly owned subsidiary of Regal was awarded by the Airport Authority in Hong Kong in February 2017 the development right for a new hotel project at the Hong Kong International Airport, at a consideration payable in the form of non-refundable rental payment of approximately HK$2,188.9 million.

The hotel project is situated at a site surrounded by Terminal 2 of the Hong Kong International Airport, the Asia World-Expo and SkyPier. The hotel project is also the first phase of the mega SKYCITY Project by the Airport Authority, which contains large scale retail and offices, dining and entertainment facilities.

The new project is planned for the development of a 13-storey (including one basement floor) 1,200-room hotel with extensive banquet, meeting and food and beverage facilities. The hotel is intended to be named as the Regala Skycity Hotel, which will be operated as a full service hotel targeting at commercial, airline related, leisure and meeting businesses. This new hotel is presently scheduled for opening in 2021.

The La Mola Hotel & Conference Centre, a 186-room hotel located in Barcelona, Spain was acquired by the Regal group in October 2014. The hotel is managed and operated by the Regal group and the previous franchise arrangement has recently been terminated. The Regal group is in the final stage of discussions for the leasing of the hotel to an independent third party for hotel operation.

REGAL REAL ESTATE INVESTMENT TRUST

As at 30th June, 2017, the Regal group held 74.6% of the outstanding units of Regal REIT and Regal Portfolio Management Limited, a wholly owned subsidiary of Regal, acts as the REIT Manager.

For the six months ended 30th June, 2017, Regal REIT achieved an unaudited consolidated profit before distribution to unitholders of HK$1,767.5 million, as compared to HK$328.6 million reported in the corresponding period in 2016. Based on the market valuations appraised by the principal valuer of Regal REIT as of 30th June, 2017, the fair value of Regal REIT's investment property portfolio has increased by HK$1,543.7 million over its last appraised value as of 31st December, 2016. This fair value gain has been reflected in the results of Regal REIT for the interim period, while for the comparative period last year, a fair value gain of HK$88.0 million was recorded. If these fair value changes are excluded, the core profit of Regal REIT before distributions to unitholders for the interim period would amount to HK$223.8 million, as compared to HK$240.6 million for the same period in 2016.

All the eight operating hotels owned by the Regal group, namely, the Regal Airport Hotel, the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel, the Regal Riverside Hotel, the iclub Wan Chai Hotel, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel, are held through Regal REIT. The five Regal Hotels, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel are under leases by Regal REIT to a wholly owned subsidiary of Regal. Details of the business performance of these seven hotels during the period under review are reported in the sub-section headed "Hotel Operations" below.

The iclub Wan Chai Hotel was the first hotel operating under the "iclub" brand in Hong Kong and has been self-operated by Regal REIT since 2011. During the period, it achieved an occupancy rate of 96.6% while the average achieved room rate improved by 4.9%, reflecting an increase of 4.1% in RevPAR as compared with the first half of 2016. Aggregate net property income from this property, including the lease rentals from the non-hotel portions, amounted to HK$10.6 million for the period, reflecting a modest improvement of 1.3% as compared to the same period last year.

As reported above, Regal REIT entered into a sale and purchase agreement in June 2017 to purchase from P&R Holdings the entire equity interests in a group of companies that own the iclub Ma Tau Wai Hotel in Kowloon. Subject to the satisfactory fulfilment of the conditions precedent, the proposed acquisition is expected to be completed in September 2017.

HOTEL OPERATIONS

Favour Link International Limited, a wholly owned subsidiary of Regal, is the lessee operating the seven hotels under leases from Regal REIT.

The five Regal Hotels in Hong Kong, which operate as full-service hotels, recorded a combined average occupancy of 86.0% during the period under review, up by 3.4 percentage points from 82.6% in the same period last year. Their combined average room rate over the same comparative period also increased by 2.3%, resulting in an improvement of 6.5% in the combined average RevPAR, which outperformed the industry average. Aggregate net property income for these Regal Hotels for the period amounted to HK$368.6 million, representing an increase of 8.7% over the HK$339.2 million for the same period in 2016.

The prevailing aggregate base rent for 2017 for the five Regal Hotels under the annual market rental review was HK$733.0 million. As the aggregate net property income of these five hotels for the period was above the pro-rated base rent of HK$366.5 million, variable rent of HK$1.1 million would be payable to Regal REIT.

The iclub Hotels, operating under the "iclub by Regal" brand name, is a separate line of hotels developed by the Regal group, which are typically positioned as upscale select-service hotels, with contemporary designs and stylish décors, and equipped with tech-savvy facilities.

The iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel have initial lease terms running through to 31st December, 2019, each with an option for Regal REIT to extend the lease for another five years. Under the terms of the respective leases for the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel, the first three years of the lease terms with escalating fixed annual rentals ended on 9th February, 2017 and 27th July, 2017, respectively. Thereafter, the rental packages for these two iclub Hotels will be based on annual market rental determinations. Under the market rental reviews, the pro-rated base rent for the iclub Sheung Wan Hotel for the period from 10th February, 2017 to 31st December, 2017 has been determined to be HK$36.5 million, while the pro-rated base rent for the iclub Fortress Hill Hotel for the period from 28th July, 2017 to 31st December, 2017 will be HK$17.6 million, each with variable rent to be based on 50% sharing of the excess of the net property income over the pro-rated base rent. Although the net property income derived from the operation of these two hotels for the period under review was below the rentals payable, their operating performances have shown considerable improvement, with their combined average RevPAR improving by 10.2% year-on-year.

Under the agreed arrangements with P&R Holdings, which was the vendor of the hotels, any shortfall in the income from the operation of the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel below the lease payments payable by the lessee during the first three years of the lease terms will be fully reimbursed to the lessee by P&R Holdings. The reimbursement of the shortfall by P&R Holdings to the Regal group with respect to the iclub Sheung Wan Hotel has been reflected in its interim results under review. The 3-year term for the iclub Fortress Hill Hotel also ended in July 2017 and the reimbursement will be accounted for in the financial results of the Regal group for the year ending 31st December, 2017.

HOTEL MANAGEMENT

Regal Hotels International Limited, the wholly owned management arm of the Regal group, is the hotel manager providing services to all the nine operating Regal and iclub Hotels in Hong Kong. The latest addition to the portfolio is the iclub Ma Tau Wai Hotel, which is presently owned by P&R Holdings. Soft opened in May 2017, the iclub Ma Tau Wai Hotel features 340 chic and trendy guestrooms, with tech savvy facilities including mobile key check-in feature.

The Regal group is presently also managing the La Mola Hotel & Conference Centre in Spain pending the finalisation of the proposed lease to an independent third party.

In China, the Regal group is managing nine hotels, four in Shanghai, two in Dezhou, one in Xi'an, one in Zhengzhou and one in Foshan. The 186-room iclub Yuhong Hotel in Zhengzhou, opened in February 2016, is the first hotel managed by the Regal group under the iclub by Regal branding. Four other hotels to be managed by the Regal group are in the pipeline, covering strategic locations at Chengdu, Jiangmen, Kunshan and Zhengzhou.

The Regal group believes that the continuing expansion of the hotel management businesses in China will further strengthen the recognition of the "Regal" brand and promote reciprocal businesses among the Regal group's different hotels.

PROPERTIES

Pending the completion and sale of the development projects undertaken through the P&R Holdings joint venture, the Regal group is at the same time also undertaking property development business through its wholly owned subsidiaries.

As mentioned in the 2016 Annual Report of the Company, the Regal group acquired through private treaty in March 2017 the properties located at Nos. 150-158 Queen's Road West, Hong Kong, having an aggregate site area of about 480 square metres (5,178 square feet), which are planned for a commercial/residential development. The Regal group has recently further acquired units with more than 85% of the undivided shares in the adjoining properties at 160-162 Queen's Road West, which have an aggregate site area of about 187 square metres (2,012 square feet). The two properties are intended to be consolidated for development and the combined site will have a total aggregate site area of about 667 square metres (7,190 square feet).

During the period, the Regal group completed the sale of one garden house in Regalia Bay, Stanley which was held for sale and the profit derived has been reflected in the results under review. The Regal group still retains a total of 14 garden houses in Regalia Bay and will continue to dispose of some of these houses if the price offered is considered satisfactory.

With an aim to diversifying the development property portfolio, the Regal group entered into a letter of intent with an independent third party in May 2017 in relation to possible cooperation on a composite property development project in New York comprising hotel, residential condominiums, retail and entertainment mall. However, as the due diligence review has not been completed to the satisfaction of the Regal group, the letter of intent had lapsed in July 2017 and the refundable deposit paid under the letter of intent returned to the Regal group. The Regal group will continue to closely monitor the latest development of this potential project as well as other appropriate opportunities that may become available.

OTHER INVESTMENTS

The Regal group maintains a sizable investment portfolio comprising listed securities, investment funds, bonds as well as treasury and yield enhancement products. The Hang Seng Index moved up by 17.1% in the first half of 2017 and benefiting from this upward trend, the Regal group has recorded sizable fair value gains on its financial assets portfolio.

As at 30th June, 2017, the Regal group owned a fleet of 12 aircraft (including 1 aircraft which is 85%-owned), of which 3 aircraft were on operating lease, 6 aircraft on finance lease and 3 aircraft pending re-lease or disposal. To replenish the aircraft fleet, the Regal group is progressing on a letter of intent signed in July 2017 for the acquisition of a mid-life Airbus 319 model aircraft with an operating lease attached.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2017, Cosmopolitan attained an unaudited consolidated profit attributable to shareholders of HK$35.2 million, as compared to HK$13.1 million (as restated) for the corresponding half year in 2016.

The profit achieved by Cosmopolitan for the current period under review was mainly attributable to the fair value gains on its financial assets and the write-back of the impairment loss on its property under development in Chengdu, China.

The restatement of the profit of Cosmopolitan for the six months ended 30th June, 2016, previously stated at HK$40.3 million, was related to the adjustment to the gain on bargain purchase recognised on the acquisition of the 60% equity interest in a logistics business in Shanghai, the PRC in May 2016, after the provisional fair value estimations made at the time of the acquisition were finally determined. The adjustment has subsequently been reflected in the audited financial statements of the Cosmopolitan group presented for the financial year ended 31st December, 2016 and, as reported below, the Cosmopolitan group has recently resold the equity interest held in the logistics business back to the original business owner in June 2017.

BUSINESS OVERVIEW

The economy in China grew steadily in the early part of this year while the domestic rebalancing from investment to consumption continued. The growth in its GDP for the whole year of 2017 is projected to slightly moderate from the 6.7% recorded for 2016. With the continuing promulgation of different administrative and fiscal policies by the government authorities to regulate market activities, the housing market in the primary cities in China is undergoing corrections but due to the spill-over effects, the housing market in some of the other cities remained strong. The property market in China as a whole is expected to further consolidate, which is considered to be beneficial to its healthy development in the long term.

The two major development projects of the Cosmopolitan group in China, namely, the Regal Renaissance in Tianjin and the Regal Cosmopolitan City in Chengdu, are making steady progress. Up to date, total contracted unit sales in Regal Renaissance in Tianjin aggregated to approximately RMB1,546 million (HK$1,813 million), of which RMB1,418 million (HK$1,663 million) relates to the sale of the units in the residential towers. While for Regal Cosmopolitan City, total contracted sales in respect of the residential units marketed amounted to approximately RMB767 million (HK$900 million). Based on the present construction schedules, the residential towers under construction in these two development projects are expected to be completed and the sold units would be handed over to the purchasers before the end of this year.

With an aim to diversifying its business portfolio, the Cosmopolitan group acquired in May 2016 the 60% effective interest in a logistics group in Shanghai. Having operated the logistics business for a period of about one year and after undertaking a review of all relevant circumstances including, in particular, the performance and development progress of the logistics group and the difference in the management style of the joint venture parties, the Cosmopolitan group has agreed, after amicable negotiations with the original business owner, to accept his proposal to buy back the Cosmopolitan group's interest in the logistics group, which transaction was recently completed in June 2017.

In another effort to pursue its diversification objective, the Cosmopolitan group entered into a non-binding term sheet in early June 2017 in relation to a possible investment in a company that specialises in the development and production of entertainment content, although the business discussions did not lead to a fruitful conclusion.

While property development and investment in China will continue to constitute the Cosmopolitan group's core businesses activities, it will also continue to seek alternative investment opportunities that can diversify and broaden its business portfolio and income base.

OUTLOOK

REGAL GROUP

Looking ahead, the global economy is on course for further moderate expansion, although the heightened geopolitical tensions in various regions and increasing political and policy uncertainties are posing potential downside risks. In Hong Kong, domestic demand should remain strong and the Hong Kong Government has recently revised upwards the real GDP growth forecast for 2017 as a whole to 3-4%, taking into account the stronger-than-expected economic growth attained in the first half of the year.

The Regal group believes in the resilience of the local economy and is confident in the healthy growth of the local hotel industry as well as the overall prospects of Hong Kong. The undertaking of the new hotel project at the Hong Kong International Airport is a solid testament to its commitment to maintaining the position of the Regal group (including Regal REIT) as a pre-eminent hotel group with a strong market presence in Hong Kong.

The Regal group issued in April 2017 a new series of US$225,000,000 6.50 per cent. guaranteed senior perpetual securities. The successful launch of this new series of perpetual securities clearly endorses the confidence of the general and corporate investors in the financial strength of the Regal group.

The Regal group has a solid asset base with strong liquidity and is well poised for further growth.

COSMOPOLITAN GROUP

Barring any unforeseen circumstances, the substantial profits to be derived from the contracted sales of the residential units in the Cosmopolitan group's development projects in Tianjin and Chengdu will be accounted for in the financial results of the Cosmopolitan group for the current financial year 2017. Consequently, it can be expected that the results of the Cosmopolitan group for the financial year ending 31st December, 2017 will be significantly better than that in the preceding year.

Given the satisfactory market response for the residential units in the Chengdu project, the Cosmopolitan group is already embarking on the development of the remaining ten residential towers in the third stage of the project. When the remaining components of its ongoing development projects in China are progressively completed and sold, they will contribute to the Cosmopolitan group substantial profits and cash flow and provide forceful momentum for its further growth and prosperity in the years ahead.

PALIBURG GROUP

Hong Kong is still in a period of negative real interest rate and so long as the low interest rate environment persists, the demand for different types of properties will remain strong. Although the supply of new developments will increase, it is not likely that the new supply will overtake the latent demand in the short term and any adjustment to the property prices is anticipated to be moderate.

The Group has a balanced asset base, well distributed among hotels, properties and other investments. While the hotels are generating steady revenues, all the property projects undertaken within the Group are scheduled to be completed progressively from this financial year onwards and are expected to contribute very significant revenues and profits to the Group in the coming few years.

LO YUK SUI
Chairman

Hong Kong
24th August, 2017

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"), the 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 People's Republic of China (the "PRC"), investment in financial assets, logistics operation (disposed of in June 2017) and other investments.

The performance of the Group's property, construction and building related and other investment businesses, and the principal businesses of RHIHL and 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 provided by the Company and RHIHL on a pro-rata basis in accordance with their respective shareholdings in P&R Holdings. P&R Holdings is effectively a subsidiary of the Company and its business scope encompasses 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 in Hong Kong is set out below:

Apart from the Shun Ning Road development project in Sham Shui Po, Kowloon and the Anchor Street/Fuk Tsun Street development project in Tai Kok Tsui, Kowloon, both of which are being undertaken pursuant to the development contracts awarded by the Urban Renewal Authority of Hong Kong, all of the other ongoing development projects and properties are presently wholly owned by P&R Holdings group.

Domus and Casa Regalia at Nos.65-89 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 provides 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 occupation permit for the project was issued in November 2015 and the certificate of compliance was obtained in April 2016.

With the exception of 1 unit, all the other 133 units in the apartment block, named Domus, had been sold in 2015. The sale programme for the garden houses, named Casa Regalia, which constitute the main component of the development, was first launched in May 2016 and, up to date, 13 houses have been contracted to be sold. While the remaining houses are presently planned to be disposed of on a gradual basis, some of them may in the meantime be retained for rental income.

iclub Ma Tau Wai Hotel, No.8 Ha Heung Road (formerly known as 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 has been developed into a 22-storey hotel (including 1 basement floor) with 340 guest rooms, 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 occupation permit of the hotel was issued in November 2016. The hotel licence for the hotel has since been issued and business operations commenced in May 2017.

P&R Holdings has re-consolidated a 100% interest in the project in May 2017 and, subsequently in June 2017, entered into agreement with Regal REIT for the sale to Regal REIT the entire equity interests in the group of companies that own the iclub Ma Tau Wai Hotel at a consideration of HK$1,360 million.

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 being developed into a shopping mall with 5 storeys above ground level and 2 storeys of basement floors. The occupation permit for the project is expected to be issued in September 2017. This property project is intended to be retained for rental income and the marketing works for the leasing of the units are progressing steadily.

The Ascent at No.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 being developed into a 28-storey commercial/residential building (including 1 basement floor) with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement carpark. The superstructure works are in progress and the development is scheduled to be completed before the end of 2017. The presale of the residential units in this development was launched in July 2016 and, up to date, 155 of the total 157 residential units have been contracted to be sold.

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 being developed into a luxurious residential development comprising 7 mid-rise apartment blocks with about 136 units, 24 detached garden houses and 197 carparking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The superstructure works are in progress. The completion of this development is presently scheduled for 2018 and the unit sales are planned to be launched after project completion.

iclub Mong Kok Hotel at 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, which has a site area of 725.5 square metres (7,809 square feet). The project has total permissible gross floor area of approximately 6,529 square metres (70,278 square feet) and covered floor area of approximately 9,355 square metres (100,697 square feet) and is being developed into a 20-storey hotel building comprising about 288 guest rooms, with ancillary accommodation. The superstructure works have commenced and the development project is presently anticipated to be completed in 2018.

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 guest rooms 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). After extensive periods of delay to resolve the technical difficulties encountered, the foundation works have now been completed. The superstructure works are scheduled to be commenced in the third quarter of 2017.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

RHIHL is a listed subsidiary of the Company. Further information relating to the property projects undertaken and principal properties owned by the RHIHL group in Hong Kong, all of which are wholly owned by RHIHL, is set out below:

New hotel project to be named as "Regala Skycity Hotel" at the Hong Kong International Airport

A wholly owned subsidiary of RHIHL was awarded by the Airport Authority in Hong Kong in February 2017 the development right for a new hotel project at the Hong Kong International Airport, at a consideration payable in the form of non-refundable rental payment of approximately HK$2,188.9 million.

The hotel project has a site area of approximately 6,650 square metres (71,580 square feet) and permissible gross floor area of 33,700 square metres (362,750 square feet) and is situated at a site surrounded by Terminal 2 of the Hong Kong International Airport, the Asia World-Expo and SkyPier. The hotel project is also the first phase of the mega SKYCITY Project by the Airport Authority, which contains large scale retail and offices, dining and entertainment facilities.

The new project is planned for the development of a 13-storey (including one basement floor) 1,200-room hotel with extensive banquet, meeting and food and beverage facilities. The hotel is intended to be named as the Regala Skycity Hotel, which will be operated as a full service hotel targeting at commercial, airline related, leisure and meeting businesses. General building plans for this development has recently been approved and the new hotel is presently scheduled for opening in 2021.

Nos. 150-158 and 160-162 Queen's Road West, Hong Kong

The properties located at Nos. 150-158 Queen's Road West, Hong Kong were acquired through private treaty in March 2017, which have an aggregate site area of about 480 square metres (5,178 square feet) and are planned for a commercial/residential development. The RHIHL group has recently further acquired units with more than 85% of the undivided shares in the adjoining properties at 160-162 Queen's Road West, which have an aggregate site area of about 187 square metres (2,012 square feet). The two properties are intended to be consolidated for development and the combined site will have a total aggregate site area of about 667 square metres (7,190 square feet).

Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong

During the period, the RHIHL group completed the sale of one garden house in Regalia Bay, Stanley which was held for sale. A total of 14 garden houses in Regalia Bay with a total gross area of about 6,320 square metres (68,000 square feet) are still being retained, 8 of which are held as investment properties, 3 held for sale and 3 as property, plant and equipment. The RHIHL group will continue to dispose of some of these houses if the price offered is considered satisfactory.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Cosmopolitan is a listed subsidiary of P&R Holdings. Further information relating to the property projects of the Cosmopolitan group in the PRC, all of which are wholly owned, and its 60% owned logistics business in the PRC (disposed of in June 2017) is set out below:

Property Development

Chengdu Project - Regal Cosmopolitan City

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, serviced apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres (5,350,000 square feet). To cope with the changing market conditions, the business profile of the 311-room hotel has been revised and the corresponding interior design works are in progress. The hotel is scheduled to open in phases from 2018. The construction works of the nine residential towers in the first and second stages have progressed steadily and are expected to be completed in the latter part of 2017. Presales of the residential units commenced in April 2016 and response has been favourable. Up to date, a total of 1,205 residential units have been contracted to be sold, securing aggregate sales proceeds of approximately RMB767 million (equivalent to approximately HK$900 million). The planning approval of the remaining ten residential towers in the third stage of the development has been obtained and construction works are expected to commence by end of 2017, with units presale scheduled to commence in the latter part of 2018. The other components within the development, comprising commercial and office space and serviced apartments, will continue to be developed in stages.

Tianjin Project - Regal Renaissance

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres (341,000 square feet), 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 (1,561,000 square feet). The superstructure works of the four residential towers and the commercial complex have been completed. Unit presales of the remaining residential tower have been launched since the 4th quarter of 2016. Up to date, 464 of the total 512 residential units comprised within the four residential towers have been sold, realising contracted sales of approximately RMB1,418 million (equivalent to approximately HK$1,663 million). The presale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), and 530 residential car parking spaces commenced in August 2016, and there have been contracted sales of approximately RMB128 million (equivalent to approximately HK$150 million). Under the present construction programme, the residential towers, the commercial complex and the residential car parking spaces are scheduled to be completed before the end of 2017. The superstructure works of the two office towers are temporarily suspended due to tightened government planning and environmental controls. The Cosmopolitan group is conducting negotiations with the local government to resume the construction works as soon as possible.

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 real estate development after the requisite inspection, land grant listing and tender procedures are completed.

The Cosmopolitan group has completed the site survey on the parcels of land within the project site which have been illegally occupied by trespassers and has commenced communications with the relevant government authority to initiate appropriate measures to settle the land disputes. Based on the legal advice obtained, the legitimate interests of the Cosmopolitan group in this re-forestation and land grant contract remain valid and effective. The Cosmopolitan group is planning to have the required remedial re-forestation works carried out as soon as practicable, such that the inspection and measurement of the reforested area by the relevant government authorities can be resumed and the final procedures leading to the land grant listing and tender of the development land may be concluded.

Logistics Business

Shanghai Logistics Project

As mentioned in the 2016 Annual Report, the Cosmopolitan group entered into a framework agreement in January 2016 to acquire 60% effective interests in a group of companies (the "Logistics Group") operating logistics and related business in the PRC and the remaining 40% interests in the Logistics Group was held by an affiliate of the seller (the "JV Partner"). The acquisition was completed in May 2016 and as consideration therefor, the Cosmopolitan group issued convertible bonds in the aggregate principal amount of HK$57.05 million.

Having operated the logistics business for a period of about one year and after undertaking a review of all relevant circumstances including, in particular, the performance and development progress of the Logistics Group and the difference in the management style of the joint venture parties, the Cosmopolitan group has agreed, after amicable negotiations with the JV Partner, to accept his proposal to buy back the Cosmopolitan group's interest in the Logistics Group.

Accordingly, on 30th June, 2017, the Cosmopolitan group entered into a deed of arrangement with the JV Partner for the disposal of its entire interests in the Logistics Group for an aggregate consideration of HK$71.0 million, details of which were disclosed in the circular of Cosmopolitan dated 18th August, 2017. The Cosmopolitan group received HK$45.6 million in cash upon completion of the disposal on 30th June, 2017. The balance of the consideration in the sum of HK$25.4 million is receivable by the Cosmopolitan group on or before 31st December, 2017. The Cosmopolitan group has ceased to have any interest in the Logistics Group after completion of the related transactions and the terms of the aforesaid convertible bonds remain unchanged.

HANG FOK PROPERTIES LIMITED

Hang Fok Properties Limited ("Hang Fok") is an entity that is 50% beneficially owned by each of the Group and the RHIHL 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. As also reported before, in the process of the legal actions taken, Hang Fok has recovered in February 2016 about RMB195 million (equivalent to approximately HK$228.4 million) from the joint venture project company, as repayment of certain of the shareholder's loans owing to Hang Fok, plus accrued contractual interest thereon. As at 31st December, 2016, the interest held by the Group in the project was carried in the consolidated financial statements at an insignificant amount. In March 2017, Hang Fok further recovered an additional amount of about RMB34 million (equivalent to approximately HK$37.8 million) from the joint venture project company, which principally represents late payment interest as required by the relevant court rules in the PRC. The Group will continue to exercise strenuous efforts with a view to salvaging the value of the Group's interest in this investment.

CONSTRUCTION AND BUILDING RELATED BUSINESSES

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 (now operating as the iclub Sheung Wan Hotel), Merlin Street, Fortress Hill (now operating as the iclub Fortress Hill Hotel) and Ha Heung Road, To Kwa Wan (now operating as the iclub Ma Tau Wai Hotel), which were completed in January 2014, May 2014 and November 2016, respectively, as well as the residential project at Tan Kwai Tsuen Road, Yuen Long which was completed in November 2015. Chatwin is presently undertaking the main contract works at Anchor Street/Fuk Tsun Street, Tai Kok Tsui, which were also awarded to Chatwin through competitive tender process. Due to the increasing number of projects undertaken by the Group as a whole, the Group's development consultancy division, which provides professional services on architectural, engineering and interior design aspects, is likewise 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. Benefiting from the relatively buoyant conditions in the capital market, the Group recorded sizable fair value gains on its financial assets during the period.

FINANCIAL REVIEW

ASSETS VALUE

Apart from the iclub Ma Tau Wai Hotel which is presently owned by P&R Holdings, all the other hotel properties of the Group in Hong Kong are owned by Regal REIT and, with the exception of the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel, were stated in the financial statements at their fair values as at 7th May, 2012 when RHIHL, together with Regal REIT, became subsidiaries of the Group, plus subsequent capital additions and deducting accumulated depreciation. The market valuations of these hotel properties have since appreciated substantially but have not been reflected in the Group's financial statements. Moreover, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel were stated in the Group's financial statements at cost after full elimination of the unrealised gain arising from the disposal of the hotels by P&R Holdings to Regal REIT in 2014, and are also subject to depreciation. For the purpose of providing supplementary information, if the entire hotel property portfolio of the RHIHL group in Hong Kong is restated in the condensed consolidated financial statements at its market value as at 30th June, 2017, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK$14.89 per share, as follows:

	As at 30th June, 2017	
	HK$'million	**HK$ per ordinary share**
Book net assets attributable to equity holders of the parent	**13,346.9**	**11.97**
Adjustment to restate the RHIHL group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	**3,258.4**	**2.92**
Unaudited adjusted net assets attributable to equity holders of the parent	**16,605.3**	**14.89**

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 and proceeds from the presale of the units. Project financing may be arranged in local currency 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 are 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 dollar or Hong Kong dollar 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$381.9 million (2016 – HK$1,123.0 million). Net interest payment for the period amounted to HK$124.8 million (2016 – HK$69.6 million).

Borrowings and Gearing

As at 30th June, 2017, the Group had cash and bank balances and deposits of HK$4,757.3 million (31st December, 2016 – HK$5,192.5 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK$12,604.9 million (31st December, 2016 – HK$11,271.6 million).

As at 30th June, 2017, the gearing ratio of the Group was 28.2% (31st December, 2016 – 27.2%), representing the Group's borrowings net of cash and bank balances and deposits of HK$12,604.9 million (31st December, 2016 – HK$11,271.6 million), as compared to the total assets of the Group of HK$44,708.5 million (31st December, 2016 – HK$41,515.0 million).

On the basis of the adjusted total assets as at 30th June, 2017 of HK$50,864.6 million (31st December, 2016 – HK$45,817.0 million) with the hotel portfolio owned by the RHIHL group in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 24.8% (31st December, 2016 – 24.6%).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2017 are shown in notes 11, 12 and 13 to the condensed consolidated financial statements.

Pledge of Assets

As at 30th June, 2017, 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, derivative financial instruments, held-to-maturity investments, time deposits and bank balances in the total amount of HK$21,861.1 million (31st December, 2016 – HK$20,405.4 million) were pledged to secure general banking facilities granted to the Group as well as 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, 2017, certain ordinary shares in a listed subsidiary with a market value of HK$598.0 million (31st December, 2016 – HK$370.7 million) were also pledged to secure general banking facilities granted to the Group.

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2017 are shown in note 21 to the condensed consolidated financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2017 are shown in note 19 to the condensed consolidated financial statements.

Share Capital

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

DIVIDEND

The Directors have declared the payment of an interim dividend of HK2.5 cents (2016 – HK2.3 cents) per ordinary share for the financial year ending 31st December, 2017, absorbing an amount of approximately HK$27.9 million (2016 – HK$25.6 million) and will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 11th October, 2017.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Monday, 9th October, 2017 to Wednesday, 11th October, 2017, 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 Friday, 6th October, 2017. The relevant dividend warrants are expected to be despatched on or about 24th October, 2017.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

Disposal of Logistics Group

On 30th June, 2017, the Cosmopolitan group entered into a deed of arrangement with the JV Partner for the disposal of its 60% effective interests in the Logistics Group for an aggregate consideration of HK$71.0 million (the "Disposal"). The Disposal was completed on 30th June, 2017 and the companies under the Logistics Group then ceased to be subsidiaries of the Group. Further details relating to the Disposal are mentioned under the section headed "Business Overview" in the preceding Chairman's Statement, the sub-section headed "Business Review" in this section and note 15 to the condensed consolidated financial statements.

Acquisition of 50% interest in Prosper Harvest Investments Limited by P&R Holdings Limited

On 23rd May, 2017, a sale and purchase agreement ("S&P Agreement 1") was entered into between Dragon Pier Investments Limited as the seller and P&R Holdings as the purchaser, relating to the acquisition of the other 50% equity interest in Prosper Harvest Investments Limited ("Prosper Harvest"), in which P&R Holdings held 50% equity interest, held by the seller at a consideration of HK$165.7 million (the "Acquisition"). Upon completion of the Acquisition, Prosper Harvest became a wholly owned subsidiary of P&R Holdings. The principal asset of Prosper Harvest is its interest in the iclub Ma Tau Wai Hotel which is located at No. 8 Ha Heung Road, To Kwa Wan, Kowloon (the "Hotel") held through its wholly owned subsidiaries. The Hotel has commenced operation under the "iclub by Regal (富薈酒店)" brand and is in soft-opening phase.

The consideration of HK$165.7 million was determined after taking into account the value of the Hotel with reference to its location and specifications and the market conditions regarding the hotel and tourism industry in Hong Kong, the shareholder loan (the "Shareholder Loan") owing by Prosper Harvest to P&R Holdings on date of completion of the S&P Agreement 1, and the terms of the possible transactions under the Letter of Intent (as referred to below).

Further details relating to the S&P Agreement 1 and the Letter of Intent were disclosed in the joint announcement of the Company dated 23rd May, 2017.

Disposal of 100% interest in Prosper Harvest Investments Limited by P&R Holdings Limited to Regal Real Estate Investment Trust

On 23rd May, 2017, P&R Holdings and Regal Portfolio Management Limited (in its capacity as manager of Regal REIT) executed a letter of intent (the "Letter of Intent") setting out the principal terms of the possible disposal of the entire share capital of Prosper Harvest and the Shareholder Loan by P&R Holdings to Regal REIT or its designated wholly owned subsidiary.

On 29th June, 2017, a sale and purchase agreement ("S&P Agreement 2") was entered into between P&R Holdings as vendor and DB Trustee (Hong Kong) Limited (in its capacity as trustee of Regal REIT) (the "Purchaser"), in relation to (i) the disposal of the entire issued share capital of Prosper Harvest; and (ii) the assignment of the Shareholder Loan to the Purchaser, for a consideration of HK$1,360 million (the "Transaction"). The consideration was determined after arm's length negotiation between the parties taking into account, among others, the valuation of the Hotel of HK$1,400 million as of 23rd June, 2017 as appraised by an independent property valuer, the Shareholder Loan and that the Prosper Harvest group shall not have any liabilities other than the Shareholder Loan at completion of the S&P Agreement 2, and the previous transactions under the Acquisition.

The Transaction under the S&P Agreement 2 was subject to the approval of the independent shareholders of RHIHL and that of the unitholders of Regal REIT. The S&P Agreement 2 was approved by the independent unitholders of Regal REIT at an extraordinary general meeting held on 20th July, 2017. A special general meeting of RHIHL will be held on 28th August, 2017 to seek its independent shareholders' approval for the S&P Agreement 2. After completion of the S&P Agreement 2, Prosper Harvest will continue to be a subsidiary of the Company, but held through the RHIHL group instead.

Further details relating to the S&P Agreement 2 were disclosed in the joint announcement of the Company dated 30th June, 2017.

Save as disclosed above, during the period under review, there were no other material acquisitions or disposals of subsidiaries or associates of the Company.

STAFF AND REMUNERATION POLICY

The Group employs approximately 2,220 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

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

Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 30th June, 2017 (Unaudited) HK$'million	Six months ended 30th June, 2016 (Unaudited and restated) HK$'million
REVENUE	2, 3	**1,414.8**	1,502.0
Cost of sales		**(896.9)**	(964.2)
Gross profit		**517.9**	537.8
Other income and gains, net	3	**82.5**	13.5
Fair value gains on investment properties, net		**202.4**	80.3
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		**62.8**	(27.0)
Gain on bargain purchase		**–**	3.1
Impairment loss on properties held for sale		**–**	(7.9)
Write-back of impairment loss on property under development		**53.0**	–
Property selling and marketing expenses		**(21.9)**	(30.8)
Administrative expenses		**(178.1)**	(169.7)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION		**718.6**	399.3
Depreciation and amortisation		**(300.1)**	(302.0)
OPERATING PROFIT	2, 4	**418.5**	97.3
Finance costs	5	**(155.3)**	(120.5)
Share of profits and losses of associates		**(9.7)**	(2.9)
PROFIT/(LOSS) BEFORE TAX		**253.5**	(26.1)
Income tax	6	**(35.9)**	20.1
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		**217.6**	(6.0)
Attributable to:			
Equity holders of the parent		**159.1**	(1.2)
Non-controlling interests		**58.5**	(4.8)
		217.6	(6.0)
EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		**HK14.28 cents**	HK(0.11) cent

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2017 (Unaudited)	Six months ended 30th June, 2016 (Unaudited and restated)
	HK$'million	**HK$'million**
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**217.6**	(6.0)
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	**12.2**	(1.8)
Exchange differences on translating foreign operations	**91.1**	(23.9)
Reclassification adjustment on disposal of foreign operations	**1.6**	–
Other comprehensive income/(loss) for the period	**104.9**	(25.7)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**322.5**	(31.7)
Attributable to:		
Equity holders of the parent	**231.2**	(19.4)
Non-controlling interests	**91.3**	(12.3)
	322.5	(31.7)

Condensed Consolidated Statement of Financial Position

	Note	30th June, 2017 (Unaudited) HK$'million	31st December, 2016 (Audited) HK$'million
NON-CURRENT ASSETS			
Property, plant and equipment		**22,711.6**	19,429.0
Investment properties		**2,790.3**	2,395.3
Properties under development		**2,039.1**	1,293.0
Investment in a joint venture		**–**	1,150.7
Investments in associates		**35.1**	31.8
Available-for-sale investments		**337.7**	278.1
Financial asset at fair value through profit or loss		**1.9**	1.9
Contingent consideration receivable		**–**	10.3
Loans receivable		**116.9**	93.4
Finance lease receivables		**19.0**	36.8
Deposits and prepayments		**77.9**	73.7
Deferred tax assets		**81.3**	94.0
Other asset		**–**	5.0
Goodwill		**261.0**	261.0
Trademark		**610.2**	610.2
Other intangible assets		**–**	97.1
Total non-current assets		**29,082.0**	25,861.3
CURRENT ASSETS			
Properties under development		**7,083.9**	6,465.5
Properties held for sale		**1,036.2**	1,268.5
Inventories		**72.7**	64.8
Aircraft components held for sale		**29.4**	–
Loans receivable		**4.5**	3.7
Finance lease receivables		**35.5**	36.3
Debtors, deposits and prepayments	9	**744.2**	1,261.7
Held-to-maturity investments		**712.9**	466.7
Financial assets at fair value through profit or loss		**1,145.1**	881.0
Derivative financial instruments		**4.8**	12.8
Tax recoverable		**–**	0.2
Restricted cash		**202.5**	438.5
Pledged time deposits and bank balances		**101.4**	265.1
Time deposits		**2,718.1**	2,682.0
Cash and bank balances		**1,735.3**	1,806.9
Total current assets		**15,626.5**	15,653.7

	Notes	30th June, 2017 (Unaudited) HK$'million	31st December, 2016 (Audited) HK$'million
CURRENT LIABILITIES			
Creditors and accruals	10	**(741.7)**	(847.3)
Deposits received		**(2,968.0)**	(2,253.4)
Interest bearing bank borrowings	11	**(1,696.1)**	(992.8)
Other borrowings	12	**(4,220.1)**	(2,258.5)
Derivative financial instruments		**–**	(5.7)
Tax payable		**(137.2)**	(145.5)
Total current liabilities		**(9,763.1)**	(6,503.2)
NET CURRENT ASSETS		**5,863.4**	9,150.5
TOTAL ASSETS LESS CURRENT LIABILITIES		**34,945.4**	35,011.8
NON-CURRENT LIABILITIES			
Creditors and deposits received		**(78.9)**	(114.5)
Interest bearing bank borrowings	11	**(8,692.6)**	(8,560.4)
Other borrowings	12	**(2,708.6)**	(4,621.3)
Convertible bonds	13	**(44.8)**	(31.1)
Deferred tax liabilities		**(2,122.5)**	(2,169.9)
Total non-current liabilities		**(13,647.4)**	(15,497.2)
Net assets		**21,298.0**	19,514.6
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**111.4**	111.4
Reserves		**13,235.5**	13,002.1
		13,346.9	13,113.5
Perpetual securities		**1,732.9**	–
Non-controlling interests		**6,218.2**	6,401.1
Total equity		**21,298.0**	19,514.6

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2017

	Attributable to equity holders of the parent												
	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital reserve (Unaudited)	Special reserve (Unaudited)	Available-for-sale investment revaluation reserve (Unaudited)	Equity component of convertible bonds of a listed subsidiary (Unaudited)	Exchange equalisation reserve (Unaudited)	Retained profits (Unaudited)	Total (Unaudited)	Perpetual securities (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
At 1st January, 2017	111.4	1,356.1	4.3	1,970.5	689.6	48.9	21.5	(189.6)	9,100.8	13,113.5	–	6,401.1	19,514.6
Profit for the period	–	–	–	–	–	–	–	–	159.1	159.1	–	58.5	217.6
Other comprehensive income for the period:													
Changes in fair value of available-for-sale investments	–	–	–	–	–	8.5	–	–	–	8.5	–	3.7	12.2
Exchange differences on translating foreign operations	–	–	–	–	–	–	–	62.5	–	62.5	–	28.6	91.1
Reclassification adjustment on disposal of foreign operations	–	–	–	–	–	–	–	1.1	–	1.1	–	0.5	1.6
Total comprehensive income for the period	–	–	–	–	–	8.5	–	63.6	159.1	231.2	–	91.3	322.5
Acquisition/Deemed acquisition of non-controlling interests in a listed subsidiary	–	–	–	76.9	–	–	–	–	–	76.9	–	(150.6)	(73.7)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(31.0)	(31.0)
Issue of perpetual securities by a listed subsidiary	–	–	–	–	–	–	–	–	–	–	1,732.9	–	1,732.9
Final 2016 dividend declared	–	–	–	–	–	–	–	–	(74.7)	(74.7)	–	(92.6)	(167.3)
At 30th June, 2017	111.4	1,356.1	4.3	2,047.4	689.6	57.4	21.5	(126.0)	9,185.2	13,346.9	1,732.9	6,218.2	21,298.0

		Attributable to equity holders of the parent											
	Note	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital reserve (Unaudited)	Special reserve (Unaudited)	Available-for-sale investment revaluation reserve (Unaudited)	Equity component of convertible bonds of a listed subsidiary (Unaudited and restated)	Exchange equalisation reserve (Unaudited)	Retained profits (Unaudited and restated)	Total (Unaudited and restated)	Non-controlling interests (Unaudited and restated)	Total equity (Unaudited and restated)
		HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
At 1st January, 2016		111.4	1,356.1	4.3	1,910.6	689.6	51.4	–	(77.5)	8,984.1	13,030.0	6,821.2	19,851.2
Loss for the period		–	–	–	–	–	–	–	–	(1.2)	(1.2)	(4.8)	(6.0)
Other comprehensive loss for the period:													
Changes in fair value of available-for-sale investments		–	–	–	–	–	(1.1)	–	–	–	(1.1)	(0.7)	(1.8)
Exchange differences on translating foreign operations		–	–	–	–	–	–	–	(17.1)	–	(17.1)	(6.8)	(23.9)
Total comprehensive loss for the period		–	–	–	–	–	(1.1)	–	(17.1)	(1.2)	(19.4)	(12.3)	(31.7)
Acquisition of non-controlling interests in listed subsidiaries		–	–	–	(27.6)	–	–	–	–	–	(27.6)	(134.0)	(161.6)
Acquisition of subsidiaries	14	–	–	–	–	–	–	21.5	–	–	21.5	44.9	66.4
Final 2015 dividend declared		–	–	–	–	–	–	–	–	(74.7)	(74.7)	(93.7)	(168.4)
At 30th June, 2016		111.4	1,356.1	4.3	1,883.0	689.6	50.3	21.5	(94.6)	8,908.2	12,929.8	6,626.1	19,555.9

Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 30th June, 2017 (Unaudited)	Six months ended 30th June, 2016 (Unaudited)
		HK$'million	**HK$'million**
Net cash flows from operating activities		**381.9**	1,123.0
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	14	**–**	0.7
Disposal of subsidiaries		**40.3**	–
Purchases of available-for-sale investments		**(51.9)**	(80.3)
Purchases of held-to-maturity investments		**(1,011.8)**	(276.7)
Proceeds from redemption of held-to-maturity investments		**765.6**	278.0
Decrease/(Increase) in loans receivable		**(24.3)**	0.2
Additions to investment properties		**(147.8)**	(74.5)
Purchases of items of property, plant and equipment		**(2,406.0)**	(78.4)
Deposits paid for purchases of items of property, plant and equipment		**–**	(1.6)
Deposit received from disposal of items of property, plant and equipment		**7.8**	–
Proceeds from disposal of items of property, plant and equipment		**26.8**	0.8
Recovery of deposit paid for acquisition of a subsidiary		**–**	14.4
Advances to associates		**(13.1)**	(11.4)
Interest received		**73.5**	98.5
Dividend received from unlisted investment		**3.8**	0.3
Decrease in pledged time deposits and bank balances		**163.7**	110.4
Increase in restricted cash		**(7.8)**	(8.5)
Net cash flows used in investing activities		**(2,581.2)**	(28.1)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of new bank loans		**1,571.8**	530.0
Repayment of bank loans		**(750.1)**	(402.5)
Interest paid		**(221.4)**	(175.7)
Payment of loan and other costs		**(16.1)**	(11.4)
Dividends paid		**(74.3)**	(74.5)
Dividends paid to non-controlling shareholders		**(92.3)**	(93.3)
Acquisition of non-controlling interests in listed subsidiaries		**(0.5)**	(161.6)
Repurchase and cancellation of ordinary shares by a listed subsidiary		**(73.2)**	–
Proceeds from issue of perpetual securities by a listed subsidiary		**1,737.5**	–
Net cash flows from/(used in) financing activities		**2,081.4**	(389.0)

	Six months ended 30th June, 2017 (Unaudited)	Six months ended 30th June, 2016 (Unaudited)
	HK$'million	HK$'million
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(117.9)**	705.9
Cash and cash equivalents at beginning of period	**4,488.9**	1,976.2
Effect of foreign exchange rate changes, net	**82.4**	(9.9)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**4,453.4**	2,672.2
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,735.3**	1,468.4
Non-pledged time deposits with original maturity of less than three months when acquired	**2,718.1**	1,203.8
	4,453.4	2,672.2

1. Accounting Policies, Restatement and Comparative Amounts

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, 2016, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2017.

Amendments to HKFRS 12 included in *Annual Improvements 2014-2016 Cycle*	*Clarification of the scope of the Standard*
Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*

The adoption of these revised HKFRSs has had no significant financial effect on the Group's condensed consolidated financial statements.

Restatement and Comparative Amounts

On 31st May, 2016, Cosmopolitan International Holdings Limited ("Cosmopolitan") and its subsidiaries (the "Cosmopolitan Group") acquired from independent third parties a 60% effective equity interest in 上海禾允投資咨詢有限公司 and its wholly owned subsidiary (the "SH Logistics Group"). The fair values of the considerations transferred and identifiable net assets acquired recognised in the Group's condensed consolidated financial statements for the six months ended 30th June, 2016 were provisional amounts. The fair value estimation was finalised in the Group's consolidated financial statements for the year ended 31st December, 2016. As a result, certain comparative amounts in the Group's condensed consolidated financial statements for the six months ended 30th June, 2017 were restated to reflect the adjustments to the provisional amounts in accordance with HKFRS 3 (Revised) *Business Combinations*.

The effects of the above change are summarised below:

	As previously reported HK$'million	Decrease HK$'million	As restated HK$'million
Condensed consolidated statement of profit or loss:			
Gain on bargain purchase	30.3	(27.2)	3.1
Profit/(Loss) for the period	21.2	(27.2)	(6.0)
Earnings/(Loss) per share:			
Basic and diluted (HK cents)	1.55	(1.66)	(0.11)

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, operation of restaurants, operation of security storage lounge, the provision of housekeeping services, logistics and related services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

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

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

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

	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,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited and restated)
	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	277.0	320.7	5.3	7.3	1,065.6	995.9	-	-	23.1	113.7	25.6	50.7	18.2	13.7	-	-	1,414.8	1,502.0
Intersegment sales	3.5	3.5	54.5	110.5	3.8	-	47.0	47.3	-	-	-	-	33.5	3.3	(142.3)	(164.6)	-	-
Total	**280.5**	**324.2**	**59.8**	**117.8**	**1,069.4**	**995.9**	**47.0**	**47.3**	**23.1**	**113.7**	**25.6**	**50.7**	**51.7**	**17.0**	**(142.3)**	**(164.6)**	**1,414.8**	**1,502.0**
Segment results before depreciation and amortisation	276.3	(19.3)	(0.3)	(0.5)	380.5	347.5	(6.2)	(5.5)	97.4	90.8	23.0	44.2	0.2	(0.3)	-	-	770.9	456.9
Depreciation and amortisation	(12.0)	(12.0)	(0.2)	(0.2)	(261.4)	(259.9)	(0.2)	(0.2)	-	-	(15.3)	(27.9)	(10.2)	(1.1)	-	-	(299.3)	(301.3)
Segment results	264.3	(31.3)	(0.5)	(0.7)	119.1	87.6	(6.4)	(5.7)	97.4	90.8	7.7	16.3	(10.0)	(1.4)	-	-	471.6	155.6
Unallocated interest income and unallocated non-operating and corporate gains																	27.0	12.8
Unallocated non-operating and corporate expenses																	(80.1)	(71.1)
Operating profit																	**418.5**	**97.3**
Finance costs																	**(155.3)**	**(120.5)**
Share of profits and losses of associates	(0.3)	-	-	-	-	1.8	-	-	-	-	-	-	(9.4)	(4.7)	-	-	**(9.7)**	**(2.9)**
Profit/(Loss) before tax																	**253.5**	**(26.1)**
Income tax																	**(35.9)**	**20.1**
Profit/(Loss) for the period before allocation between equity holders of the parent and non-controlling interests																	**217.6**	**(6.0)**
Attributable to:																		
Equity holders of the parent																	**159.1**	**(1.2)**
Non-controlling interests																	**58.5**	**(4.8)**
																	217.6	**(6.0)**

3. Revenue, Other Income and Gains, Net

Revenue, other income and gains, net are analysed as follows:

	Six months ended 30th June, 2017 (Unaudited)	Six months ended 30th June, 2016 (Unaudited)
	HK$'million	**HK$'million**
Revenue		
Rental income:		
Hotel properties	**21.8**	22.6
Investment properties	**7.8**	6.9
Properties held for sale	**1.3**	1.3
Aircraft	**22.9**	50.7
Construction and construction-related income	**2.5**	5.0
Proceeds from sale of properties	**270.7**	316.0
Estate management fees	**2.8**	2.3
Net gain from sale of financial assets at fair value through profit or loss	**0.7**	103.1
Interest income from financial assets at fair value through profit or loss	**18.7**	7.7
Interest income from finance leases	**2.7**	–
Dividend income from listed investments	**3.7**	2.9
Hotel operations and management services	**1,041.0**	969.8
Logistics and related services income	**9.1**	3.7
Other operations	**9.1**	10.0
	1,414.8	1,502.0
Other income and gains, net		
Bank interest income	**26.6**	12.0
Other interest income	**47.0**	6.5
Dividend income from unlisted investment	**3.8**	0.3
Loss on disposal of an investment property	**–**	(23.7)
Fair value gain upon reclassification of a property held for sale to an investment property	**–**	3.7
Gain on disposal of items of property, plant and equipment, net	**4.7**	–
Gain on disposal of subsidiaries (note 15)	**0.2**	–
Others	**0.2**	14.7
	82.5	13.5

4. An analysis of profit/(loss) on sale of properties of the Group is as follows:

	Six months ended 30th June, 2017 (Unaudited)	Six months ended 30th June, 2016 (Unaudited)
	HK$'million	HK$'million
Profit/(Loss) on disposal of properties	27.1	(51.4)

5. Finance Costs

	Six months ended 30th June, 2017 (Unaudited)	Six months ended 30th June, 2016 (Unaudited)
	HK$'million	HK$'million
Interest on bank loans	87.5	88.3
Interest on other borrowings	143.7	91.1
Interest on convertible bonds	1.8	–
Other interest	0.8	–
Amortisation of debt establishment costs	21.7	20.0
Total interest expenses on financial liabilities not at fair value through profit or loss	255.5	199.4
Other loan costs	8.4	6.8
	263.9	206.2
Less: Finance costs capitalised	(108.6)	(85.7)
	155.3	120.5

6. Income Tax

	Six months ended 30th June, 2017 (Unaudited)	Six months ended 30th June, 2016 (Unaudited)
	HK$'million	**HK$'million**
Current – Hong Kong		
Charge for the period	**42.4**	44.8
Current – Overseas		
Charge for the period	**5.1**	0.5
Overprovision in prior years	**–**	(0.3)
Deferred	**(11.6)**	(65.1)
Total tax charge/(credit) for the period	**35.9**	(20.1)

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2016 - 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 (2016 - Nil).

7. Dividend

The Directors have declared the payment of an interim dividend of HK2.5 cents (2016 - HK2.3 cents) per ordinary share for the financial year ending 31st December, 2017, absorbing a total amount of approximately HK$27.9 million (2016 - HK$25.6 million).

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

(a) Basic earnings/(loss) per ordinary share

The calculation of the basic earnings/(loss) per ordinary share is based on the profit for the period attributable to equity holders of the parent of HK$159.1 million (2016 - loss of HK$1.2 million, as restated) and on the weighted average of 1,114.6 million (2016 - 1,114.6 million) ordinary shares of the Company in issue during the period.

(b) Diluted earnings/(loss) per ordinary share

No adjustment has been made to the basic earnings/(loss) per ordinary share amount presented for the periods ended 30th June, 2017 and 2016 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the periods.

9. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK$107.6 million (31st December, 2016 - HK$145.9 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, 2017 (Unaudited)	31st December, 2016 (Audited)
	HK$'million	HK$'million
Outstanding balances with ages:		
Within 3 months	**89.1**	124.4
Between 4 to 6 months	**3.3**	4.1
Between 7 to 12 months	**2.5**	5.6
Over 1 year	**14.4**	13.5
	109.3	147.6
Impairment	**(1.7)**	(1.7)
	107.6	145.9

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.

Included in the balance are amounts due from a fellow subsidiary and a related company of HK$1.2 million (31st December, 2016 - HK$0.8 million) and HK$1.2 million (31st December, 2016 - HK$1.2 million), respectively, which are unsecured, non-interest bearing and repayable on demand.

10. Creditors and Accruals

Included in the balance is an amount of HK$89.6 million (31st December, 2016 - HK$93.8 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, 2017 (Unaudited)	31st December, 2016 (Audited)
	HK$'million	HK$'million
Outstanding balances with ages:		
Within 3 months	**89.5**	93.2
Between 4 to 6 months	**–**	0.4
Between 7 to 12 months	**–**	0.2
Over 1 year	**0.1**	–
	89.6	93.8

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$0.9 million (31st December, 2016 - HK$1.5 million) and HK$5.4 million (31st December, 2016 - HK$5.8 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment.

11. Interest Bearing Bank Borrowings

	30th June, 2017 (Unaudited)		31st December, 2016 (Audited)	
	Maturity	**HK$'million**	**Maturity**	**HK$'million**
Current				
Bank loans – secured	**2017-2018**	**1,696.1**	2017	992.8
Non-current				
Bank loans – secured	**2018-2021**	**8,692.6**	2018-2021	8,560.4
		10,388.7		9,553.2

	30th June, 2017 (Unaudited)	31st December, 2016 (Audited)
	HK$'million	**HK$'million**
Analysed into:		
Bank loans repayable:		
Within one year	**1,696.1**	992.8
In the second year	**2,211.8**	2,389.7
In the third to fifth years, inclusive	**6,480.8**	6,170.7
	10,388.7	9,553.2

On 12th September, 2016, Regal REIT group through its wholly owned subsidiaries, namely, Bauhinia Hotels Limited and Rich Day Investments Limited, entered into a new facility agreement for a term loan facility of HK$4,500.0 million and a revolving loan facility of up to HK$1,000.0 million (the "2016 IH Facilities") for a term of five years to September 2021. The term loan portion of the 2016 IH Facilities was wholly drawn in September 2016 to repay the previous term loan facility of the same amount, which was originally due to mature in July 2018 and bore a higher interest margin; while the revolving loan portion was intended for general corporate funding purposes of Regal REIT group. Moreover, the 2016 IH Facilities are secured by four of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and Regal Riverside Hotel. As at 30th June, 2017, the 2016 IH Facilities had an outstanding term loan of HK$4,500.0 million and an outstanding revolving loan of HK$380.0 million.

On 22nd December, 2014, a term loan facility agreement for a principal amount of HK$440.0 million (the "2014 WC Facility") with a term of 5 years to December 2019, was entered into by Sonnix Limited, a wholly owned subsidiary of Regal REIT group. The 2014 WC Facility, secured by the iclub Wan Chai Hotel, was fully drawn in December 2014. As at 30th June, 2017, 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 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"), secured by the iclub Sheung Wan Hotel. The 2014 SW Facilities have a term of five years to February 2019. As at 30th June, 2017, the utilised 2014 SW Facilities was HK$632.0 million, representing the full amount of the term loan facility.

On 28th July, 2014, Regal REIT group, through its wholly owned subsidiary, Wise Decade Investments Limited, arranged 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"), secured by the iclub Fortress Hill Hotel. The 2014 FH Facilities have a term of five years to July 2019. As at 30th June, 2017, the utilised 2014 FH Facilities amounted to HK$660.0 million, representing the full amount of the term loan facility.

As at 30th June, 2017, the outstanding loan facilities of Regal REIT group bore interest at the Hong Kong Interbank Offered Rates ("HIBOR") plus an interest margin ranging from 1.15% to 1.45% per annum (31st December, 2016 – ranging from 1.15% to 1.45% per annum).

Bank borrowings under the 2016 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, amongst 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 each 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.

As at 30th June, 2017, the Group's other bank borrowings bore interest at HIBOR plus 1.15% to 1.60% per annum (31st December, 2016 - HIBOR plus 1.5% to 1.75% per annum) except for bank loans of HK$236.8 million (31st December, 2016 - HK$18.0 million), which bore interest at the bank's cost of fund plus 0.75% per annum (31st December, 2016 - bank's cost of fund plus 0.75% per annum).

As at 30th June, 2017, all interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK$186.2 million (31st December, 2016 - Nil) which were denominated in United States dollars, bank loans of HK$33.9 million (31st December, 2016 – HK$18.0 million) which were denominated in Euro and a bank loan of HK$16.7 million (31st December, 2016 - Nil) which was denominated in Great British Pounds.

The Group's bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 18 to the condensed consolidated financial statements.

12. Other Borrowings

	30th June, 2017 (Unaudited)	31st December, 2016 (Audited)
	HK$'million	HK$'million
Current		
Other borrowings - unsecured	**4,220.1**	2,258.5
Non-current		
Other borrowings - unsecured	**2,708.6**	4,621.3
	6,928.7	6,879.8
Analysed into:		
Other borrowings repayable:		
Within one year	**4,220.1**	2,258.5
In the second year	**–**	1,933.3
In the third to fifth years, inclusive	**2,708.6**	2,688.0
	6,928.7	6,879.8

On 5th October, 2012, RH International Finance Limited (the "MTN Issuer"), a wholly owned subsidiary of Regal Hotels International Holdings Limited ("RHIHL"), a listed subsidiary of the Company, 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 20th July, 2016, 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$350.0 million at a coupon interest rate of 3.875% per annum. The notes were issued at a discount at 99.663% 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. Convertible Bonds

As at 30th June, 2017, the Cosmopolitan Group has issued two (31st December, 2016 - two) tranches of convertible bonds to a then non-controlling shareholder. Further details of the convertible bonds are set out as follows:

CB 2020A and CB 2020B

On 31st May, 2016, Apex Team Limited, a wholly owned subsidiary of Cosmopolitan, issued convertible bonds with the principal amounts of HK$23.8 million ("CB 2020A") and HK$33.3 million ("CB 2020B") with a maturity date on 31st May, 2020 as part of the considerations for a business acquisition detailed in note 14 to the condensed consolidated financial statements.

Both CB 2020A and CB 2020B bear no coupon interest and are unsecured.

The holders of CB 2020A and CB 2020B are entitled to convert the convertible bonds into ordinary shares of Cosmopolitan at an initial conversion price of HK$0.35 per share (subject to adjustment) at any time from 7th June, 2016 to 24th May, 2020. Based on the initial conversion price, CB 2020A and CB 2020B are convertible into a maximum of approximately 68,000,000 and 95,000,000 ordinary shares of Cosmopolitan, respectively. If any of the convertible bonds have not been converted, they will be redeemed on the maturity date at 100% of their outstanding principal amounts.

The convertible bonds contain two components: equity component and liability component. The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without conversion option. The residual amount is assigned as the equity component and is included in reserve. The effective interest rate of the liability component of the convertible bonds is 8.68%.

Subsequent to the reporting period and up to the date of this report, CB 2020B was converted into 95,000,000 new ordinary shares of Cosmopolitan.

14. Business Combination

On 31st May, 2016, the Cosmopolitan Group acquired from independent third parties a 60% effective equity interest in the SH Logistics Group, which is principally engaged in the provision of logistics and related services in Shanghai, the PRC.

The Cosmopolitan Group had elected to measure the non-controlling interest in the SH Logistics Group at the non-controlling interest's proportionate share of the SH Logistics Group's identifiable net assets.

The aggregate fair values of the identifiable assets and liabilities of the SH Logistics Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition (Restated) HK$'million
Property, plant and equipment	3.2
Other asset*	5.0
Other intangible assets*	109.2
Debtors, deposits and prepayments*	4.6
Cash and bank balances	0.7
Creditors and accruals	(3.2)
Deferred tax liabilities*	(28.5)
Non-controlling interests*	(44.9)
Total identifiable net assets at fair value	46.1
Gain on bargain purchase recognised in the condensed consolidated statement of profit or loss*	(3.1)
	43.0
Satisfied by:	
Cash consideration*	4.2
Convertible bonds*	50.5
Proceeds from issue of convertible bonds*	(4.2)
Contingent consideration receivable*	(9.2)
Assignment of a shareholder's loan	1.7
	43.0

* The fair values of the considerations transferred and identifiable net assets acquired recognised in the Group's condensed consolidated financial statements for the six months ended 30th June, 2016 were provisional amounts. The fair value estimation was finalised in the Group's consolidated financial statements for the year ended 31st December, 2016. As a result, these amounts were restated and did not correspond to the amounts in the Group's condensed consolidated financial statements for the six months ended 30th June, 2016. Further details of the restatement and its effects on the comparative amounts of the Group's condensed consolidated financial statements for the six months ended 30th June, 2017 were disclosed in note 1 above.

As the SH Logistics Group was acquired by the Cosmopolitan Group at a price below its independent market valuation, a gain on bargain purchase of HK$3.1 million was resulted and recognised in the condensed consolidated statement of profit or loss for the six months ended 30th June, 2016.

The Cosmopolitan Group issued convertible bonds - CB 2020A and CB 2020B as part of the considerations for the acquisition. Further details of CB 2020A and CB 2020B are set out in note 13 to the condensed consolidated financial statements.

As part of the acquisition, the Cosmopolitan Group was entitled to a priority right to receive dividends up to an aggregate of RMB48.0 million (HK$53.4 million), before allocation of profits to the non-controlling shareholder, in relation to the profits generated by the SH Logistics Group. The initial amount of contingent consideration receivable recognised was HK$9.2 million, being the fair value of the priority right to receive dividends at the date of acquisition, which was determined using the discounted cash flow model.

The fair values (which were also the gross contractual amounts) of the trade debtors and other debtors as at the date of acquisition amounted to HK$3.6 million and HK$0.1 million, respectively, which were expected to be collectible.

The Cosmopolitan Group incurred transaction costs of HK$2.2 million for the acquisition. These transaction costs were expensed and included in administrative expenses in the condensed consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of the SH Logistics Group was as follows:

	HK$'million
Cash consideration	(4.2)
Proceeds from issue of convertible bonds	4.2
Cash and bank balances acquired	0.7
Net inflow of cash and cash equivalents included in cash flows from investing activities	0.7
Transaction costs of the acquisition included in cash flows from operating activities	(2.2)
	(1.5)

Since the acquisition, the SH Logistics Group contributed approximately HK$3.7 million to the Group's revenue and a profit of approximately HK$1.4 million to the consolidated loss for the six months ended 30th June, 2016.

Had the combination taken place at the beginning of the six months ended 30th June, 2016, the revenue and the loss of the Group for that period would have been HK$1,504.9 million and HK$4.9 million, respectively.

15. Disposal of Subsidiaries

Pursuant to a deed of arrangement entered into between the Cosmopolitan Group and the co-venturer, the Cosmopolitan Group completed the disposal of its 60% effective equity interest in the SH Logistics Group at a total consideration of HK$71.0 million. The Cosmopolitan Group ceased to engage in the provision of logistics and related services in Shanghai, the PRC with effect from 30th June, 2017. The related gain on disposal of subsidiaries amounted to HK$0.2 million.

16. Notes to the Condensed Consolidated Statement of Cash Flows

Major non-cash transactions

	Six months ended 30th June, 2017 (Unaudited)	Six months ended 30th June, 2016 (Unaudited)
	HK$'million	**HK$'million**
Maintenance liabilities settled upon disposal of an aircraft	**5.9**	–

17. 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, 2017 (Unaudited)	Six months ended 30th June, 2016 (Unaudited)
	HK$'million	**HK$'million**
A wholly owned subsidiary of the listed ultimate holding company:		
Management fees	**32.1**	30.1
An associate:		
Advertising and promotion fees (including cost reimbursements)	**2.7**	4.1

The nature and terms of the above related party transactions have not changed and were already disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2016.

(b) Outstanding balances with related parties:

	30th June, 2017 (Unaudited)	31st December, 2016 (Audited)
	HK$'million	HK$'million
Loan to a joint venture	–	1,000.0
Due from associates	**97.0**	83.9
Due from a fellow subsidiary	**1.2**	0.8
Due from a related company	**1.2**	1.2
Due to fellow subsidiaries	**(5.4)**	(5.8)
Due to an associate	**(0.9)**	(1.5)

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

	Six months ended 30th June, 2017 (Unaudited)	Six months ended 30th June, 2016 (Unaudited)
	HK$'million	HK$'million
Short term employee benefits	**23.1**	21.0
Staff retirement scheme contributions	**1.4**	1.3
Total compensation paid to key management personnel	**24.5**	22.3

18. Pledge of Assets

As at 30th June, 2017, 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, derivative financial instruments, held-to-maturity investments, time deposits and bank balances in the total amount of HK$21,861.1 million (31st December, 2016 - HK$20,405.4 million) were pledged to secure general banking facilities granted to the Group as well as 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, 2017, certain ordinary shares in a listed subsidiary with a market value of HK$598.0 million (31st December, 2016 - HK$370.7 million) were also pledged to secure general banking facilities granted to the Group.

19. Contingent Liabilities

A subsidiary of the Cosmopolitan Group is currently a defendant in certain outstanding litigation claims relating to the re-forestation project located in Xinjiang in the PRC. Based on the advice from the Cosmopolitan Group's legal counsel, the litigation claims are pending verification and/or the Cosmopolitan Group has good grounds of defence against the allegations. Accordingly, the Directors consider that it is appropriate to disclose such claims in an aggregate amount of approximately RMB9.6 million (HK$11.0 million) (31st December, 2016 - RMB9.6 million (HK$10.6 million)) as contingent liabilities and no provision has been made in the condensed consolidated financial statements.

20. Operating Lease Arrangements

(a) As lessor

The Group leases certain retail space and areas of its hotel properties, warehouse premises, and aircraft under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 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 ranging from 1 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.

At 30th June, 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30th June, 2017 (Unaudited)	**31st December, 2016 (Audited)**
	HK$'million	**HK$'million**
Within one year	**31.1**	64.0
In the second to fifth years, inclusive	**20.9**	50.1
After five years	**–**	6.6
	52.0	120.7

(b) As lessee

The Group leases certain office and warehouse premises, shop units and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 12 years. Leases for office equipment are negotiated for terms ranging from 1 to 5 years.

At 30th June, 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2017 (Unaudited)	31st December, 2016 (Audited)
	HK$'million	HK$'million
Land and buildings:		
Within one year	**15.2**	16.7
In the second to fifth years, inclusive	**4.9**	6.4
	20.1	23.1
Other equipment:		
Within one year	**0.4**	0.4
In the second to fifth years, inclusive	**0.8**	0.9
	1.2	1.3
	21.3	24.4

21. Commitments

In addition to the operating lease commitments detailed in note 20(b) above, the Group had the following capital commitments at the end of the reporting period:

	30th June, 2017 (Unaudited)	31st December, 2016 (Audited)
	HK$'million	HK$'million
Contracted, but not provided for:		
Property development projects	**2,449.6**	3,098.4

22. 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, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. Independent professional valuers are engaged for the valuation as appropriate. The valuation is reviewed and approved by management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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, 2017

	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	–	–	265.0	265.0
Financial assets at fair value through profit or loss:				
Listed equity investments	420.7	16.0	–	436.7
Listed debt investments	–	692.8	–	692.8
Unlisted other investment	–	15.6	–	15.6
Structured deposit	–	1.9	–	1.9
Derivative financial instruments	–	4.8	–	4.8
	420.7	731.1	265.0	1,416.8

Assets measured at fair value as at 31st December, 2016

	Fair value measurement using			
	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$'million**	**Total (Audited) HK$'million**
Available-for-sale investments:				
Unlisted equity investments	–	–	253.1	253.1
Financial assets at fair value through profit or loss:				
Listed equity investments	341.1	15.4	–	356.5
Listed debt investments	–	524.5	–	524.5
Structured deposit	–	1.9	–	1.9
Contingent consideration receivable	–	–	10.3	10.3
Derivative financial instruments	–	12.8	–	12.8
	341.1	554.6	263.4	1,159.1

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

	2017 (Unaudited) HK$'million	**2016 (Unaudited) HK$'million**
Available-for-sale investments – unlisted:		
At 1st January	**253.1**	170.0
Purchases/(Distributions)	**(0.3)**	87.2
Total gains/(losses) recognised in other comprehensive income/(loss)	**12.2**	(4.1)
At 30th June/31st December	**265.0**	253.1
Contingent consideration receivable:		
At 1st January	**10.3**	–
Arising from acquisition of subsidiaries (note 14)	**–**	9.2
Fair value gain/(loss) recognised in profit or loss	**(2.1)**	1.1
Disposal of subsidiaries	**(8.2)**	–
At 30th June/31st December	**–**	10.3

Liabilities measured at fair value as at 31st December, 2016

	Fair value measurement using			
	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$'million**	**Total (Audited) HK$'million**
Derivative financial instruments	–	5.7	–	5.7

The Group did not have any financial liabilities measured at fair value as at 30th June, 2017.

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 (year ended 31st December, 2016 - Nil).

Valuation techniques

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

Certain unlisted equity investments are carried at net asset values provided by financial institutions or related administrators or valued by a financial institution based on quoted market price of the underlying listed security.

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

The fair values of certain listed equity investments, listed debt investments, an unlisted other investment and a structured deposit are determined based on market values provided by financial institutions.

23. 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 24th August, 2017.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2017, 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:

				Number of shares held			
	The Company/ Name of associated corporation	**Name of Director**	**Class of shares held**	**Personal interests**	**Corporate interests**	**Family/Other interests**	**Total (Approximate percentage of the issued shares as at 30th June, 2017)**
1.	**The Company**	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		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%)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held: Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 30th June, 2017)
2.	Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	110,667,396	1,769,164,691 (Note a)	380,683	1,880,212,770 (58.69%)
		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	622,855,261 (Note c)	260,700	623,140,161 (68.18%)
		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)	–	3,117,856,716 (Note e)	–	3,117,856,716
			(ii) (unissued)	–	5,024,058,784 (Note f)	–	5,024,058,784
						Total:	8,141,915,500 (191.55%)
			Preference (issued)	–	2,345,487,356 (Note f)	–	2,345,487,356 (99.98%)
		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%)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held: Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 30th June, 2017)
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").

(b) The interests in 693,660,547 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.67% shareholding interests.

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 58.67% shareholding interests. The interests in 599,025,861 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 62.28% shareholding interests. The interests in the other 23,408,000 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. The Company held 68.10% shareholding interests in RHIHL.

(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 386,540,000 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of RHIHL. The Company, in which CCIHL held 62.28% shareholding interests, held 68.10% shareholding interests in RHIHL. Mr. Lo held 58.67% shareholding interests in CCIHL.

(f) The interests in 5,024,058,784 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 62.28% shareholding interests, held 68.10% shareholding interests in RHIHL. Mr. Lo held 58.67% shareholding interests in CCIHL.

The interests in 2,345,487,356 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 2,345,487,356 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 "CB Issuer"). 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 convertible bonds in a principal amount of HK$500,000,000 issued by the CB Issuer. The convertible bonds are 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 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. The Company, in which CCIHL held 62.28% shareholding interests, held 68.10% shareholding interests in RHIHL. Mr. Lo held 58.67% shareholding interests in CCIHL.

(h) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 58.67% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 30th June, 2017, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2017, 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, 2017
YSL International Holdings Limited ("YSL Int'l") (Note i)	694,124,547	–	694,124,547	62.28%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	694,124,547	–	694,124,547	62.28%
CCIHL (Note iii)	694,124,547	–	694,124,547	62.28%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	694,124,547	–	694,124,547	62.28%
Almighty International Limited ("Almighty") (Note iv)	346,994,526	–	346,994,526	31.13%
Cleverview Investments Limited ("Cleverview") (Note iv)	180,811,470	–	180,811,470	16.22%

Notes:

(i) The interests in the ordinary shares of the Company held by YSL Int'l were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.

(ii) Grand Modern is a wholly owned subsidiary of YSL Int'l and its interests in the ordinary shares of the Company were included in the interests held by YSL Int'l.

(iii) CCIHL is owned as to 50.89% by Grand Modern and its interests in the ordinary shares of the Company were included in the interests held by Grand Modern.

(iv) 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, 2017, 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 is a director of YSL Int'l.

(2) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To and Miss Lo Po Man are directors of Grand Modern.

(3) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, 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.

(4) 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 Cleverview.

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, 2016 is set out below:

Name of Director	Details of changes
Independent Non-Executive Directors:	
Hon Abraham Shek Lai Him, GBS, JP	• Retired as an independent non-executive director of ITC Corporation Limited (now known as PT International Development Corporation Limited), a company listed on the Stock Exchange, with effect immediately after 4:00 p.m. on 28th March, 2017.
Mr. Wong Chi Keung	• Retired as an independent non-executive director of ENM Holdings Limited, a company listed on the Stock Exchange, at the annual general meeting of such company held on 9th June, 2017.

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, 2017, 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, 2017.

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, 2017.

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, 2017, in conjunction with the external auditor. The review report of the external auditor is set out on page 64 of this report.

Report on Review of Interim Financial Information

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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 set out on pages 26 to 56, which comprises the condensed consolidated statement of financial position as at 30th June, 2017 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

24th August, 2017

www.paliburg.com.hk