百利保控股有限公司
Paliburg Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code : 617)

2018
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
Winnie Ng, JP
Abraham Shek Lai Him, GBS, JP
Wong Chi Keung

AUDIT COMMITTEE

Wong Chi Keung (Chairman)
Bowen Joseph Leung Po Wing, GBS, JP
Winnie Ng, JP
Abraham Shek Lai Him, GBS, JP

REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)
Lo Yuk Sui
Winnie Ng, JP

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)
Bowen Joseph Leung Po Wing, GBS, JP
Winnie Ng, JP
Abraham Shek Lai Him, GBS, JP
Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited
Standard Chartered Bank (Hong Kong) Limited
Australia and New Zealand Banking Group Limited
United Overseas Bank Limited, Hong Kong Branch
Industrial and Commercial Bank of China (Asia) Limited

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building, 69 Pitts Bay Road
Pembroke HM08, Bermuda

BRANCH REGISTRAR IN HONG KONG

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

The Belvedere Building, 69 Pitts Bay Road
Pembroke HM08, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

Directors' Profile

Mr. Lo Yuk Sui, *aged 73; 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 44; 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 61; 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 68; 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 Green Leader Holdings Group 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 38; Executive Director* — Appointed to the Board in 2007. Miss Lo is also an executive director and a vice chairman of CCIHL, an executive director, a vice chairman and the managing director of RHIHL, an executive director and a vice chairman of Cosmopolitan, and a non-executive director and the vice chairman of RPML. She graduated from Duke University, North Carolina, the United States, with a Bachelor's Degree in Psychology. Miss Lo joined the RHIHL Group in 2000 and is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing functions of the RHIHL Group and also undertakes responsibilities in the business development of the Century City Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Kenneth Ng Kwai Kai, *aged 64; 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.

Ms. Winnie Ng, *JP, aged 54; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director on 1st January, 2018. She is also an independent non-executive director of CCIHL and RHIHL since 1st January, 2018. Ms. Ng holds an MBA (Master of Business Administration) from University of Chicago and an MPA (Master of Public Administration) from Harvard University. Ms. Ng has received numerous awards and recognition. In 2017, she was appointed a Justice of the Peace. In 2016, she won Nobel Laureate Series: Asian Chinese Leadership Award and China Top Ten Outstanding Women Entrepreneurs. In previous years, she received recognitions as a Woman of Excellence in Hong Kong, one of 60 Meritorious Chinese Entrepreneurs with Achievement and National Contribution, Yazhou Zhoukan Young Chinese Entrepreneur Award, one of China's 100 Outstanding Women Entrepreneurs and was Mason Fellow of Harvard University. Active in public service, Ms. Ng is Chairman of Hospital Governing Committee of Prince of Wales Hospital, Member of Town Planning Board, Advisor of Our Hong Kong Foundation, Council Member of The Better Hong Kong Foundation, and Court Member of The Hong Kong Polytechnic University. She was Member of Hong Kong Tourism Board and its Marketing & Business Development Committee Chairman, and Member of Hospital Authority and its Supporting Services Development Committee Chairman from 2010 to 2016. She was Member of Employees Retraining Board and its Course Vetting Committee Convenor, and Member of Vocational Training Council from 2011 to 2017. Ms. Ng is also a non-executive director of Transport International Holdings Limited, and she was the founder, deputy chairman and a non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited). Both companies are listed on the Stock Exchange.

Hon Abraham Shek Lai Him, *GBS, JP, aged 73; 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, CSI Properties Limited, Everbright Grand China Assets Limited, Lifestyle 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 63; 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 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 35 years of experience in finance, accounting and management.

Mr. Kenneth Wong Po Man, *aged 52; 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 25 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 2018 Interim Report of the Company.

FINANCIAL RESULTS

For the six months ended 30th June, 2018, the Group achieved an unaudited consolidated profit attributable to shareholders of HK$221.7 million, representing an increase of 39.3% above the corresponding profit of HK$159.1 million attained in 2017.

During the period under review, the property and hotel businesses of the Group performed satisfactorily. The increase in the profit achieved was largely attributable to the net profits derived from the completed sales of the residential units in the composite development project in Tianjin, the People's Republic of China (the "PRC") undertaken by Cosmopolitan International Holdings Limited, a listed subsidiary of the Company.

Operating profit before depreciation and amortisation, finance costs and tax for the period amounted to HK$917.6 million, which was 27.7% above the comparative amount of HK$718.6 million in 2017. At present, the Group held through Regal Real Estate Investment Trust, an indirectly held listed subsidiary of the Company, a total of nine operating hotel properties in Hong Kong, which are all owned and operated within the Group. As explained before, to comply with currently applicable accounting standards, they are classified in the Group's consolidated financial statements as property, plant and equipment and subject to depreciation charges. Depreciation charges for the period, most of which were related to the Group's hotel properties, amounted to HK$296.0 million (2017 - HK$292.3 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 as at 30th June, 2018 of HK$16.14 per share, after adjusting for the market value of the hotel properties in Hong Kong owned through Regal REIT 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, aircraft ownership and leasing and financial assets and other investments.

As at 30th June, 2018, the Group directly held a controlling shareholding interest of approximately 69.3% in Regal Hotels International Holdings Limited which, in turn, held approximately 74.6% of the outstanding units of Regal REIT, 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 subsidiary of the Company, P&R Holdings is effectively treated as a subsidiary undertaking of the Group.

Apart from its property business, P&R Holdings also held as at 30th June, 2018 an effective controlling shareholding interest of approximately 75.7% 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 engaged in property and other investment businesses in China.

Further information on the latest progress of the Group's property businesses as well as the financial results and operation review of the listed members of the Group are presented below.

PROPERTIES

During the period under review, property prices in Hong Kong have been rising continuously in all market segments. The residential segment remained robust and, according to the data released by the Rating and Valuation Department, the price index of privately owned residence in Hong Kong has continued to rally for the 27th consecutive month up to June 2018. The office segment was also very active, as evidenced by the two large scale en bloc office towers transactions in Central and Island East.

After the establishment of P&R Holdings in 2011, the Group's property development activities in Hong Kong have principally been undertaken by P&R Holdings. There are five development projects currently undertaken by P&R Holdings. They are, in the order of their actual or scheduled completion time, the "We Go MALL" shopping mall project in Sha Tin that was soft opened in May 2018; "The Ascent" joint venture project with the Urban Renewal Authority in Sham Shui Po recently completed; the iclub Mong Kok Hotel in Tai Kwok Tsui, a hotel project also awarded by the Urban Renewal Authority, scheduled for completion later this year; the large scale residential project in Kau To, Sha Tin, to be completed before the end of this year; and, lastly, another hotel project in Sheung Wan anticipated for completion in 2019.

Since its soft opening in May this year, the "We Go MALL" has been well received and most of its lettable space has been leased out or occupied. This shopping mall development is yielding satisfactory rentals and will be retained by the Group for investment income. On the other hand, "The Ascent" commercial/residential development has just been completed and the certificate of compliance recently issued. Nearly all of the residential units in this joint venture project have been sold and the profits to be derived therefrom will be accounted for in the second half of 2018. Moreover, it is worth particular mentioning that the development works for the large scale residential project at Kau To, now named as "Mount Regalia", have been substantially completed, pending the issue of the occupation permit. The sale programme for this residential project is planned to be launched in stages commencing from the fourth quarter of this year.

To replenish its development land bank, P&R Holdings has recently acquired certain existing properties at Castle Peak Road in Sham Shui Po, which are intended for future development.

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, 2018, Regal achieved an unaudited consolidated profit attributable to shareholders of HK$294.0 million, an increase of 8.8% over the comparative profit of HK$270.3 million attained for the same period in 2017.

During the period under review, the Regal group's hotel and property businesses, its two core business segments, maintained steady performance. However, due to the relatively volatile conditions in the financial markets, the overall profits achieved for its financial assets investments segment was substantially lower than that of the prior comparative period. Operating profit before depreciation, finance costs and tax of the Regal group for the first half of 2018 amounted to HK$597.3 million (2017 - HK$726.2 million). As a significant part of the property business of the Regal group is conducted through P&R Holdings, the increased profit contribution from property business was reflected in its share of profits of a joint venture. Depreciation charges for the period amounted to HK$256.9 million (2017 - HK$252.7 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 recent research by the World Bank Group, global growth has eased but is still projected to reach 3.1 percent in 2018. During the period under review, China's economy expanded by 6.8 percent over the same period in 2017, amid efforts to control property prices, deleverage debt levels and contain financial risks. Following the robust growth attained in 2017, Hong Kong's economy continued to grow steadily in the first six months of 2018 and recorded strong performance across a number of economic sectors. During this period, the Gross Domestic Product (GDP) in real terms of Hong Kong increased by 4.0% year-on-year.

For the period under review, total visitors to Hong Kong amounted to approximately 30.6 million, representing an increase of 10.1% year-on-year, of which 23.7 million were visitors from Mainland China, an increase of 13.4% year-on-year. In the meantime, the number of visitors from the other short-haul and traditional long-haul markets on the whole remained steady. Within the total arrivals, overnight visitors accounted for approximately 13.9 million, which was an increase of 6.2% 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 87% in 2017 to 91% in 2018, while the average achieved room rate improved by 8.1%, resulting in an increase in the Revenue per Available Room (RevPAR) of 13.0% year-on-year.

HOTEL OWNERSHIP

The Regal group is developing, through its wholly owned subsidiary, a new hotel within the SKYCITY Project at the Hong Kong International Airport under an agreement for sublease from the Airport Authority. The development works for this new hotel, proposed to be named as Regala Skycity Hotel, are progressing as planned and scheduled to be completed in 2020.

The Regal group wholly owns a hotel property in Barcelona, Spain, which was formerly known as the La Mola Hotel & Conference Centre. This hotel property has been leased to an independent third party in 2017 and is now operating as Campus La Mola. The lease agreement commenced in September 2017 and is yielding satisfactory rentals.

REGAL REAL ESTATE INVESTMENT TRUST

The Regal group held 74.6% of the outstanding units of Regal REIT as at 30th June, 2018 and Regal Portfolio Management Limited, a wholly owned subsidiary of Regal, acts as the REIT Manager.

For the six months ended 30th June, 2018, Regal REIT achieved an unaudited consolidated profit before distribution to unitholders of HK$942.9 million, as compared to HK$1,767.5 million reported for the corresponding period in 2017. Based on the market valuations appraised by the principal valuer of Regal REIT as of 30th June, 2018, the fair value of Regal REIT's investment property portfolio has increased by HK$716.0 million over its last appraised value as of 31st December, 2017. 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$1,543.7 million was recorded. If these fair value changes are excluded, the core operating profit of Regal REIT before distributions to unitholders for the interim period would amount to HK$226.9 million, slightly above the HK$223.8 million for the same period in 2017.

As mentioned above, Regal REIT now owns a total of nine operating hotels in Hong Kong, including the five initial Regal Hotels, namely, the Regal Airport Hotel, the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel; and four iclub Hotels, which are, respectively, the iclub Wan Chai Hotel, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the latest iclub Ma Tau Wai Hotel. With the exception of the iclub Wan Chai Hotel, all the other hotels are under leases by Regal REIT to a wholly owned subsidiary of Regal for hotel operations. Details of the business performance of these eight hotels during the period under review are reported in the sub-section headed "Hotel Operations" below.

The iclub Wan Chai Hotel was the first iclub Hotel in Hong Kong and has been self-operated by Regal REIT since 2011. During the interim period, it maintained an occupancy rate of 93.1%, while its average achieved room rate improved by 13.6%, reflecting an increase of 9.5% in RevPAR as compared with the first half of 2017. Aggregate net property income from this property, including the lease rentals from the non-hotel portions, amounted to HK$11.9 million for the interim period, which was 13.0% above the comparative amount last year.

As reported earlier, in March 2018, Regal REIT concluded a bilateral financing arrangement for a 5-year term loan in the principal amount of HK$3.0 billion, which was principally secured by a mortgage over the Regal Kowloon Hotel. This term loan has been drawn down and principally used to fully repay the two medium term notes issued by Regal REIT that were due in March and May, respectively, this year. Despite the rise in interest rates in the interbank market in Hong Kong recently, based on the interest margin under the new term loan and the prevailing Hong Kong Interbank Offered Rate (HIBOR), as compared to the coupon rates under the two medium term notes repaid, it is expected that there will be savings in Regal REIT’s future financing costs.

HOTEL OPERATIONS

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

The combined average occupancy of the five initial Regal Hotels in Hong Kong, which operate as full-service hotels under the "Regal" brand name, during the interim period was 86.7%, up by 0.7 percentage point from 86.0% in the same period last year, while their combined average room rate has markedly increased by 10.5%, thereby achieving an overall enhancement of 11.4% in their combined average RevPAR. Aggregate net property income for these five hotels for the interim period amounted to HK$406.8 million, which represented an increase of 10.4% over the HK$368.6 million for the same period in 2017. As the aggregate net property income was above the pro-rated base rent of HK$375.5 million, variable rent of HK$15.7 million would be payable to Regal REIT.

To meet different market demands, the iclub Hotels is a new 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 leases for the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel are now also operating on the basis of annually determined market rentals. Their base rents for 2018, as determined by an independent professional property valuer, were fixed at HK$42.0 million and HK$42.4 million, respectively. During the interim period, these two iclub Hotels attained a combined average occupancy rate of 88.7%, a slight drop of 0.8 percentage point from the level in the corresponding period in 2017, but their combined average room rate has substantially increased by 13.3% year-on-year, thereby translating into an improvement of 12.2% year-on-year in their combined average RevPAR. The net property income of the iclub Sheung Wan Hotel for the interim period was above the pro-rated base rent of HK$21.0 million and, based on 50% sharing, variable rent of HK$1.1 million would be payable to Regal REIT. Although the net property income for the iclub Fortress Hill Hotel for the interim period was below the base rent, the operating performance of this hotel has been continually improving. On the other hand, the iclub Ma Tau Wai Hotel was leased for an initial term of 5 years from September 2017, with escalating fixed rentals at an average yield of 4.5% per annum. Since its soft opening in May 2017, the business of iclub Ma Tau Wai Hotel has been building up gradually and the performance attained so far can be considered as satisfactory for a new start up hotel.

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 Regal and iclub Hotels presently operating in Hong Kong. There will be three more hotels coming on stream in Hong Kong and to be managed by the Regal group. They are, respectively, the iclub Mong Kok Hotel to be completed later this year, the iclub Sheung Wan II Hotel in 2019 and the Regala Skycity Hotel in 2020.

In Mainland China, the Regal group is managing a total of eight operating Regal Hotels, including four in Shanghai, two in Dezhou, one in Xi'an and one in Foshan. The Regal group is also managing one hotel in Zhengzhou which is operating under the iclub by Regal brand. Three other hotels also to be managed by the Regal group are under development, which are separately located in Chengdu, Jiangmen and Kunshan.

The hotel manager continues to exercise strenuous efforts to promote the "Regal" and "iclub" brand names and to strengthen the Regal group's marketing and reservation networks on the internet and other platforms.

PROPERTIES

As mentioned above, the Regal group holds a 50% joint venture interest in P&R Holdings. Pending the completion and disposal by P&R Holdings of some of its property projects, the Regal group has also taken on through its wholly owned subsidiaries property development business in recent years.

As mentioned before, apart from the SKYCITY hotel development at the Hong Kong International Airport, the Regal group also acquired, through its wholly owned subsidiaries, certain development properties situated at Queen's Road West, Hong Kong, which are intended for a commercial/residential development. In the meantime, the Regal group continues to retain a total of 14 garden houses in Regalia Bay, Stanley, some of which will be disposed of if the prices offered are favourable.

AIRCRAFT OWNERSHIP AND LEASING

In April 2018, the Regal group completed the process for the acquisition of two mid-life Airbus A320-232 passenger aircraft, which are under operating leases to a major international airline operator based in Europe. In May 2018, the Regal group disposed of two Embraer ERJ145 aircraft to an independent third party purchaser. Subsequent to the half year end date, the Regal group further completed the disposals of one Airbus A321-211 and two Embraer ERJ145 aircraft to two other independent buyers. These aircraft recently disposed of were pending sale after expiry or termination of the leases and these sale transactions have on the whole generated satisfactory profits to the Regal group.

At present, the Regal group owns a fleet of 10 aircraft, of which 3 aircraft are on operating leases, 6 aircraft on finance leases and one that is pending re-lease or disposal. The Regal group still holds a reasonably positive view in the long-term growth of the aviation industry and will continue to review new acquisitions if they could offer attractive returns.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2018, Cosmopolitan attained for the period an unaudited consolidated profit attributable to shareholders of HK$238.7 million, which represented an increase of approximately 5.8 times over the comparative profit of HK$35.2 million recorded for the corresponding half year in 2017.

As mentioned in the profit alert announcement published by Cosmopolitan on 20th August, 2018, the significant increase in the profit achieved for this interim period was principally attributable to the profit derived from the completed sales of the residential units in its composite development project in Tianjin, the PRC.

BUSINESS OVERVIEW

The central government of China is continuing to work on stabilising home prices and has introduced a series of measures to cool down the property market, particularly in some first and second tier cities where speculative investment activities are active, with an aim to establishing a healthily growing real estate market in the long term.

Following the completion of the unit sales of the nine residential towers in the first and second stages of its development project in Chengdu in late 2017, the construction works for the remaining ten residential towers in the third stage of the development have already commenced. There are total 1,555 units comprised within these ten residential towers and the presale programme is scheduled to be launched in the fourth quarter of this year. The development works of the other components in this project, including a hotel and commercial and office spaces, are overall proceeding steadily.

As regards the Cosmopolitan group's other composite development project located in Tianjin, most of the units in the four residential towers have been sold and handed over to the individual purchasers in the early part of this year. The net profits derived from the completed sales of these residential units and certain car parking spaces sold have been reflected in the results for the period under review. The superstructure works of the two office towers are experiencing some delay due to tightened planning controls and active negotiations are being conducted with the local government to resolve the issue.

Most recently, on 16th August, 2018, the Cosmopolitan group entered into a Deposit Agreement in relation to the possible investment by the Cosmopolitan group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in China. Pursuant to the Deposit Agreement, the Cosmopolitan group has paid a deposit of RMB70 million to the vendor parties and was granted an exclusivity period for a period of 18 months to conduct bona fide negotiations to settle the terms of the possible joint venture investment. The deposit will be refundable to the Cosmopolitan group except in the case where the wholly owned subsidiary of the Cosmopolitan group, as a party to the Deposit Agreement, breaches its own exclusivity undertakings.

If a formal binding agreement is settled and signed by the relevant parties, the Cosmopolitan group is expected to acquire 60% interest, directly or indirectly, in the equity and/or the businesses of the logistics services provider. The consideration for such acquisition will be determined with reference to the anticipated net profit of the relevant business segments to be acquired by the Cosmopolitan group, as warranted by the vendor parties. The estimated initial consideration is approximately RMB3.5 billion, subject to finalisation of the terms in the formal agreement, and is proposed to be settled by the Cosmopolitan group through the issue of ordinary shares and convertible bonds of Cosmopolitan to the vendor parties.

Should this possible joint venture investment materialise, it would constitute at least a major transaction for Cosmopolitan under the listing rules of the Hong Kong Stock Exchange. Further details of the Deposit Agreement and proposed transaction are contained in the joint announcement of the Company dated 17th August, 2018.

OUTLOOK

REGAL GROUP

Driven by the continuing global recovery, the relatively low interest rate environment and the buoyant property market, the economy in Hong Kong is likely to maintain a growing trend in the second half of 2018. However, the recent trade disputes between the United States and China are casting significant uncertainties on the global economy and if these international trade disputes and other geopolitical tensions escalate, they could have serious dampening effect on economic growth globally. In the overcast of these external uncertainties, the central government of China is adopting more proactive fiscal policies to speed up government spending and stimulate domestic demand, with a view to sustaining the economic growth of China within a reasonable target range.

During the interim period, visitors from Mainland China accounted for over 77% of the total number of visitors to Hong Kong. With the support of a steadily growing economy in China and the increasing integration of Hong Kong with the Mainland, the directors of the REIT Manager remain optimistic of the prospects of the hospitality industry in Hong Kong. The REIT Manager will continue to pursue, with prudence, accretive investment opportunities that are considered to be appropriate for the planned expansion of Regal REIT.

Over the years, the Regal group has built up a strong financial base and a sizable asset portfolio that is appropriately distributed among hotels, properties and other investments. In particular, some of the large scale development projects undertaken by P&R Holdings will soon be completed and should generate substantial profit contribution to the Regal group upon their gradual disposals. Overall, the directors of Regal are confident that the Regal group as a whole will continue to grow and prosper.

COSMOPOLITAN GROUP

The encouraging results achieved by Cosmopolitan in the current period is a positive reflection of the underlying profit potential of the development projects undertaken by the Cosmopolitan group in China. The directors of Cosmopolitan are optimistic that when the other components in these projects are gradually completed and disposed of in the course of the next few years, they should generate for the Cosmopolitan group further substantial cash flows and profit earnings.

Property development and investment in China will continue to be the Cosmopolitan group's core business focus. However, the Cosmopolitan group is also actively seeking to diversify the scope of its investments, with a view to broadening its asset and income base.

PALIBURG GROUP

The Group believes that the economy of Hong Kong will continue to be in a sound condition and the underlying demand for different types of properties should remain strong. The government of Hong Kong has recently introduced a series of additional measures, including vacancy tax on first-hand private residential properties, to cool down the local property market. Despite the recent rise in interest rates, the rate of increase was relatively insignificant and the real interest rates, taking into account the rate of inflation, are still at very low levels. As long as the land supply shortage issue remains unresolved, the price levels of different properties in Hong Kong should continue to have support.

The various ongoing development projects of P&R Holdings are approaching different stages of fruition. When these projects are gradually completed and sold, they will generate substantial cash flows and profit contribution to the Group and will at the same time, bring to shareholders increasing returns.

LO YUK SUI
Chairman

Hong Kong
27th August, 2018

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"), 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 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 performances 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, a total of 24 houses have been sold or contracted to be sold. While the remaining houses will continue to be disposed of on a gradual basis, some of them may in the meantime be retained for rental income.

We Go MALL at No.16 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 has been developed into a shopping mall with 5 storeys above ground level and 1 storey of basement floor. The occupation permit for the project was issued in September 2017. Since its soft opening in May this year, the "We Go MALL" has been well received and most of its lettable space has been leased out or occupied. This shopping mall development is yielding satisfactory rentals and will be retained for investment income.

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 car parks. The occupation permit for the project was issued in March 2018 and the certificate of compliance was recently obtained in July 2018. 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. The units sold are being handed over to the respective purchasers and the profits to be derived therefrom will be accounted for in the second half of 2018. The sale programme for the commercial units is planned to be launched shortly.

Sha Tin Town Lot No.578, Area 56A, Kau To, Sha Tin, New Territories to be named as "Mount Regalia"

The project has a site area of 17,476 square metres (188,100 square feet) and is being developed into a luxury residential complex comprising 7 mid-rise apartment blocks with 136 units, 24 detached garden houses and 197 car parking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The development works of the project have been substantially completed and the occupation permit is expected to be issued in September this year. The sale programme is planned to be launched in stages commencing from the fourth quarter of this year.

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 guestrooms, with ancillary accommodation. The superstructure works have been completed and the occupation permit for the project is expected to be obtained in the fourth quarter of 2018.

Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan
intended to be named as "iclub Sheung Wan II Hotel"

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and is being developed into a hotel with 98 guestrooms and suites, with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet). After extensive periods of delay to resolve the technical difficulties encountered on the substructure works, the superstructure works are progressing steadily and the project is presently anticipated to be completed in 2019.

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 intended to be named as "Regala Skycity Hotel" at the Hong Kong International Airport

In February 2017, a wholly owned subsidiary of RHIHL was awarded by the Airport Authority in Hong Kong the development right for a new hotel project at the Hong Kong International Airport.

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) hotel with 1,210 guestrooms and suites as well as 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. The foundation works have been substantially completed and the superstructure works are scheduled to be commenced in September this year. The new hotel is anticipated to be completed in 2020.

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 since further acquired units with more than 85% of the total undivided shares in the adjoining properties at Nos.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). The process for the acquisition of the remaining units at Nos.160-162 Queen's Road West is progressing.

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

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 as held for sale and 3 as fixed assets. 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, is set out below:

Property Development

Chengdu Project – Regal Cosmopolitan City

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of residential, hotel, commercial and office components, with an overall total gross floor area of approximately 495,000 square metres (5,330,000 square feet).

There are total 1,296 residential units comprised in the first and second stages of the Chengdu project. Most of these residential units have been sold and handed over to the purchasers before the end of 2017 and the profits therefrom already accounted for in the prior year. The sale process of the remaining units has continued during the period and, up to date, the number of units still available for sale is insignificant.

While the business remodeling and corresponding interior design works for the hotel are ongoing, the mechanical and electrical installation works are also in progress. The hotel is now scheduled to open in phases from the second half of 2019. In the meantime, the substructure and superstructure works of the remaining ten residential towers in the third stage of the development have commenced and the presale programme of these residential units is planned to be launched in the fourth quarter of 2018.

The detailed design of the other components within the development, comprising primarily commercial and office spaces, has commenced and the associated construction works are expected to commence in early 2019.

Tianjin Project – Regal Renaissance

Located in the Hedong District in Tianjin, this project is a mixed use development comprising residential, commercial and office components with total gross floor area of about 145,000 square metres (1,561,000 square feet).

The construction works of the four residential towers, the commercial complex and the associated car parking spaces have been completed. Of the total 512 units comprised in the four residential towers, 484 units together with 202 residential car parking spaces have been sold to date. Most of the residential units and car parking spaces sold have been handed over to the individual purchasers before the half year end date and the profits therefrom accounted for in the results for the period under review. The sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), is continuing steadily.

The superstructure works of the two office towers have been temporarily suspended due to the tightened government planning controls. The Cosmopolitan group is actively conducting negotiations with the local government to resume the superstructure works as soon as practicable and the recent response from the local government to resolve the issue is positive.

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.

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 for the iclub Mong Kok Hotel 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.

FINANCIAL ASSETS AND 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. Due to the relatively volatile conditions in the financial markets, the Group incurred a loss in its financial assets investments business, most of which arose from the changes in the fair value of the financial assets held.

FINANCIAL REVIEW

ASSETS VALUE

All the hotel properties of the Group in Hong Kong are owned by Regal REIT and, with the exception of the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai 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, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai 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, 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, 2018, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK$16.14 per share, computed as follows:

	As at 30th June, 2018	
	HK$'million	**HK$ per ordinary share**
Book net assets attributable to equity holders of the parent	**13,803.7**	**12.38**
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	**4,189.8**	**3.76**
Unaudited adjusted net assets attributable to equity holders of the parent	**17,993.5**	**16.14**

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 for the projects in the PRC 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 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 and investments in the PRC 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 used in operating activities during the period under review amounted to HK$1,011.2 million (2017 - net cash flows generated from operating activities of HK$381.9 million). Net interest payment for the period amounted to HK$182.1 million (2017 - HK$124.8 million).

Borrowings and Gearing

As at 30th June, 2018, the Group had cash and bank balances and deposits of HK$3,708.6 million (31st December, 2017 - HK$4,817.2 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK$15,509.1 million (31st December, 2017 - HK$13,235.9 million).

As at 30th June, 2018, the gearing ratio of the Group was 34.5% (31st December, 2017 - 29.0%), representing the Group's borrowings net of cash and bank balances and deposits of HK$15,509.1 million (31st December, 2017 - HK$13,235.9 million), as compared to the total assets of the Group of HK$45,013.6 million (31st December, 2017 - HK$45,632.4 million).

On the basis of the adjusted total assets as at 30th June, 2018 of HK$53,003.8 million (31st December, 2017 - HK$52,602.2 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 29.3% (31st December, 2017 - 25.2%).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2018 are shown in notes 11 and 12 to the condensed consolidated financial statements.

Pledge of Assets

As at 30th June, 2018, certain of the Group's property, plant and equipment, investment properties, properties held for sale, properties under development, financial assets at fair value through profit or loss, financial assets at amortised cost, time deposits and bank balances in the total amount of HK$32,295.2 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, 2018, certain ordinary shares in a listed subsidiary with a market value of HK$426.6 million were also pledged to secure general banking facilities granted to the Group.

As at 31st December, 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, held-to-maturity investments, time deposits and bank balances in the total amount of HK$27,144.0 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 31st December, 2017, certain ordinary shares in a listed subsidiary with a market value of HK$536.8 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, 2018 are shown in note 19 to the condensed consolidated financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2018 are shown in note 17 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 HK2.8 cents (2017 - HK2.5 cents) per ordinary share for the financial year ending 31st December, 2018, absorbing an amount of approximately HK$31.2 million (2017 - HK$27.9 million) and will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 11th October, 2018.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Tuesday, 9th October, 2018 to Thursday, 11th October, 2018, 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 Monday, 8th October, 2018. The relevant dividend warrants are expected to be despatched on or about 25th October, 2018.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

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

STAFF AND REMUNERATION POLICY

The Group employs approximately 2,200 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, 2018 (Unaudited) HK$'million	Six months ended 30th June, 2017 (Unaudited) HK$'million
REVENUE	2, 3	**3,337.8**	1,414.8
Cost of sales		**(2,291.4)**	(896.9)
Gross profit		**1,046.4**	517.9
Other income and gains	3	**59.1**	82.5
Fair value gains on investment properties, net		**152.9**	202.4
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		**(124.2)**	62.8
Write-back of impairment loss on property under development		**–**	53.0
Property selling and marketing expenses		**(24.4)**	(21.9)
Administrative expenses		**(192.2)**	(178.1)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION		**917.6**	718.6
Depreciation and amortisation		**(296.0)**	(300.1)
OPERATING PROFIT	2, 4	**621.6**	418.5
Finance costs	5	**(179.4)**	(155.3)
Share of profits and losses of associates		**(2.0)**	(9.7)
PROFIT BEFORE TAX		**440.2**	253.5
Income tax	6	**(133.3)**	(35.9)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		**306.9**	217.6
Attributable to:			
Equity holders of the parent		**221.7**	159.1
Non-controlling interests		**85.2**	58.5
		306.9	217.6
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		**HK16.38 cents**	HK14.28 cents

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	HK$'million	**HK$'million**
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**306.9**	217.6
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
Exchange differences on translating foreign operations	**(52.1)**	91.1
Reclassification adjustment on disposal of foreign operations	**–**	1.6
Share of other comprehensive loss of an associate	**(0.1)**	–
Other comprehensive income/(loss) for the period	**(52.2)**	104.9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**254.7**	322.5
Attributable to:		
Equity holders of the parent	**184.7**	231.2
Non-controlling interests	**70.0**	91.3
	254.7	322.5

Condensed Consolidated Statement of Financial Position

	Note	30th June, 2018 (Unaudited)	31st December, 2017 (Audited)
		HK$'million	HK$'million
NON-CURRENT ASSETS			
Property, plant and equipment		**22,869.1**	22,671.7
Investment properties		**3,596.9**	3,445.2
Properties under development		**1,726.9**	2,075.3
Investments in associates		**20.9**	22.6
Available-for-sale investments		**–**	385.8
Financial assets at fair value through profit or loss		**498.1**	1.9
Loans receivable		**110.4**	111.9
Deposits and prepayments		**100.4**	92.0
Deferred tax assets		**54.2**	51.7
Goodwill		**261.0**	261.0
Trademark		**610.2**	610.2
Total non-current assets		**29,848.1**	29,729.3
CURRENT ASSETS			
Properties under development		**6,152.5**	7,194.9
Properties held for sale		**2,097.1**	1,285.8
Aircraft held for sale		**70.6**	18.4
Inventories		**77.7**	65.5
Loans receivable		**4.5**	4.5
Finance lease receivables		**19.1**	37.1
Debtors, deposits and prepayments	9	**544.7**	683.8
Held-to-maturity investments		**–**	167.9
Financial assets at amortised cost		**213.0**	–
Financial assets at fair value through profit or loss		**2,254.1**	1,616.3
Derivative financial instruments		**14.2**	–
Tax recoverable		**9.4**	11.7
Restricted cash		**80.2**	145.6
Pledged time deposits and bank balances		**230.8**	550.4
Time deposits		**1,581.3**	1,896.5
Cash and bank balances		**1,816.3**	2,224.7
Total current assets		**15,165.5**	15,903.1

	Notes	30th June, 2018 (Unaudited) HK$'million	31st December, 2017 (Audited) HK$'million
CURRENT LIABILITIES			
Creditors and accruals	10	**(928.4)**	(1,040.7)
Contract liabilities		**(834.3)**	–
Deposits received		**(44.5)**	(2,568.5)
Interest bearing bank borrowings	11	**(4,881.1)**	(4,251.6)
Other borrowings	12	**–**	(1,945.8)
Derivative financial instruments		**(0.3)**	(3.0)
Tax payable		**(203.5)**	(141.1)
Total current liabilities		**(6,892.1)**	(9,950.7)
NET CURRENT ASSETS		**8,273.4**	5,952.4
TOTAL ASSETS LESS CURRENT LIABILITIES		**38,121.5**	35,681.7
NON-CURRENT LIABILITIES			
Creditors and deposits received		**(80.9)**	(74.7)
Interest bearing bank borrowings	11	**(11,608.3)**	(9,142.0)
Other borrowings	12	**(2,728.3)**	(2,713.7)
Deferred tax liabilities		**(2,000.0)**	(2,048.5)
Total non-current liabilities		**(16,417.5)**	(13,978.9)
Net assets		**21,704.0**	21,702.8
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**111.4**	111.4
Reserves		**13,692.3**	13,649.6
		13,803.7	13,761.0
Perpetual securities		**1,732.9**	1,732.9
Non-controlling interests		**6,167.4**	6,208.9
Total equity		**21,704.0**	21,702.8

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2018

	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)	Property revaluation reserve (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, 2018, as previously reported	111.4	1,356.1	4.3	2,079.5	689.6	71.5	5.5	(44.6)	9,487.7	13,761.0	1,732.9	6,208.9	21,702.8
Impact on initial application of HKFRS 9 (note 1)	–	–	–	–	–	(71.5)	–	–	71.5	–	–	–	–
At 1st January 2018, as adjusted	111.4	1,356.1	4.3	2,079.5	689.6	–	5.5	(44.6)	9,559.2	13,761.0	1,732.9	6,208.9	21,702.8
Profit for the period	–	–	–	–	–	–	–	–	221.7	221.7	–	85.2	306.9
Other comprehensive loss for the period:													
Exchange differences on translating foreign operations	–	–	–	–	–	–	–	(37.0)	–	(37.0)	–	(15.1)	(52.1)
Share of other comprehensive loss of an associate	–	–	–	–	–	–	–	–	–	–	–	(0.1)	(0.1)
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	–	(37.0)	221.7	184.7	–	70.0	254.7
Acquisition of non-controlling interests in a listed subsidiary	–	–	–	(13.5)	–	–	–	–	–	(13.5)	–	(6.8)	(20.3)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	3.9	3.9
Distribution to holders of perpetual securities	–	–	–	–	–	–	–	–	(39.3)	(39.3)	–	(18.1)	(57.4)
Final 2017 dividend declared	–	–	–	–	–	–	–	–	(89.2)	(89.2)	–	(90.5)	(179.7)
At 30th June, 2018	111.4	1,356.1	4.3	2,066.0	689.6	–	5.5	(81.6)	9,652.4	13,803.7	1,732.9	6,167.4	21,704.0

For the six months ended 30th June, 2018

	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

Condensed Consolidated Statement of Cash Flows

	Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	HK$'million	HK$'million
Net cash flows from/(used in) operating activities	**(1,011.2)**	381.9
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of subsidiaries	**–**	40.3
Purchases of available-for-sale investments	**–**	(51.9)
Purchases of held-to-maturity investments	**–**	(1,011.8)
Purchases of financial assets at amortised cost	**(489.7)**	–
Purchases of financial assets at fair value through profit or loss	**(107.0)**	–
Proceeds from redemption of held-to-maturity investments	**–**	765.6
Proceeds from redemption of financial assets at amortised cost	**444.6**	–
Decrease/(Increase) in loans receivable	**1.5**	(24.3)
Additions to investment properties	**(21.8)**	(147.8)
Purchases of items of property, plant and equipment	**(518.0)**	(2,406.0)
Proceeds from disposal of items of property, plant and equipment	**7.9**	26.8
Deposit received from disposal of items of property, plant and equipment	**–**	7.8
Advances to associates	**(0.4)**	(13.1)
Interest received	**31.8**	73.5
Dividend received from unlisted investment	**3.9**	3.8
Decrease in pledged time deposits and bank balances	**319.6**	163.7
Increase in restricted cash	**(5.0)**	(7.8)
Net cash flows used in investing activities	**(332.6)**	(2,581.2)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of new bank loans	**4,276.9**	1,571.8
Repayment of bank loans	**(1,173.8)**	(750.1)
Decrease in other borrowings	**(1,952.3)**	–
Interest paid	**(244.6)**	(221.4)
Payment of loan and other costs	**(31.1)**	(16.1)
Dividends paid	**(88.9)**	(74.3)
Dividends paid to non-controlling interests	**(90.1)**	(92.3)
Contribution from non-controlling interests	**3.9**	–
Acquisition of non-controlling interests in listed subsidiaries	**(20.3)**	(0.5)
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
Distribution to holders of perpetual securities	**(57.4)**	–
Net cash flows from financing activities	**622.3**	2,081.4

	Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	HK$'million	**HK$'million**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(721.5)**	(117.9)
Cash and cash equivalents at beginning of period	**4,121.2**	4,488.9
Effect of foreign exchange rate changes, net	**(2.1)**	82.4
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**3,397.6**	4,453.4
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,816.3**	1,735.3
Non-pledged time deposits with original maturity of less than three months when acquired	**1,581.3**	2,718.1
	3,397.6	4,453.4

Notes to Condensed Consolidated Financial Statements

1. Accounting Policies

The condensed consolidated financial statements for the six months ended 30th June, 2018 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 condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31st December, 2017. 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, 2017, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2018.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than the impacts of HKFRS 9 and HKFRS 15 as explained below, the adoption of the above new and revised standards has had no significant financial effect on the Group's condensed consolidated financial statements.

The following table gives a summary of the opening balance adjustments recognised for each line item in the condensed consolidated statement of financial position upon the adoption of HKFRS 9 and HKFRS 15 under the transition methods.

	At 31st December, 2017 HK$'million	**Impact on initial application of HKFRS 9 HK$'million**	**Impact on initial application of HKFRS 15 HK$'million**	**At 1st January, 2018 HK$'million**
Assets and liabilities				
Available-for-sale investments	385.8	(385.8)	–	–
Financial assets at fair value through profit or loss (non-current)	1.9	385.8	–	387.7
Properties under development (current)	7,194.9	–	136.9	7,331.8
Held-to-maturity investments	167.9	(167.9)	–	–
Financial assets at amortised cost	–	167.9	–	167.9
Creditors and accruals	(1,040.7)	–	15.5	(1,025.2)
Deposits received	(2,568.5)	–	2,522.9	(45.6)
Contract liabilities	–	–	(2,675.3)	(2,675.3)
Equity				
Available-for-sale investment revaluation reserve	71.5	(71.5)	–	–
Retained profits	9,487.7	71.5	–	9,559.2

Impact of HKFRS 9 *Financial Instruments*

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1st January, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1st January, 2018 in accordance with the transition requirements. The Group has elected not to adjust the comparative information for the period beginning on 1st January, 2017, which the comparative information was prepared under HKAS 39.

The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(i) Classification and measurement

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets is as follows:

– Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's loans receivable, trade debtors, other financial assets included in debtors, deposits and prepayments, finance lease receivables, restricted cash, pledged time deposits and bank balances, time deposits, cash and bank balances and unlisted certificates of deposits.

Other financial assets are classified and subsequently measured, as follows:

– Financial assets at FVPL comprise derivative financial instruments, quoted equity instruments and unquoted equity and fund instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under HKAS 39, the Group's unquoted equity and fund instruments were classified as available-for-sale investments. Upon transition, the available-for-sale investment revaluation reserve relating to unquoted equity and fund instruments, which had been previously recognised under accumulated other comprehensive income, was reclassified to retained profits.

The assessment of the Group's business models was made as of the date of initial application, 1st January, 2018, and applied to those financial assets that were not derecognised before 1st January, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

(ii) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. Upon the adoption of HKFRS 9, the Group applied the simplified approach and recorded lifetime expected losses that were estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group applied the general approach and recorded twelve-month expected credit losses that were estimated based on the possible default events on its other receivables within the next twelve months. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

Impact of HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits as at 1st January, 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1st January, 2018, thus the comparative figures have not been restated.

The major impacts arising from the adoption of HKFRS 15 on the Group's condensed consolidated financial statements are summarised as follows:

Revenue recognition

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

(i) Revenue from sale of properties

Prior to the adoption of HKFRS 15, the Group accounted for revenue from sales of properties when significant risks and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession.

Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

The Group has assessed that most revenue from sale of properties is recognised at the point in time, when the purchasers obtain the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable. The adoption of HKFRS 15 has had no significant impact on the timing of revenue recognition.

(ii) Significant financing component for sales of properties

Prior to the adoption of HKFRS 15, the Group presented sales proceeds received from customers in connection with the Group's pre-sales of properties as receipts in advance under deposits received in the consolidated statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

Upon adoption of HKFRS 15, the Group recognised contract liabilities for the interest on the sales proceeds received from customers with a significant financing component. The Group elected to apply the practical expedient and did not recognise the effects of a significant financing component with a customer if the time period is one year or less. The adoption of HKFRS 15 has had no significant impact on the opening retained profits as at 1st January, 2018. Significant financing component on the sales proceeds received in advance directly attributable to the construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, is capitalised as part of the cost of those assets. Advance payments from customers that were previously classified under deposits received have been reclassified to contract liabilities as at 1st January, 2018.

(iii) Loyalty points programmes

The Group's hotel operation segment operates loyalty points programmes which allow customers to accumulate points when they patronise the Group's hotels. The points can be redeemed for future spending in the hotels or other gifts. The Group concluded that under HKFRS 15, the loyalty points programmes give rise to a separate performance obligation because they provide a material right to the customers. The Group determined that the impacts upon the adoption of HKFRS 15 were not significant and thus, no adjustment was made to the opening balance of retained profits at 1st January, 2018. In addition, deferred liabilities on the loyalty points programmes were reclassified to contract liabilities as at 1st January, 2018.

(iv) *Presentation and disclosures*

Reclassifications were made as at 1st January, 2018 and 30th June, 2018 to be consistent with the terminology used under HKFRS 15 and, accordingly, advance payments received from customers were reclassified from "deposit received" and "creditors and accruals" to "contract liabilities" before relevant sales are recognised.

Additional disclosures for revenue from contracts with customers are presented in note 2 below.

2. Revenue from Contracts with Customers and 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;

(d) the asset management segment engages in the provision of asset management services to Regal Real Estate Investment Trust ("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 and interest 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 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.

Set out below is the disaggregation of the Group's revenue from contracts with customers and the reconciliation with the operating segment information:

	For the six months ended 30th June, 2018					
Segments	**Property development and investment (Unaudited)**	**Construction and building related businesses (Unaudited)**	**Hotel operation and management and hotel ownership (Unaudited)**	**Aircraft ownership and leasing (Unaudited)**	**Others (Unaudited)**	**Total (Unaudited)**
	HK$'m	**HK$'m**	**HK$'m**	**HK$'m**	**HK$'m**	**HK$'m**
Type of goods or services						
Construction and construction-related income	–	1.7	–	–	–	1.7
Sale of properties	2,123.3	–	–	–	–	2,123.3
Estate management fees	–	2.8	–	–	–	2.8
Sale of aircraft	–	–	–	7.8	–	7.8
Hotel operations and management services						
Hotel operations	–	–	1,091.9	–	–	1,091.9
Management services	–	–	6.5	–	–	6.5
Other operations	–	–	–	–	5.0	5.0
Total revenue from contracts with customers	2,123.3	4.5	1,098.4	7.8	5.0	3,239.0
Rental income						60.2
Net loss from sale of financial assets at fair value through profit or loss						(7.3)
Net loss on settlement of derivative financial instruments						(6.7)
Interest income from financial assets at fair value through profit or loss						43.3
Interest income from finance leases						1.4
Dividend income from listed investments						5.8
Other operations						2.1
Total revenue						3,337.8
Geographical markets						
Hong Kong	99.5	4.5	1,091.9	–	5.0	1,200.9
Mainland China	2,023.8	–	6.5	–	–	2,030.3
Other	–	–	–	7.8	–	7.8
Total revenue from contracts with customers	2,123.3	4.5	1,098.4	7.8	5.0	3,239.0
Timing of revenue recognition						
At a point in time	2,123.3	–	1,092.6	7.8	5.0	3,228.7
Over time	–	4.5	5.8	–	–	10.3
Total revenue from contracts with customers	2,123.3	4.5	1,098.4	7.8	5.0	3,239.0

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,	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
Segment revenue:																		
Sales to external customers	2,133.6	277.0	4.5	5.3	1,130.6	1,065.6	-	-	35.1	23.1	26.9	25.6	7.1	18.2	-	-	3,337.8	1,414.8
Intersegment sales	3.5	3.5	161.4	54.5	3.6	3.8	53.1	47.0	-	-	-	-	51.0	33.5	(272.6)	(142.3)	-	-
Total	**2,137.1**	**280.5**	**165.9**	**59.8**	**1,134.2**	**1,069.4**	**53.1**	**47.0**	**35.1**	**23.1**	**26.9**	**25.6**	**58.1**	**51.7**	**(272.6)**	**(142.3)**	**3,337.8**	**1,414.8**
Segment results before depreciation and amortisation	586.7	276.3	0.2	(0.3)	451.3	380.5	(5.3)	(6.2)	(82.9)	97.4	28.5	23.0	2.2	0.2	-	-	980.7	770.9
Depreciation and amortisation	(11.8)	(12.0)	(0.1)	(0.2)	(272.2)	(261.4)	(0.2)	(0.2)	-	-	(9.2)	(15.3)	(2.0)	(10.2)	-	-	(295.5)	(299.3)
Segment results	574.9	264.3	0.1	(0.5)	179.1	119.1	(5.5)	(6.4)	(82.9)	97.4	19.3	7.7	0.2	(10.0)	-	-	685.2	471.6
Unallocated interest income and unallocated non-operating and corporate gains																	26.7	27.0
Unallocated non-operating and corporate expenses																	(90.3)	(80.1)
Operating profit																	**621.6**	**418.5**
Finance costs																	**(179.4)**	**(155.3)**
Share of profits and losses of associates	(2.2)	(0.3)	-	-	-	-	-	-	-	-	-	-	0.2	(9.4)	-	-	**(2.0)**	**(9.7)**
Profit before tax																	**440.2**	**253.5**
Income tax																	**(133.3)**	**(35.9)**
Profit for the period before allocation between equity holders of the parent and non-controlling interests																	**306.9**	**217.6**
Attributable to:																		
Equity holders of the parent																	**221.7**	**159.1**
Non-controlling interests																	**85.2**	**58.5**
																	306.9	**217.6**

3. Revenue, Other Income and Gains

Revenue, other income and gains are analysed as follows:

	Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	HK$'million	HK$'million
Revenue		
Rental income:		
Hotel properties	**23.3**	21.8
Investment properties	**17.9**	7.8
Properties held for sale	**1.3**	1.3
Aircraft	**17.7**	22.9
Construction and construction-related income	**1.7**	2.5
Proceeds from sale of properties	**2,123.3**	270.7
Estate management fees	**2.8**	2.8
Proceeds from disposal of aircraft held for sale	**7.8**	–
Net gain/(loss) from sale of financial assets at fair value through profit or loss	**(7.3)**	0.7
Net loss on settlement of derivative financial instruments	**(6.7)**	–
Interest income from financial assets at fair value through profit or loss	**43.3**	18.7
Interest income from finance leases	**1.4**	2.7
Dividend income from listed investments	**5.8**	3.7
Hotel operations and management services	**1,098.4**	1,041.0
Logistics and related services income	**–**	9.1
Other operations	**7.1**	9.1
	3,337.8	1,414.8
Other income and gains		
Bank interest income	**24.1**	26.6
Other interest income	**7.9**	47.0
Dividend income from unlisted investments	**3.9**	3.8
Gain on disposal of items of property, plant and equipment	**0.4**	4.7
Gain on disposal of subsidiaries (note 13)	**–**	0.2
Maintenance reserves released	**19.4**	–
Others	**3.4**	0.2
	59.1	82.5

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

	Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	HK$'million	**HK$'million**
Profit on disposal of properties	**488.9**	27.1

5. **Finance Costs**

	Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	HK$'million	**HK$'million**
Interest on bank loans	**166.6**	87.5
Interest on other borrowings	**80.3**	143.7
Interest on convertible bonds	**–**	1.8
Interest on contract liabilities	**20.3**	–
Other interest	**–**	0.8
Amortisation of debt establishment costs	**21.2**	21.7
Total interest expenses on financial liabilities not at fair value through profit or loss	**288.4**	255.5
Other loan costs	**4.0**	8.4
	292.4	263.9
Less: Finance costs capitalised	**(113.0)**	(108.6)
	179.4	155.3

6. Income Tax

	Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	HK$'million	HK$'million
Current – Hong Kong		
Charge for the period	**35.1**	42.4
Current – Overseas		
Charge for the period	**65.2**	5.1
PRC land appreciation tax	**83.6**	–
Deferred	**(50.6)**	(11.6)
Total tax charge for the period	**133.3**	35.9

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2017 - 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.

The PRC land appreciation tax is levied on the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for the sale of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

No provision for tax was required for the associates as no assessable profits were earned by the associates during the period (2017 - Nil).

7. Dividend

The Directors have declared the payment of an interim dividend of HK2.8 cents (2017 - HK2.5 cents) per ordinary share for the financial year ending 31st December, 2018, absorbing a total amount of approximately HK$31.2 million (2017 - HK$27.9 million).

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

(a) Basic earnings per ordinary share

The calculation of the basic earnings per ordinary share for the period ended 30th June, 2018 is based on the profit for the period attributable to equity holders of the parent of HK$221.7 million (2017 - HK$159.1 million), adjusted for the share of distribution related to perpetual securities of Regal Hotels International Holdings Limited ("RHIHL") and its subsidiaries (the "Regal Group") of HK$39.1 million (2017 - Nil), and on the weighted average of 1,114.6 million (2017 - 1,114.6 million) ordinary shares of the Company in issue during the period.

(b) Diluted earnings per ordinary share

No adjustment was made to the basic earnings per ordinary share for the periods ended 30th June, 2018 and 2017 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$119.8 million (31st December, 2017 - HK$147.4 million) representing the trade debtors of the Group. The ageing analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2018 (Unaudited)	31st December, 2017 (Audited)
	HK$'million	HK$'million
Outstanding balances with ages:		
Within 3 months	**93.7**	122.7
4 to 6 months	**2.8**	3.5
7 to 12 months	**4.4**	7.2
Over 1 year	**20.7**	15.8
	121.6	149.2
Impairment	**(1.8)**	(1.8)
	119.8	147.4

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amounts less impairment. The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30th June, 2018, credit losses of HK$1.8 million (31st December, 2017 - HK$1.8 million) was made against the gross amounts of trade debtors. 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$1.4 million (31st December, 2017 - HK$0.9 million) and HK$1.2 million (31st December, 2017 - HK$1.2 million), respectively, which are unsecured, non-interest bearing and repayable on demand.

Also included in the balance is an amount of HK$23.5 million (31st December, 2017 - HK$35.4 million) in relation to the prepaid commission for sales of properties which is classified as contract assets in accordance with HKFRS 15.

10. Creditors and Accruals

Included in the balance is an amount of HK$95.1 million (31st December, 2017 - HK$87.0 million) representing the trade creditors of the Group. The ageing analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2018 (Unaudited)	31st December, 2017 (Audited)
	HK$'million	HK$'million
Outstanding balances with ages:		
Within 3 months	**94.7**	86.8
4 to 6 months	**–**	0.1
7 to 12 months	**0.3**	0.1
Over 1 year	**0.1**	–
	95.1	87.0

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

Included in the balance under current liabilities are amounts due to an associate and fellow subsidiaries of HK$1.1 million (31st December, 2017 - HK$1.2 million) and HK$6.4 million (31st December, 2017 - HK$3.9 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment.

11. Interest Bearing Bank Borrowings

	30th June, 2018 (Unaudited)		31st December, 2017 (Audited)	
	Maturity	HK$'million	Maturity	HK$'million
Current				
Bank loans – secured	**2018 - 2019**	**4,881.1**	2018	4,251.6
Non-current				
Bank loans – secured	**2019 - 2023**	**11,608.3**	2019 - 2021	9,142.0
		16,489.4		13,393.6

	30th June, 2018 (Unaudited)	31st December, 2017 (Audited)
	HK$'million	HK$'million
Analysed into:		
Bank loans repayable:		
Within one year	**4,881.1**	4,251.6
In the second year	**1,857.2**	1,736.7
In the third to fifth years, inclusive	**9,751.1**	7,405.3
	16,489.4	13,393.6

On 12th September, 2016, Regal REIT group through its wholly owned subsidiaries, Bauhinia Hotels Limited and Rich Day Investments Limited, entered into a 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 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, 2018, the 2016 IH Facilities had an outstanding term loan facility of HK$4,500.0 million and the full amount of the revolving loan facility was un-utilised.

On 8th March, 2018, Regal REIT group, through its wholly owned subsidiary, Ricobem Limited, arranged a new bilateral term loan facility of HK$3,000.0 million (the "2018 RKH Facility"), secured by a mortgage over the Regal Kowloon Hotel. The 2018 RKH Facility was drawn down mainly for refinancing the notes under the medium term note programme of the Regal REIT group that matured in March 2018 and May 2018, respectively. The 2018 RKH Facility has a term of five years to March 2023. As at 30th June, 2018, the outstanding amount of the 2018 RKH Facility was HK$3,000.0 million, representing the full amount of the term loan facility.

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 five years to December 2019, was entered into by Sonnix Limited, a wholly owned subsidiary of Regal REIT group. The 2014 WC Facility is secured by the iclub Wan Chai Hotel. As at 30th June, 2018, the outstanding amount on the 2014 WC Facility was HK$440.0 million, representing the full amount of the term loan facility.

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, 2018, the utilised amount of the 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, 2018, the outstanding amount of the 2014 FH Facilities amounted to HK$660.0 million, representing the full amount of the term loan facility.

On 4th September, 2017, Regal REIT group, through its wholly owned subsidiary, Land Crown International Limited, arranged for a term loan facility of HK$748.0 million (the "2017 MTW Facility"), secured by the iclub Ma Tau Wai Hotel, with a term of three years to September 2020. As at 30th June, 2018, the outstanding amount of the 2017 MTW Facility was HK$748.0 million, representing the full amount of the term loan facility.

As at 30th June, 2018, the outstanding loan facilities of Regal REIT group bear interest at the Hong Kong Interbank Offered Rates ("HIBOR") plus an interest margin ranging from 0.92% per annum to 1.45% per annum (31st December, 2017 - ranging from 0.95% per annum to 1.45% per annum).

Bank borrowings under the 2016 IH Facilities, the 2018 RKH Facility, the 2014 WC Facility, the 2014 SW Facilities, the 2014 FH Facilities and the 2017 MTW Facility 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, sales 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.

At 30th June, 2018, the Group's other bank borrowings bear interest at HIBOR plus an interest margin ranging from 0.75% per annum to 1.50% per annum (31st December, 2017 - HIBOR plus 0.75% per annum to 1.50% per annum) except for a bank loan of HK$41.1 million (31st December, 2017 - HK$72.2 million) which bears interest at London Inter Bank Offered Rate ("LIBOR") plus an interest margin of 0.75% per annum (31st December, 2017 - LIBOR plus 0.75% per annum) and bank loans of HK$784.6 million (31st December, 2017 - HK$392.9 million) which bear interest at the bank's cost of fund plus an interest margin from 0.75% per annum to 0.80% per annum (31st December, 2017 - bank's cost of fund plus 0.75% per annum to 0.80% per annum).

At 30th June, 2018, all interest bearing bank borrowings are denominated in Hong Kong dollars except for bank loans of HK$659.2 million which are denominated in United States dollars and bank loans of HK$20.5 million which are denominated in Euro.

At 31st December, 2017, all interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK$310.1 million which were denominated in United States dollars, bank loans of HK$40.9 million which were denominated in Euro and a bank loan of HK$7.8 million which was denominated in Japanese Yen.

The Group's bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 16 to the condensed consolidated financial statements.

12. Other Borrowings

	30th June, 2018 (Unaudited)	31st December, 2017 (Audited)
	HK$'million	**HK$'million**
Current		
Other borrowings - unsecured	**–**	1,945.8
Non-current		
Other borrowings - unsecured	**2,728.3**	2,713.7
	2,728.3	4,659.5
Analysed into:		
Other borrowings repayable:		
Within one year	**–**	1,945.8
In the third to fifth years, inclusive	**2,728.3**	2,713.7
	2,728.3	4,659.5

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

On 19th October, 2012, the MTN Issuer issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US$300.0 million at a coupon interest rate of 4.25% per annum. The notes were issued at a discount at 99.444% of the principal amount. The notes were fully repaid during the year ended 31st December, 2017.

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. The notes were fully repaid on 22nd March, 2018.

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. The notes were fully repaid on 22nd May, 2018.

13. Disposal of Subsidiaries

Pursuant to a deed of arrangement entered into between Cosmopolitan International Holdings Limited ("Cosmopolitan") and its subsidiaries (the "Cosmopolitan Group") and the co-venturer, the Cosmopolitan Group completed the disposal of its 60% effective equity interest in 上海禾允投資咨詢有限公司 and its wholly owned subsidiary which was engaged in the provision of logistics and related services in Shanghai, the PRC, at a total consideration of HK$71.0 million. The disposal was completed on 30th June, 2017 and the related gain on disposal of subsidiaries amounted to approximately HK$0.2 million.

14. Notes to the Condensed Consolidated Statement of Cash Flows

(a) Changes in liabilities arising from financing activities:

	Interest bearing bank borrowings HK$'million	**Other borrowings HK$'million**	**Interest payable on bank borrowings and other borrowings HK$'million**
At 1st January, 2018	13,393.6	4,659.5	60.5
Changes from financing cash flows	3,076.0	(1,952.3)	(248.6)
Foreign exchange movement	1.0	17.2	(5.3)
Finance costs	18.8	3.9	249.4
At 30th June, 2018	16,489.4	2,728.3	56.0

(b) Major non-cash transactions:

	Six months ended 30th June, 2018 (Unaudited)	**Six months ended 30th June, 2017 (Unaudited)**
	HK$'million	**HK$'million**
Maintenance liabilities settled upon disposal of an aircraft	–	5.9

15. 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, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	HK$'million	**HK$'million**
A wholly owned subsidiary of the listed ultimate holding company:		
Management fees	**37.1**	32.1
An associate:		
Advertising and promotion fees (including cost reimbursements)	**2.7**	2.7

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, 2017.

(b) Outstanding balances with related parties:

	30th June, 2018 (Unaudited)	31st December, 2017 (Audited)
	HK$'million	**HK$'million**
Due from associates	**101.5**	101.2
Due from a fellow subsidiary	**1.4**	0.9
Due from a related company	**1.2**	1.2
Due to fellow subsidiaries	**(6.4)**	(3.9)
Due to an associate	**(1.1)**	(1.2)

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

	Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	HK$'million	**HK$'million**
Short term employee benefits	**22.0**	21.5
Staff retirement scheme contributions	**1.5**	1.4
Total compensation paid to key management personnel	**23.5**	22.9

16. Pledge of Assets

As at 30th June, 2018, certain of the Group's property, plant and equipment, investment properties, properties held for sale, properties under development, financial assets at fair value through profit or loss, financial assets at amortised cost, time deposits and bank balances in the total amount of HK$32,295.2 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, 2018, certain ordinary shares in a listed subsidiary with a market value of HK$426.6 million were also pledged to secure general banking facilities granted to the Group.

As at 31st December, 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, held-to-maturity investments, time deposits and bank balances in the total amount of HK$27,144.0 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 31st December, 2017, certain ordinary shares in a listed subsidiary with a market value of HK$536.8 million were also pledged to secure general banking facilities granted to the Group.

17. 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 RMB5.1 million (HK$6.0 million) (31st December, 2017 - RMB8.2 million (HK$9.9 million)) as contingent liabilities and no provision has been made in the condensed consolidated financial statements.

In addition, at the end of the reporting period, the Cosmopolitan Group has provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of its properties amounting to approximately RMB424.1 million (HK$501.8 million) (31st December, 2017 - RMB356.0 million (HK$427.0 million)). The Cosmopolitan Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates and the completion of the proper procedures to register the mortgages under the names of the relevant purchasers, which will generally complete within one to two years after the purchasers take possession of the relevant properties.

18. 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 4 years. The terms of the leases generally also require the lessees to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

The Group also leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms ranging from 2 to 6 years. The terms of the leases generally also require the lessees to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 30th June, 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its lessees falling due as follows:

	30th June, 2018 (Unaudited)	**31st December, 2017 (Audited)**
	HK$'million	**HK$'million**
Within one year	**145.5**	87.7
In the second to fifth years, inclusive	**215.1**	152.8
After five years	**2.3**	9.6
	362.9	250.1

(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 of 5 years.

At 30th June, 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2018 (Unaudited)	31st December, 2017 (Audited)
	HK$'million	HK$'million
Land and buildings:		
Within one year	**13.7**	15.1
In the second to fifth years, inclusive	**10.7**	7.9
	24.4	23.0
Other equipment:		
Within one year	**0.5**	0.5
In the second to fifth years, inclusive	**0.6**	0.7
	1.1	1.2
	25.5	24.2

19. Commitments

In addition to the operating lease commitments detailed in note 18(b) above, the Group had the following capital commitments at the end of the reporting period:

	30th June, 2018 (Unaudited)	31st December, 2017 (Audited)
	HK$'million	HK$'million
Contracted, but not provided for:		
Property development projects	**1,740.0**	1,830.4

20. 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, 2018

	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
Financial assets at fair value through profit or loss:				
Listed equity investments	523.4	15.8	–	539.2
Listed debt investments	–	1,714.9	–	1,714.9
Unlisted equity investments	–	–	98.5	98.5
Unlisted fund investments	–	–	397.7	397.7
Structured deposit	–	1.9	–	1.9
Derivative financial instruments	–	14.2	–	14.2
	523.4	1,746.8	496.2	2,766.4

Assets measured at fair value as at 31st December, 2017

	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	–	–	313.1	313.1
Financial assets at fair value through profit or loss:				
Listed equity investments	498.4	16.3	–	514.7
Listed debt investments	–	1,101.6	–	1,101.6
Structured deposit	–	1.9	–	1.9
	498.4	1,119.8	313.1	1,931.3

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

	2018 (Unaudited) HK$'million	**2017 (Audited) HK$'million**
Available-for-sale investments – unlisted:		
At 1st January, as previously reported	**313.1**	253.1
Impact on initial application of HKFRS 9	**(313.1)**	–
At 1st January, as adjusted	**–**	253.1
Purchases	**–**	30.6
Distributions	**–**	(2.2)
Total gains recognised in other comprehensive income	**–**	31.6
At 30th June/31st December	**–**	313.1

	2018
	(Unaudited)
	HK$'million
Financial assets at fair value through profit or loss – unlisted investments:	
At 1st January, as previously reported	**–**
Impact on initial application of HKFRS 9	**385.8**
At 1st January, as adjusted	**385.8**
Purchases	**121.0**
Distributions	**(14.0)**
Total gains recognised in profit or loss	**3.4**
At 30th June	**496.2**

Liabilities measured at fair value as at 30th June, 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'million	**Significant observable inputs (Level 2) HK$'million**	**Significant unobservable inputs (Level 3) HK$'million**	**Total HK$'million**
Derivative financial instruments	**–**	**0.3**	**–**	**0.3**

Liabilities measured at fair value as at 31st December, 2017

	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	–	3.0	–	3.0

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, 2017 - Nil).

Valuation techniques

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

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

The fair values of unlisted equity and unlisted fund investments are determined by reference to recent transaction prices of the investments or carried at net asset values provided by financial institutions or related administrators.

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

21. Events after the reporting period

On 16th August, 2018, the Cosmopolitan Group entered into a deposit agreement in relation to a possible investment by the Cosmopolitan Group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in China (the "Deposit Agreement"). Pursuant to the Deposit Agreement, the Cosmopolitan Group has paid a deposit of RMB70 million to the vendor parties and was granted an exclusivity period for a period of 18 months to conduct bona fide negotiations to settle the terms of the possible investment. The deposit will be refundable to the Cosmopolitan Group except in the case where the wholly owned subsidiary of the Cosmopolitan Group, as a party to the Deposit Agreement, breaches its own exclusivity undertakings.

If a formal binding agreement is settled and signed by the relevant parties, the Cosmopolitan Group is expected to acquire 60% interest, directly or indirectly, in the equity and/or the businesses of the logistics services provider. The consideration for such acquisition will be determined with reference to the anticipated net profit of the relevant business segments to be acquired by the Cosmopolitan Group, as warranted by the vendor parties. The estimated initial consideration is approximately RMB3.5 billion, subject to finalisation of the terms in the formal agreement, and is proposed to be settled by the Cosmopolitan Group through the issue of ordinary shares and convertible bonds of Cosmopolitan to the vendor parties.

22. 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 27th August, 2018.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2018, 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, 2018)**
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. 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, 2018)
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. 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 (69.33%)
		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)	–	3,288,556,716 (Note e)	–	3,288,556,716
			(ii) (unissued)	–	5,024,058,784 (Note f)	–	5,024,058,784
						Total:	8,312,615,500 (188.34%)
			Preference (issued)	–	2,345,487,356 (Note f)	–	2,345,487,356 (99.99%)
		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	Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 30th June, 2018)
				Number of shares held			
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 694,124,547 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 62.81% shareholding interests. The Company held 69.25% 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 2,772,116,716 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 516,440,000 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of RHIHL. The Company, in which CCIHL held 62.28% shareholding interests, held 69.25% 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 69.25% 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 62.81% 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 69.25% 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, 2018, 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, 2018, 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, 2018
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, 2018, 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, Ms. Winnie Ng 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, 2017 is set out below:

Name of Director	Details of changes
Independent Non-Executive Directors:	
Hon Abraham Shek Lai Him, GBS, JP	• Appointed as an independent non-executive director of CSI Properties Limited, a company listed on the Stock Exchange, with effect from 20th July, 2018.
Mr. Wong Chi Keung	• Ceased to be an independent non-executive director of China Shanshui Cement Group Limited, a company listed on the Stock Exchange, with effect from 23rd May, 2018.

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, 2018, 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, 2018.

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, 2018.

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)*
Ms. Winnie Ng, JP *(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, 2018, in conjunction with the external auditors. The review report of the external auditors is set out on page 64 of this report.

Report on Review of Interim Financial Information

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

Introduction

We have reviewed the interim financial information of Paliburg Holdings Limited (the "Company") and its subsidiaries set out on pages 24 to 56, which comprises the condensed consolidated statement of financial position as at 30th June, 2018 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

27th August, 2018

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