



富豪酒店國際控股有限公司

Regal Hotels

International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 78)

2018

INTERIM REPORT



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Corporate Information

DIRECTORS

Executive Directors

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Lo Po Man

(Vice Chairman and Managing Director)

Belinda Yeung Bik Yiu

(Chief Operating Officer)

Donald Fan Tung

Jimmy Lo Chun To

Kenneth Ng Kwai Kai

Allen Wan Tze Wai

Non-Executive Director

Francis Choi Chee Ming, GBS, JP

(Vice Chairman)

Independent Non-Executive Directors

Alice Kan Lai Kuen

Japhet Sebastian Law

Winnie Ng, JP

Wong Chi Keung

AUDIT COMMITTEE

Wong Chi Keung (Chairman)

Francis Choi Chee Ming, GBS, JP

Alice Kan Lai Kuen

Japhet Sebastian Law

Winnie Ng, JP

REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)

Lo Yuk Sui

Alice Kan Lai Kuen

Winnie Ng, JP

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Alice Kan Lai Kuen

Winnie Ng, 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

Industrial and Commercial Bank of China (Asia) Limited

China Construction Bank Corporation, Hong Kong Branch

Oversea-Chinese Banking Corporation Limited

Bank of Communications Co., Ltd., Hong Kong Branch

Australia and New Zealand Banking Group Limited

United Overseas Bank Limited, Hong Kong Branch

Chong Hing Bank Limited

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited

The Belvedere Building, 69 Pitts Bay Road

Pembroke HM08, Bermuda

BRANCH REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wan Chai

Hong Kong

REGISTERED OFFICE

The Belvedere Building, 69 Pitts Bay Road

Pembroke HM08, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Mr. Lo Yuk Sui, aged 73; Chairman and Chief Executive Officer – Chairman and Managing Director since 1989 when the Company was established in Bermuda as the holding company of the Group. Mr. Lo has been the managing director and the chairman of the predecessor listed company of the Group since 1984 and 1987 respectively. Mr. Lo was designated as the Chief Executive Officer of the Company in 2007. 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), Paliburg Holdings Limited (“PHL”) (the immediate listed holding company of the Company) and Cosmopolitan International Holdings Limited (“Cosmopolitan”) (the listed fellow subsidiary 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 the Company). 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 Miss Lo Po Man and Mr. Jimmy Lo Chun To.

Miss Lo Po Man, aged 38; Vice Chairman and Managing Director – Joined the Group in 2000 and appointed to the Board in 2004. Miss Lo has been a Vice Chairman and the Managing Director of the Company since 2013. She is also an executive director and a vice chairman of CCIHL, an executive director of PHL, an executive director and a vice chairman of Cosmopolitan, and a non-executive director and the vice chairman of RPML. Miss Lo graduated from Duke University, North Carolina, the United States, with a Bachelor’s Degree in Psychology. Miss Lo is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing function of the 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.

Dr. Francis Choi Chee Ming, GBS, JP, aged 72; Vice Chairman and Non-Executive Director – Invited to the Board as Non-Executive Director and elected Vice Chairman in 2004. Dr. Choi holds a Master’s Degree in Business Administration from the Newport University in the United States of America. He also holds a Ph. D. in Business Management from Harbin Institute of Technology, the People’s Republic of China (the “PRC”) and an Honorary Degree of Doctor of Business Administration from The Hong Kong Polytechnic University. Dr. Choi is the chairman of Early Light International (Holdings) Limited and has extensive business interests in the manufacturing industry and the property sector. He is the Honorary President of the Toys Manufacturers’ Association of Hong Kong, Honorary President of the Hong Kong Young Industrialists Council and the Court Member of The Hong Kong Polytechnic University, a member of Sun Yat-sen University Advisory Board, the PRC and the Honorary Chairman of the Board of Trustees of Shaoguan University, the PRC. Dr. Choi is also the deputy chairman and non-executive director of Town Health International Medical Group Limited, a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Ms. Belinda Yeung Bik Yiu, aged 60; Executive Director and Chief Operating Officer – Appointed to the Board in 2002 and designated as the Chief Operating Officer in 2007. Ms. Yeung joined the Group in 1987. Graduated from Barron Hilton School of Hotel Management, University of Houston, U.S.A., Ms. Yeung has devoted her career in the hospitality industry in U.S.A., Mainland China and Hong Kong – on both multi-unit corporate and single-unit hotel property management levels. As the Chief Operating Officer, she is in charge of the operations of all Regal Hotels in Hong Kong and Mainland China. In addition to her hotel management responsibilities, Ms. Yeung is also responsible for the human resources management of the Century City Group. Ms. Yeung is a member of Election Committee for the Hong Kong Chief Executive Election, Board Member of the Hong Kong Tourism Board, First Vice Chairman of the Federation of Hong Kong Hotel Owners, Fellow of The Hong Kong Polytechnic University and Honorary Fellow of the Vocational Training Council.

Directors' Profile (Cont'd)

Mr. Donald Fan Tung, aged 61; *Executive Director* – Appointed to the Board in 2002. Mr. Fan is a qualified architect. He has been with the Group since 1987 and is primarily in charge of the property investment and development businesses and the hotel project works of the Group. Mr. Fan is also an executive director of CCIHL, an executive director and the chief operating officer of PHL and a non-executive director of RPML. Mr. Fan is involved in the property development, architectural design and project management functions as well as overseeing the building construction business of the PHL Group.

Ms. Alice Kan Lai Kuen, aged 63; *Independent Non-Executive Director* – Invited to the Board as Independent Non-Executive Director in 2004. Ms. Kan is also an independent non-executive director of Cosmopolitan. Ms. Kan is a shareholder and the managing director of Asia Investment Management Limited providing corporate advisory and investment management services. She is a licensed investment adviser under the Securities and Futures Ordinance of Hong Kong (the "SFO") and a responsible officer of Asia Investment Management Limited. She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is also an independent non-executive director of China Engin International (Holdings) Limited, Mason Group Holdings Limited and Shimao Property Holdings Limited, all of which are companies listed on the Stock Exchange, and an independent director of AVIC International Maritime Holdings Limited, a company listed on the Catalist board of Singapore Exchange Securities Trading Limited.

Professor Japhet Sebastian Law, aged 66; *Independent Non-Executive Director* – Invited to the Board as Independent Non-Executive Director in 2012. Professor Law obtained his Ph.D. in Mechanical/Industrial Engineering from The University of Texas at Austin in 1976. He joined The Chinese University of Hong Kong in 1986 and was a professor in the Department of Decision Sciences and Managerial Economics and the director of the Aviation Policy and Research Center until his retirement since August 2012. He was also the associate dean and subsequently the dean of the Faculty of Business Administration of The Chinese University of Hong Kong from 1993 to 2002. Prior to returning to Hong Kong, Professor Law was the director of operations research at the Cullen College of Engineering and director of graduate studies in Industrial Engineering at the University of Houston, and he was also involved with the United States Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. Professor Law has acted as a consultant for various corporations in Hong Kong and overseas. He is active in public services, having served as a member of the Provisional Regional Council of the Government of the Hong Kong Special Administrative Region and various other government advisory committees, and he is also active in serving on the boards of for-profit, non-profit, public and charitable organisations in Hong Kong and overseas. Professor Law is currently an independent non-executive director of Beijing Capital International Airport Company Limited, Binhai Investment Company Limited, Global Digital Creations Holdings Limited, Shougang Fushan Resources Group Limited, Tianjin Binhai Teda Logistics (Group) Corporation Limited and Tianjin Port Development Holdings Limited, all of which are companies listed on the Stock Exchange. Professor Law has also served on various committees and boards of international organisations, including The Association to Advance Collegiate Schools of Business, Graduate Management Admission Council and Oxfam International.

Mr. Jimmy Lo Chun To, aged 44; *Executive Director* – Appointed to the Board in 1999. Mr. Jimmy Lo is also an executive director and a vice chairman of CCIHL, an executive director, the vice chairman and the managing director of PHL, an executive director and 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 Cosmopolitan group's property projects in 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. Kenneth Ng Kwai Kai, aged 64; *Executive Director* – Joined the Group in 1985 and appointed to the Board in 1998. Mr. Ng is a Chartered Secretary and is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. He is also an executive director and the chief operating officer of CCIHL, an executive director of PHL and Cosmopolitan, and a non-executive director of RPML.

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 PHL 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.

Mr. Allen Wan Tze Wai, aged 59; *Executive Director* – Appointed to the Board in 2010. Mr. Wan has been with the Century City Group for over 23 years and is the Group Financial Controller of the Century City Group. Mr. Wan holds a Bachelor's Degree in Commerce from the University of New South Wales in Australia. He is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Wan has over 35 years of experience in finance and accounting field.

Directors' Profile (Cont'd)

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 PHL. 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 SFO. 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.

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\$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 Group's hotel and property businesses, the two core business segments of the Group, maintained steady performance. However, due to the relatively volatile conditions in the financial markets, the overall profits achieved for the Group's financial assets investments segment was substantially lower than that of the prior comparative period. Operating profit before depreciation, finance costs and tax for the first half of 2018 amounted to HK\$597.3 million (2017 – HK\$726.2 million). As a significant part of the Group's property business is conducted through P&R Holdings Limited, the 50/50 joint venture between the Group and Paliburg Holdings Limited (the immediate listed parent of the Company), the increased profit contribution from property business was reflected in the 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 Group's hotel properties, which although not having an impact on cash flow, have nonetheless impacted on the Group's reported profit.

The Group has nine hotel properties operating in Hong Kong, which are all owned through Regal Real Estate Investment Trust, the listed subsidiary of the Company. With the exception of the iclub Wan Chai Hotel which is self-operated by Regal REIT, the five initial Regal Hotels and the three other iclub Hotels are leased by Regal REIT to a wholly owned subsidiary of the Group for hotel operations. In compliance with the prevailing accounting standards, all these hotel properties are stated in the Group's consolidated financial statements as property, plant and equipment and subject to depreciation charges. Consequently, their carrying values in the Group's consolidated financial statements are substantially below their market values. If all such hotel properties were to be stated at their independent professional valuations as at 30th June, 2018, the adjusted net asset value per share of the Company would amount to HK\$23.4, as compared to HK\$14.2 per share based on book net assets. Shareholders could refer to the paragraph headed "Assets Value" in the section headed "Management Discussion and Analysis" in this Interim Report on the information regarding the adjusted net asset value of the Company.

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 Group is developing, through a wholly owned subsidiary of the Company, 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 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 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 the Company, 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 the Company 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 the Company, 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 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 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 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 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 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 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 Group's marketing and reservation networks on the internet and other platforms.

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.

The Group's property development business has principally been undertaken through the P&R Holdings joint venture since its establishment in 2011. Pending the completion and disposal by P&R Holdings of some of its property projects, the 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 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 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.

Of the various property projects undertaken by P&R Holdings, it might be worthwhile mentioning that the "We Go MALL" at Ma On Shan has been completed and soft opened in May 2018. This shopping mall development is yielding satisfactory rentals and will be retained for investment income. Meanwhile, the large scale residential project at Kau To, now named as "Mount Regalia", has 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.

Further detailed information on the Group's development projects and properties, as well as those undertaken by P&R Holdings and its listed subsidiary, Cosmopolitan International Holdings Limited, and on the Group's financial assets and other investments are contained in the section headed "Management Discussion and Analysis" in this Interim Report.

AIRCRAFT OWNERSHIP AND LEASING

In April 2018, the 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 Group disposed of two Embraer ERJ145 aircraft to an independent third party purchaser. Subsequent to the half year end date, the 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 Group.

At present, the 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 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.

OUTLOOK

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 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 Group upon their gradual disposals. Overall, the Directors are confident that the Group as a whole will continue to grow and prosper.

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 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 business and other investments including financial assets investments.

The performance of the Group's hotel, property and other investment businesses as well as that of Regal REIT during the period under review, the commentary on the hotel and property sectors and the changes in general market conditions and the potential impact on their operating performances and future prospects are contained in the sections headed "Financial Results", "Business Overview" and "Outlook", respectively, in the preceding Chairman's Statement as well as in this section.

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

A brief review on the development projects and properties of the Group in Hong Kong, as well as those undertaken by P&R Holdings and its listed subsidiary, Cosmopolitan International Holdings Limited ("Cosmopolitan"), and on the Group's financial assets and other investment 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 the Company 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 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 Group will continue to dispose of some of these houses if the price offered is considered satisfactory.

JOINT VENTURE – P&R HOLDINGS LIMITED

P&R Holdings is a 50:50 owned joint venture established with Paliburg Holdings Limited (“PHL”), with capital contributions provided by the Company and PHL on a pro-rata basis in accordance with their respective shareholdings in P&R Holdings. P&R Holdings’ 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 carparks. 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 carparking 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.

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 People's Republic of China ("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.

FINANCIAL ASSETS AND OTHER INVESTMENTS

The Group maintains a sizable investment portfolio comprising listed securities, investment funds, bonds as well as treasury and yield enhancement products. Due to the relatively volatile conditions in the financial markets, the overall profit achieved in the financial assets investments segment for the period was substantially lower than that of the corresponding period last year.

FINANCIAL REVIEW

ASSETS VALUE

The Group's hotel properties 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 23rd July, 2010 when Regal REIT became a subsidiary 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 their fair values at the time of acquisition net of the unrealised gain attributable to the Group and are also subject to depreciation. For the purpose of providing supplementary information, if the Group's entire hotel property portfolio 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\$23.4 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	12,749.3	14.18
Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	8,318.6	9.26
Unaudited adjusted net assets attributable to equity holders of the parent	21,067.9	23.44

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.

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 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

During the period under review, there were net cash flows used in operating activities of HK\$490.9 million (2017 – HK\$534.8 million). Net interest payment for the period amounted to HK\$127.7 million (2017 – HK\$117.6 million).

Borrowings and Gearing

As at 30th June, 2018, the Group had cash and bank balances and deposits of HK\$2,591.4 million (31st December, 2017 – HK\$3,457.9 million) and the Group's borrowings net of cash and bank balances and deposits amounted to HK\$12,368.7 million (31st December, 2017 – HK\$10,925.2 million).

As at 30th June, 2018, the gearing ratio of the Group was 38.9% (31st December, 2017 – 35.0%), representing the Group's borrowings net of cash and bank balances and deposits of HK\$12,368.7 million (31st December, 2017 – HK\$10,925.2 million), as compared to the total assets of the Group of HK\$31,825.9 million (31st December, 2017 – HK\$31,248.5 million).

On the basis of the adjusted total assets as at 30th June, 2018 of HK\$42,603.7 million (31st December, 2017 – HK\$41,034.7 million), with the Group's hotel portfolio in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 29.0% (31st December, 2017 – 26.6%).

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, 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\$21,349.2 million were pledged to secure 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.

As at 31st December, 2017, certain of the Group's property, plant and equipment, investment properties, properties held for sale, 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\$17,839.9 million were pledged to secure 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.

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2018 are shown in note 18 to the condensed consolidated financial statements.

Contingent Liabilities

As at 30th June, 2018, the Group had contingent liabilities not provided for in the financial statements for corporate guarantees provided in respect of attributable share of banking facilities granted to subsidiaries of a joint venture in the amount of HK\$2,446.8 million (31st December, 2017 – HK\$2,446.8 million), of which HK\$2,131.9 million (31st December, 2017 – HK\$1,841.0 million) was utilised.

In addition, guarantee has been given to a bank by the Group for a performance bond issued by the bank in relation to a property development contract undertaken by the Group amounting to HK\$15.0 million (31st December, 2017 - HK\$15.0 million).

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 HK5.0 cents (2017 – HK4.5 cents) per ordinary share for the financial year ending 31st December, 2018, absorbing an amount of approximately HK\$44.9 million (2017 – HK\$40.4 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, Computershare Hong Kong Investor Services 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 1,950 staff in Hong Kong. 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.

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2, 3	1,204.9	1,236.6
Cost of sales		(644.6)	(702.2)
Gross profit		560.3	534.4
Other income and gain	3	159.9	206.4
Fair value gains on financial assets at fair value through profit or loss, net		10.0	112.1
Fair value gains on investment properties, net		2.9	0.6
Property selling and marketing expenses		–	(5.2)
Administrative expenses		(135.8)	(122.1)
OPERATING PROFIT BEFORE DEPRECIATION		597.3	726.2
Depreciation		(256.9)	(252.7)
OPERATING PROFIT	2, 4	340.4	473.5
Finance costs	5	(175.7)	(194.4)
Share of profits and losses of:			
A joint venture		149.5	29.3
Associates		0.3	6.7
PROFIT BEFORE TAX		314.5	315.1
Income tax	6	(13.5)	(34.2)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		301.0	280.9
Attributable to:			
Equity holders of the parent		294.0	270.3
Non-controlling interests		7.0	10.6
		301.0	280.9
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		HK26.36 cents	HK29.56 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	301.0	280.9
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	–	11.5
Exchange differences on translating foreign operations	(5.8)	23.3
Share of other comprehensive income/(loss) of:		
A joint venture	(25.9)	26.7
An associate	(0.1)	–
Other comprehensive income/(loss) for the period	(31.8)	61.5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	269.2	342.4
Attributable to:		
Equity holders of the parent	262.2	331.7
Non-controlling interests	7.0	10.7
	269.2	342.4

Condensed Consolidated Statement of Financial Position

		30th June, 2018 (Unaudited)	31st December, 2017 (Audited)
	Notes	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment		18,612.2	18,566.9
Investment properties		1,146.4	1,144.7
Properties under development		822.1	762.8
Investments in joint ventures		3,284.0	3,030.8
Investments in associates		16.4	15.8
Available-for-sale investments		–	294.1
Financial assets at fair value through profit or loss		411.8	1.9
Other loan		1,062.0	1,062.0
Debtors and deposits	9	14.7	10.5
Deferred tax assets		54.2	51.7
Total non-current assets		25,423.8	24,941.2
CURRENT ASSETS			
Properties held for sale		236.5	231.5
Inventories		28.9	28.9
Aircraft held for sale		70.6	18.4
Debtors, deposits and prepayments	9	357.3	263.4
Finance lease receivables		19.1	37.1
Held-to-maturity investments		–	167.9
Financial assets at amortised cost		213.0	–
Financial assets at fair value through profit or loss		2,795.7	2,030.5
Other loan		66.0	60.0
Derivative financial instruments		14.2	–
Tax recoverable		9.4	11.7
Restricted cash		72.7	67.7
Pledged time deposits and bank balances		230.8	550.4
Time deposits		1,418.1	1,681.4
Cash and bank balances		869.8	1,158.4
Total current assets		6,402.1	6,307.3
CURRENT LIABILITIES			
Creditors, deposits received and accruals	10	(418.9)	(491.1)
Contract liabilities		(9.3)	–
Interest bearing bank borrowings	11	(1,500.9)	(1,347.5)
Other borrowings	12	–	(1,945.8)
Derivative financial instruments		(0.3)	(3.0)
Tax payable		(53.5)	(23.6)
Total current liabilities		(1,982.9)	(3,811.0)

Condensed Consolidated Statement of Financial Position (Cont'd)

		30th June, 2018 (Unaudited)	31st December, 2017 (Audited)
	Notes	HK\$'million	HK\$'million
NET CURRENT ASSETS		4,419.2	2,496.3
TOTAL ASSETS LESS CURRENT LIABILITIES		29,843.0	27,437.5
NON-CURRENT LIABILITIES			
Creditors and deposits received	10	(105.5)	(104.0)
Interest bearing bank borrowings	11	(10,730.9)	(8,376.1)
Other borrowings	12	(2,728.3)	(2,713.7)
Deferred tax liabilities		(901.5)	(921.4)
Total non-current liabilities		(14,466.2)	(12,115.2)
Net assets		15,376.8	15,322.3
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		89.9	89.9
Reserves		12,659.4	12,557.0
		12,749.3	12,646.9
Perpetual securities		1,732.9	1,732.9
Non-controlling interests		894.6	942.5
Total equity		15,376.8	15,322.3

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2018

	Attributable to equity holders of the parent										Total equity (Unaudited) HK\$'m	
	Issued capital (Unaudited) HK\$'m	Share premium account (Unaudited) HK\$'m	Capital redemption reserve (Unaudited) HK\$'m	Capital reserve (Unaudited) HK\$'m	Property revaluation reserve (Unaudited) HK\$'m	Available-for-sale investment revaluation reserve (Unaudited) HK\$'m	Exchange equalisation reserve (Unaudited) HK\$'m	Retained profits (Unaudited) HK\$'m	Total (Unaudited) HK\$'m	Perpetual securities (Unaudited) HK\$'m		Non-controlling interests (Unaudited) HK\$'m
At 1st January, 2018, as previously reported	89.9	404.7	17.7	15.8	8.1	58.6	(11.3)	12,063.4	12,646.9	1,732.9	942.5	15,322.3
Impact on initial application of HKFRS 9 (note 1)	-	-	-	-	-	(58.6)	-	58.6	-	-	-	-
At 1st January, 2018, as adjusted	89.9	404.7	17.7	15.8	8.1	-	(11.3)	12,122.0	12,646.9	1,732.9	942.5	15,322.3
Profit for the period	-	-	-	-	-	-	-	294.0	294.0	-	7.0	301.0
Other comprehensive loss for the period:	-	-	-	-	-	-	-	-	(5.8)	-	-	(5.8)
Exchange differences on translating foreign operations	-	-	-	-	-	-	(5.8)	-	-	-	-	-
Share of other comprehensive loss of:	-	-	-	-	-	-	-	-	(25.9)	-	-	(25.9)
A joint venture	-	-	-	(8.5)	-	-	(17.4)	-	-	-	-	(25.9)
An associate	-	-	-	-	-	-	(0.1)	-	(0.1)	-	-	(0.1)
Total comprehensive income/(loss) for the period	-	-	-	(8.5)	-	-	(23.3)	294.0	262.2	-	7.0	269.2
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	3.9	3.9
Elimination of reciprocal interests	-	-	-	-	-	-	-	1.0	1.0	-	-	1.0
Final 2017 dividend declared	-	-	-	-	-	-	-	(103.4)	(103.4)	-	(58.8)	(162.2)
Distribution relating to perpetual securities	-	-	-	-	-	-	-	(57.4)	(57.4)	-	-	(57.4)
At 30th June, 2018	89.9	404.7	17.7	7.3	8.1	-	(34.6)	12,256.2	12,749.3	1,732.9	894.6	15,376.8

Condensed Consolidated Statement of Changes in Equity (Cont'd)

For the six months ended 30th June, 2018

	Attributable to equity holders of the parent											
	Issued capital (Unaudited) HK\$'m	Share premium account (Unaudited) HK\$'m	Capital redemption reserve (Unaudited) HK\$'m	Equity component of convertible bonds of a joint venture (Unaudited) HK\$'m	Capital reserve (Unaudited) HK\$'m	Available-for-sale investment revaluation reserve (Unaudited) HK\$'m	Exchange equalisation reserve (Unaudited) HK\$'m	Retained profits (Unaudited) HK\$'m	Total (Unaudited) HK\$'m	Perpetual securities (Unaudited) HK\$'m	Non-controlling interests (Unaudited) HK\$'m	Total equity (Unaudited) HK\$'m
At 1st January, 2017	91.6	520.1	16.0	12.2	1.9	30.3	(105.3)	11,261.6	11,828.4	-	1,053.8	12,882.2
Profit for the period	-	-	-	-	-	-	-	270.3	270.3	-	10.6	280.9
Other comprehensive income for the period:												
Changes in fair value of available-for-sale investments	-	-	-	-	-	11.5	-	-	11.5	-	-	11.5
Exchange differences on translating foreign operations	-	-	-	-	-	-	23.2	-	23.2	-	0.1	23.3
Share of other comprehensive income of a joint venture	-	-	-	-	-	-	26.7	-	26.7	-	-	26.7
Total comprehensive income for the period	-	-	-	-	-	11.5	49.9	270.3	331.7	-	10.7	342.4
Repurchase and cancellation of ordinary shares	(1.1)	(72.1)	1.1	-	-	-	-	(1.1)	(73.2)	-	-	(73.2)
Elimination of reciprocal interests	-	-	-	-	-	-	-	0.8	0.8	-	-	0.8
Final 2016 dividend declared	-	-	-	-	-	-	-	(82.4)	(82.4)	-	(66.2)	(148.6)
Issue of perpetual securities, net of issue expenses	-	-	-	-	-	-	-	-	-	1,732.9	-	1,732.9
At 30th June, 2017	90.5	448.0	17.1	12.2	1.9	41.8	(55.4)	11,449.2	12,005.3	1,732.9	998.3	14,736.5

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 used in operating activities	(490.9)	(534.8)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment properties	(1.7)	(2.4)
Purchases of items of property, plant and equipment	(331.1)	(2,232.6)
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
Deposits paid for purchases of items of property, plant and equipment	–	(200.0)
Purchases of financial assets at fair value through profit or loss	(105.7)	–
Purchases of available-for-sale investments	–	(4.5)
Purchases of financial assets at amortised cost	(489.7)	–
Purchases of held-to-maturity investments	–	(1,011.8)
Proceeds from redemption of financial assets at amortised cost	444.6	–
Proceeds from redemption of held-to-maturity investments	–	765.6
Advances to a joint venture	(312.9)	(374.1)
Repayment from a joint venture	241.8	304.3
Advances to associates	(0.4)	(9.0)
Interest received	37.6	49.7
Dividend received for unlisted investments	3.9	3.8
Decrease/(increase) in other loan	(6.0)	164.0
Decrease in pledged time deposits and bank balances	319.6	165.7
Increase in restricted cash	(5.0)	(7.8)
Net cash flows used in investing activities	(197.1)	(2,354.5)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase and cancellation of ordinary shares	–	(73.2)
Decrease in other borrowings	(1,952.3)	–
Drawdown of new bank loans	3,643.1	1,267.8
Repayment of bank loans	(1,121.8)	(254.5)
Interest paid	(195.9)	(190.3)
Payment of loan and other costs	(29.4)	(9.5)
Dividends paid	(102.9)	(82.1)
Dividends paid to non-controlling interests	(58.8)	(66.2)
Distribution relating to perpetual securities	(57.4)	–
Contribution from non-controlling interests	3.9	–
Issue of perpetual securities, net of issue expenses	–	1,737.5
Net cash flows from financing activities	128.5	2,329.5

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 DECREASE IN CASH AND CASH EQUIVALENTS	(559.5)	(559.8)
Cash and cash equivalents at beginning of period	2,839.8	3,700.7
Effect of foreign exchange rate changes, net	7.6	51.0
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,287.9</u>	<u>3,191.9</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	869.8	972.1
Non-pledged time deposits with original maturity of less than three months when acquired	<u>1,418.1</u>	<u>2,219.8</u>
	<u>2,287.9</u>	<u>3,191.9</u>

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	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	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
<u>Assets and liabilities</u>				
Available-for-sale investments	294.1	(294.1)	–	–
Financial assets at fair value through profit or loss (non-current)	1.9	294.1	–	296.0
Held-to-maturity investments	167.9	(167.9)	–	–
Financial assets at amortised cost	–	167.9	–	167.9
Creditors, deposits received and accruals (current)	(491.1)	–	6.9	(484.2)
Contract liabilities	–	–	(6.9)	(6.9)
<u>Equity</u>				
Available-for-sale investment revaluation reserve	(58.6)	58.6	–	–
Retained profits	(12,063.4)	(58.6)	–	(12,122.0)

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:

(a) *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.

(b) *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 impacts arising from the adoption of HKFRS 15 on the Group's condensed consolidated financial statements are summarised as follows:

(a) *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.

Additional disclosure 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 six reportable operating segments as follows:

- (a) 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;
- (b) the asset management segment engages in the provision of asset management services to Regal Real Estate Investment Trust ("Regal REIT");
- (c) the property development and investment segment includes investments in properties for sale and for rental income, and the provision of property agency and management services;
- (d) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments;
- (e) the aircraft ownership and leasing segment engages in the aircraft ownership and leasing for rental income and interest income; and
- (f) the others segment mainly comprises travel agency services, sale of food products, operation of restaurants, operation of security storage lounge, provision of housekeeping 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	Hotel operation and management and hotel ownership (Unaudited) HK\$m	Property development investment and (Unaudited) HK\$m	Aircraft ownership and leasing (Unaudited) HK\$m	Others (Unaudited) HK\$m	Total (Unaudited) HK\$m
Type of goods or services					
Hotel operations and management services	1,091.9	-	-	-	1,091.9
Hotel operations	6.5	-	-	-	6.5
Management services	-	-	7.8	-	7.8
Sale of aircraft	-	1.7	-	-	1.7
Other operations	-	-	-	5.0	5.0
Total revenue from contracts with customers	1,098.4	1.7	7.8	5.0	1,112.9
Rental income					54.6
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					4.6
Other operations					2.1
Total revenue					1,204.9
Geographical markets					
Hong Kong	1,091.9	1.7	-	5.0	1,098.6
Mainland China	6.5	-	-	-	6.5
Other	-	-	7.8	-	7.8
Total revenue from contracts with customers	1,098.4	1.7	7.8	5.0	1,112.9
Timing of revenue recognition					
At a point in time	1,092.6	-	7.8	5.0	1,105.4
Over time	5.8	1.7	-	-	7.5
Total revenue from contracts with customers	1,098.4	1.7	7.8	5.0	1,112.9

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

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2018	2017	Six months ended 30th June, 2018	2017	Six months ended 30th June, 2018	2017	Six months ended 30th June, 2018	2017	Six months ended 30th June, 2018	2017	Six months ended 30th June, 2018	2017	Six months ended 30th June, 2018	2017	Six months ended 30th June, 2018	2017
	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:	1,130.6	1,062.8	-	-	6.4	117.2	33.9	21.9	26.9	25.6	7.1	9.1	-	-	1,204.9	1,236.6
Sales to external customers	3.6	3.8	53.1	47.0	2.4	2.5	-	-	-	-	51.0	33.5	(110.1)	(86.8)	-	-
Intersegment sales																
Total	1,134.2	1,066.6	53.1	47.0	8.8	119.7	33.9	21.9	26.9	25.6	58.1	42.6	(110.1)	(86.8)	1,204.9	1,236.6
Segment results before depreciation	450.2	496.4	(5.3)	(6.2)	114.9	105.1	49.9	143.4	28.5	23.0	0.2	(1.3)	-	-	638.4	760.4
Depreciation	(242.6)	(232.1)	(0.2)	(0.2)	(2.9)	(3.0)	-	-	(9.2)	(15.3)	(2.0)	(2.1)	-	-	(256.9)	(252.7)
Segment operating results	207.6	264.3	(5.5)	(6.4)	112.0	102.1	49.9	143.4	19.3	7.7	(1.8)	(3.4)	-	-	381.5	507.7
Unallocated interest income and unallocated non-operating and corporate gains															16.1	14.7
Unallocated non-operating and corporate expenses, net															(57.2)	(48.9)
Operating profit															340.4	473.5
Finance costs															(175.7)	(194.4)
Share of profits and losses of:																
A joint venture					149.5	29.3	-	-	-	-	-	-	-	-	149.5	29.3
Associates					0.1	16.1	-	-	-	-	0.2	(9.4)	-	-	0.3	6.7
Profit before tax															314.5	315.1
Income tax															(13.5)	(34.2)
Profit for the period before allocation between equity holders of the parent and non-controlling interests															301.0	280.9
Attributable to:																
Equity holders of the parent															294.0	270.3
Non-controlling interests															7.0	10.6
															301.0	280.9

Notes to Condensed Consolidated Financial Statements (Cont'd)

3. Revenue, Other Income and Gain

Revenue, other income and gain are analysed as follows:

	Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	HK\$'million	HK\$'million
<u>Revenue</u>		
Hotel operations and management services	1,098.4	1,038.2
Rental income:		
Hotel properties	23.3	21.8
Investment properties	12.3	7.8
Aircraft	17.7	22.9
Others	1.3	1.3
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	4.6	2.5
Sale of properties	–	110.0
Sale of aircraft	7.8	–
Other operations	8.8	10.0
	<u>1,204.9</u>	<u>1,236.6</u>
<u>Other income and gain</u>		
Bank interest income	13.5	14.2
Other interest income	120.0	68.3
Maintenance reserves released	19.4	–
Gain on disposal of items of property, plant and equipment	0.4	4.7
Reimbursement of lease payments in connection with an undertaking provided by a joint venture	–	115.3
Others	6.6	3.9
	<u>159.9</u>	<u>206.4</u>

4. An analysis of profit/(loss) on sale of investments and properties of the Group included in the operating profit is as follows:

	Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	HK\$'million	HK\$'million
Profit/(loss) from sale of financial assets at fair value through profit or loss	(7.3)	0.7
Loss on settlement of derivative financial instruments	(6.7)	–
Profit on disposal of properties	–	48.6
	<u> </u>	<u> </u>

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	117.4	57.1
Interest on other borrowings	80.3	144.2
Amortisation of debt establishment costs	15.3	12.4
	<u> </u>	<u> </u>
Total interest expenses on financial liabilities not at fair value through profit or loss	213.0	213.7
Other loan costs	2.4	4.9
	<u> </u>	<u> </u>
	215.4	218.6
Less: Finance costs capitalised	(39.7)	(24.2)
	<u> </u>	<u> </u>
	<u>175.7</u>	<u>194.4</u>

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	35.0	42.3
Current – Overseas		
Charge for the period	0.5	0.2
Deferred	(22.0)	(8.3)
Total tax charge for the period	<u>13.5</u>	<u>34.2</u>

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 share of tax attributable to a joint venture and an associate amounting to HK\$63.0 million and Nil, respectively (2017 - HK\$6.1 million and HK\$1.9 million, respectively), is included in "Share of profits and losses of a joint venture and associates" in the condensed consolidated statement of profit or loss.

7. Dividends

The Directors have declared the payment of an interim dividend of HK5.0 cents (2017 - HK4.5 cents) per ordinary share for the financial year ending 31st December, 2018, absorbing an amount of approximately HK\$44.9 million (2017 - HK\$40.4 million).

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

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the period ended 30th June, 2018 is based on the profit for the period attributable to equity holders of the parent of HK\$294.0 million (2017 - HK\$270.3 million), adjusted for the distribution related to perpetual securities of HK\$57.2 million (2017 - Nil), and on the weighted average of 898.8 million (2017 - 914.5 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\$116.0 million (31st December, 2017 - HK\$140.3 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	90.1	115.7
4 to 6 months	2.7	3.5
7 to 12 months	4.3	7.2
Over 1 year	20.7	15.7
	<u>117.8</u>	<u>142.1</u>
Impairment	(1.8)	(1.8)
	<u><u>116.0</u></u>	<u><u>140.3</u></u>

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 Group's debtors, deposits and prepayments are amounts due from fellow subsidiaries of HK\$42.5 million (31st December, 2017 - HK\$17.2 million).

10. Creditors, Deposits Received and Accruals

Included in the balance is an amount of HK\$73.1 million (31st December, 2017 - HK\$76.1 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	72.7	75.9
4 to 6 months	–	0.1
7 to 12 months	0.3	0.1
Over 1 year	0.1	–
	<u>73.1</u>	<u>76.1</u>

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

Included in creditors, deposits received and accruals are amounts due to associates, a joint venture and fellow subsidiaries of HK\$18.8 million (31st December, 2017 - HK\$18.7 million), HK\$22.8 million (31st December, 2017 - HK\$22.8 million) and HK\$14.7 million (31st December, 2017 - HK\$24.2 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	1,500.9	2018	1,347.5
Non-current				
Bank loans – secured	2019 - 2023	10,730.9	2019 - 2021	8,376.1
		<u>12,231.8</u>		<u>9,723.6</u>

	30th June, 2018 (Unaudited)	31st December, 2017 (Audited)
	HK\$'million	HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year	1,500.9	1,347.5
In the second year	1,335.9	1,726.7
In the third to fifth years, inclusive	9,395.0	6,649.4
	<u>12,231.8</u>	<u>9,723.6</u>

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 was 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 bore 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.

As at 30th June, 2018, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.75% per annum to 1.25% per annum except for bank loans of HK\$41.1 million, which bore interest at London Interbank Offered Rates plus an interest margin of 0.75% per annum and bank loans of HK\$784.6 million, which bore interest at the bank's cost of fund plus an interest margin ranging from 0.75% per annum to 0.8% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK\$659.2 million which were denominated in United States dollars and a bank loan of HK\$20.5 million which was denominated in Euro.

As at 31st December, 2017, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.75% per annum to 1.25% per annum except for bank loans of HK\$72.2 million which bore interest at London Inter Bank Offered Rate plus an interest margin of 0.75% per annum and bank loans of HK\$392.9 million which bore interest at the bank's cost of fund plus an interest margin ranging from 0.75% per annum to 0.8% per annum. 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 15 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	<u>2,728.3</u>	<u>2,713.7</u>
	<u>2,728.3</u>	<u>4,659.5</u>
	HK\$'million	HK\$'million
Analysed into:		
Other borrowings repayable:		
Within one year	–	1,945.8
In the third to fifth years, inclusive	<u>2,728.3</u>	<u>2,713.7</u>
	<u>2,728.3</u>	<u>4,659.5</u>

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

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

(a) Major non-cash transaction

	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

(b) Changes in liabilities arising from financing activities

	Interest bearing bank borrowings HK\$'million	Other borrowings HK\$'million	Interest payable on interest bearing bank borrowings and other borrowings HK\$'million
At 1st January, 2018 (audited)	9,723.6	4,659.5	56.4
Changes from financing cash flows	2,494.3	(1,952.3)	(198.3)
Foreign exchange movement	1.0	17.2	(5.3)
Finance costs	12.9	3.9	198.6
At 30th June, 2018 (unaudited)	<u>12,231.8</u>	<u>2,728.3</u>	<u>51.4</u>

14. Related Party Transactions

(a) Transactions with related parties

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

	Six months ended 30th June, 2018 (Unaudited)	Six months ended 30th June, 2017 (Unaudited)
	HK\$'million	HK\$'million
Fellow subsidiaries:		
Management fees	21.7	19.3
Development consultancy fees	1.2	–
Service fees in respect of security systems and products and other software	0.7	0.7
Repairs and maintenance fees and construction fees	0.1	0.1
An associate:		
Advertising and promotion fees (including cost reimbursements)	2.7	2.7
A joint venture:		
Gross interest income	64.1	86.6
	<u>64.1</u>	<u>86.6</u>

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 fellow subsidiaries	42.5	17.2
Due to a joint venture	(22.8)	(22.8)
Due to associates	(18.8)	(18.7)
Due to fellow subsidiaries	(14.7)	(24.2)
Loans to a joint venture	2,142.7	2,071.6
Due from a joint venture	56.2	49.2
Due from associates	83.2	82.8
Other loan	1,128.0	1,122.0
	<u>1,128.0</u>	<u>1,122.0</u>

(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	13.8	13.4
Staff retirement scheme contributions	0.9	0.8
Total compensation paid to key management personnel	<u>14.7</u>	<u>14.2</u>

15. Pledge of Assets

As at 30th June, 2018, certain of the Group's property, plant and equipment, investment properties, properties held for sale, 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\$21,349.2 million were pledged to secure 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.

As at 31st December, 2017, certain of the Group's property, plant and equipment, investment properties, properties held for sale, 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\$17,839.9 million were pledged to secure 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.

16. Contingent Liabilities

As at 30th June, 2018, the Group had contingent liabilities not provided for in the condensed consolidated financial statements for corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture in the amount of HK\$2,446.8 million (31st December, 2017 - HK\$2,446.8 million), of which HK\$2,131.9 million (31st December, 2017 - HK\$1,841.0 million) was utilised.

In addition, guarantee has been given to a bank by the Group for a performance bond issued by the bank in relation to a property development contract undertaken by the Group amounting to HK\$15.0 million (31st December, 2017 - HK\$15.0 million).

17. Operating Lease Arrangements

(a) As lessor

The Group leases certain retail space and areas of its hotel properties and aircraft under operating lease arrangements, with leases negotiated for terms ranging from 1 to 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 of 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	101.6	70.0
In the second to fifth years, inclusive	144.9	118.4
After five years	2.3	9.6
	<u>248.8</u>	<u>198.0</u>

(b) As lessee

The Group leases certain office and shop units and office equipment under operating lease arrangements. Leases for ranging 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	12.0	11.9
In the second to fifth years, inclusive	8.5	6.0
	20.5	17.9
Other equipment:		
Within one year	0.5	0.5
In the second to fifth years, inclusive	0.6	0.7
	1.1	1.2
	21.6	19.1

18. Commitments

At 30th June, 2018, the Group's share of maximum capital commitment as agreed for P&R Holdings Limited ("P&R Holdings") in respect of its property development projects amounted to HK\$3,700.0 million (31st December, 2017 - HK\$3,700.0 million) (the "P&R Capital Commitment"). At 30th June, 2018, shareholder's loans in an aggregate amount of HK\$501.4 million (31st December, 2017 - HK\$501.4 million) have been contributed, none of which (31st December, 2017 - Nil) has been provided under the P&R Capital Commitment. In addition, a total amount of HK\$2,446.8 million (31st December, 2017 - HK\$2,446.8 million) has been provided as guarantees, on a several basis, for banking facilities granted to certain subsidiaries of P&R Holdings, of which HK\$2,446.8 million (31st December, 2017 - HK\$2,446.8 million) has been provided under the P&R Capital Commitment.

In addition, three (31st December, 2017 - three) loan facilities totalling HK\$2,212.6 million (31st December, 2017 - HK\$2,212.6 million) have been granted to P&R Holdings, of which HK\$1,641.3 million (31st December, 2017 - HK\$1,570.2 million) has been utilised, which bear interest at fixed rates of 4% per annum to 5% per annum (2017 - 4% per annum to 5% per annum).

At the end of the reporting period, the Group's share of the P&R Holdings group's own capital commitments in respect of property development projects, was as follows:

	30th June, 2018 (Unaudited)	31st December, 2017 (Audited)
	HK\$'million	HK\$'million
Contracted, but not provided for	<u>832.0</u>	<u>907.5</u>

In addition to the above share of a joint venture's own capital commitments and the operating lease commitments detailed in note 17(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	<u>105.4</u>	<u>88.5</u>

19. Fair Value and Fair Value Hierarchy of Financial Instruments

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

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. Independent professional valuers are engaged for the valuation as appropriate. The valuation is reviewed and approved by 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			Total (Unaudited) HK\$'million
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'million	Significant observable inputs (Level 2) (Unaudited) HK\$'million	Significant unobservable inputs (Level 3) (Unaudited) HK\$'million	
Financial assets at fair value through profit or loss:				
Listed equity investments	1,065.0	15.8	–	1,080.8
Listed debt investments	–	1,714.9	–	1,714.9
Unlisted equity investments	–	–	98.5	98.5
Unlisted fund investments	–	–	311.4	311.4
Structured deposit	–	1.9	–	1.9
Derivative financial instruments	–	14.2	–	14.2
	1,065.0	1,746.8	409.9	3,221.7

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

	Fair value measurement using			Total (Audited) HK\$'million
	Quoted prices in active markets (Level 1) (Audited) HK\$'million	Significant observable inputs (Level 2) (Audited) HK\$'million	Significant unobservable inputs (Level 3) (Audited) HK\$'million	
Available-for-sale investments:				
Unlisted equity investments	–	–	269.1	269.1
Financial assets at fair value through profit or loss:				
Listed equity investments	912.6	16.3	–	928.9
Listed debt investments	–	1,101.6	–	1,101.6
Structured deposit	–	1.9	–	1.9
	912.6	1,119.8	269.1	2,301.5

Notes to Condensed Consolidated Financial Statements (Cont'd)

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

	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 (note 1)		294.1
At 1st January, as adjusted		294.1
Purchases		119.3
Distributions		(13.6)
Total gains recognised in profit or loss		10.1
At 30th June		409.9

	2018 (Unaudited)	2017 (Audited)
	HK\$'million	HK\$'million
Available-for-sale investments – unlisted:		
At 1st January, as previously reported	269.1	211.6
Impact on initial application of HKFRS 9	(269.1)	–
At 1st January, as adjusted	–	211.6
Purchases	–	30.3
Distributions	–	(1.1)
Total gains recognised in other comprehensive income	–	28.3
At 30th June/31st December	–	269.1

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

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

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

	Fair value measurement using			Total (Audited) HK\$'million
	Quoted prices in active markets (Level 1) (Audited) HK\$'million	Significant observable inputs (Level 2) (Audited) HK\$'million	Significant unobservable inputs (Level 3) (Audited) HK\$'million	
Derivative financial instruments	–	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 the market values provided by financial institutions.

The fair values of unlisted equity investments 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.

20. Approval of the Unaudited Condensed Consolidated Financial Statements

These 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:

The Company/ Name of associated corporation	Name of Director	Class of shares held	Personal interests	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2018)
				Corporate interests	Family/Other interests		
1. The Company	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%)	
	Dr. Francis Choi Chee Ming	Ordinary (issued)	50,240,000	–	–	50,240,000 (5.59%)	
	Mr. Allen Wan Tze Wai	Ordinary (issued)	10,200	–	–	10,200 (0.001%)	
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%)	
	Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)	
	Ms. Belinda Yeung Bik Yiu	Ordinary (issued)	200	–	–	200 (0.000%)	
	Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)	
	Mr. Allen Wan Tze Wai	Ordinary (issued)	24,000	–	–	24,000 (0.001%)	

Other Information (Cont'd)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2018)
				Personal interests	Corporate interests	Family/Other interests	
3.	Paliburg Holdings Limited ("PHL")	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Donald Fan Tung	Ordinary (issued)	556	–	–	556 (0.000%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
		Mr. Allen Wan Tze Wai	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
			Preference (issued)	–	2,345,487,356 (Note f)	–	2,345,487,356 (99.99%)
		Miss Lo Po Man	Ordinary (issued)	1,380,000	–	–	1,380,000 (0.03%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.05%)
						Total:	8,312,615,500 (188.34%)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2018)
				Personal interests	Corporate interests	Family/Other interests	
5.	Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note g)	–	2,443,033,102 (74.99%)
6.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note h)	–	1,000 (100%)

Notes:

- (a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo").
- (b) The interests in 694,124,547 issued ordinary shares of PHL 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 PHL 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 PHL 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 the Company 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 the Company were held through companies wholly owned by PHL, in which CCIHL held 62.28% shareholding interests. The interests in the other 23,408,000 issued ordinary shares of the Company 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 PHL and the Company through their respective wholly owned subsidiaries) held 62.81% shareholding interests. PHL held 69.25% shareholding interests in the Company.
- (d) The interests in 269,169 issued ordinary shares of the Company were held by Miss Lo Po Man as the beneficiary of a trust.

Other Information (Cont'd)

- (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 PHL and the Company 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 the Company. PHL, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in the Company. 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 PHL and the Company through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in the Company. 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 the Company. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of PHL. 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 PHL and the Company through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in the Company. 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)	622,855,261	–	622,855,261	69.30%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	622,855,261	–	622,855,261	69.30%
CCIHL (Note iii)	622,855,261	–	622,855,261	69.30%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	622,855,261	–	622,855,261	69.30%
PHL (Note v)	622,433,861	–	622,433,861	69.25%
Paliburg Development BVI Holdings Limited (Note vi)	622,433,861	–	622,433,861	69.25%
Guo Yui Investments Limited (Note vi)	271,140,466	–	271,140,466	30.17%
Paliburg BVI Holdings Limited (Note vi)	230,870,324	–	230,870,324	25.69%
Taylor Investments Ltd. (Note vi)	154,232,305	–	154,232,305	17.16%
Glaser Holdings Limited (Note vi)	58,682,832	–	58,682,832	6.53%

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) CCBVI is a wholly owned subsidiary of CCIHL and its interests in the ordinary shares of the Company were included in the interests held by CCIHL.
- (v) PHL is a listed subsidiary of CCIHL, which held 62.28% shareholding interests in PHL, and PHL's interests in the ordinary shares of the Company were included in the interests held by CCIHL.
- (vi) These companies are wholly owned subsidiaries of PHL and their interests in the ordinary shares of the Company were included in the interests held by PHL.

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, Miss Lo Po Man and Mr. Jimmy Lo Chun To are directors of Grand Modern.
- (3) Mr. Lo Yuk Sui, Miss Lo Po Man, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Mr. Kenneth Ng Kwai Kai, Ms. Winnie Ng and Mr. Wong Chi Keung are directors of CCIHL and PHL.
- (4) Mr. Lo Yuk Sui, Miss Lo Po Man, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To and Mr. Kenneth Ng Kwai Kai are directors of all the above-mentioned wholly owned subsidiaries of CCIHL and PHL.

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 change
<i>Independent Non-Executive Directors:</i>	
Ms. Alice Kan Lai Kuen	Retired as an independent non-executive director of Shougang Concord International Enterprises Company Limited, a company listed on the Stock Exchange, with effect from the conclusion of its annual general meeting held on 18th May, 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".

DISCLOSURE PURSUANT TO RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Rule 13.22 of Chapter 13 of the Listing Rules relating to the information required to be disclosed under Rule 13.16:

Financial Assistance provided to and Guarantees given for Affiliated Companies (Rule 13.16 of Chapter 13)

Details of the financial assistance provided to affiliated companies by the Group as at 30th June, 2018 are set out below:

Name of Affiliated Companies		Principal Amount of Advances (HK\$'million)	Interest Receivable (HK\$'million)	Guarantee given for Banking Facilities	
				(i) Principal Amount of Banking Facilities (HK\$'million)	(ii) Amount of Banking Facilities Drawdown (HK\$'million)
8D International (BVI) Limited	(A)	13.6	–	Nil	Nil
8D Matrix Limited	(B)	68.8	–	Nil	Nil
P&R Holdings Limited	(C)	<u>2,142.7</u>	<u>(D) 56.2</u>	<u>(E)(i) 2,446.8</u>	<u>(E)(ii) 2,131.9</u>
				Total: (A) to (E)(i)	<u>4,728.1</u>
				(A) to (D) & (E)(ii)	<u>4,413.2</u>

8D International (BVI) Limited ("8D-BVI") is a 30% owned associate of the Company, which was principally involved in the development and distribution of technologically advanced security and building related systems and software development and promotions businesses. The remaining shareholding interests in 8D-BVI are indirectly owned as to 10% by CCIHL and 60% by Mr. Lo through his close associates (as defined in the Listing Rules). The advances were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D-BVI, for the purpose of financing the working capital of 8D-BVI. The advances are unsecured, interest-free and have no fixed terms of repayment.

8D Matrix Limited ("8D Matrix") is a 30% owned associate of the Company, which owns two wholly owned subsidiaries, Century Innovative Technology Limited and 深圳市世紀創意科技有限公司 (collectively, "Century Innovative Technology"), which are principally engaged in the online education, entertainment and technology business based on the "Bodhi and Friends" characters. 8D Matrix also owns a wholly owned subsidiary involved in advertising and promotion business. The remaining shareholding interests in 8D Matrix are owned as to 10% indirectly by CCIHL and 60% indirectly by Mr. Lo through his close associates (as defined in the Listing Rules). The advances were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D Matrix, for the purpose of financing the working capital of 8D Matrix and Century Innovative Technology. The advances are unsecured, interest-free and have no fixed terms of repayment.

Other Information (Cont'd)

P&R Holdings principally engages in the development of real estate projects for sale and/or leasing and the undertaking of related investment and financing activities. P&R Holdings group holds, through its wholly owned subsidiaries, interests in a number of property development projects in Hong Kong and also holds, through Cosmopolitan (the listed subsidiary of P&R Holdings), interests in certain property development projects in Mainland China. Information relating to the investment of P&R Holdings group in such property development projects are disclosed in the preceding Management Discussion and Analysis. The advances to P&R Holdings were provided by a wholly owned subsidiary of the Company in the form of shareholder's loans in proportion to its shareholding interest in P&R Holdings. The advances to P&R Holdings are unsecured and have no fixed terms of repayment and except for an aggregate amount of HK\$1,641.3 million which bears interest at a fixed rate of 4% per annum to 5% per annum, the balance of the advances is interest free. The guarantees were provided by the Company on a several basis in proportion to its shareholding interests in P&R Holdings and were given in respect of the respective bank loan facilities of, in aggregate, HK\$2,446.8 million made available to seven wholly owned subsidiaries of P&R Holdings for financing their development projects in Hong Kong. Further information relating to the Group's share of the maximum capital commitment to P&R Holdings, the shareholder's loans provided by the Group under such commitment and the several guarantees provided by the Company for securing banking facilities granted to certain wholly owned subsidiaries of P&R Holdings is set out in note 18 to the condensed consolidated financial statements.

Calculated on the basis shown above, as at 30th June, 2018, the aggregate amount of financial assistance provided to and bank guarantees given for affiliated companies by the Group in the respective sums of (a) HK\$4,728.1 million (based on the total available amount of the banking facilities) and (b) HK\$4,413.2 million (based on the total amount of banking facilities drawdown) represented (a) 14.9% and (b) 13.9% of the consolidated total assets of the Group of HK\$31,825.9 million, calculated by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2018.

Save as disclosed above, there were no other financial assistance provided to or guarantees given for affiliated companies by the Group as at 30th June, 2018, which were discloseable pursuant to Rule 13.16 of Chapter 13 of the Listing Rules.

A combined statement of financial position of the abovenamed affiliated companies and the Group's attributable interest in these affiliated companies are presented below:

	Combined statement of financial position (HK\$'million)	The Group's attributable interest (HK\$'million)
Non-current assets	5,156.1	2,576.4
Current assets	9,394.8	4,693.5
Current liabilities	(4,977.7)	(2,487.6)
Non-current liabilities	(6,987.3)	(3,438.7)
	<u>2,585.9</u>	<u>1,343.6</u>
Non-controlling interests	(306.0)	(152.9)
Net assets attributable to equity holders of the parent	<u><u>2,279.9</u></u>	<u><u>1,190.7</u></u>

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 Non-Executive Director and 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 Non-Executive Director and 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 Regal Hotels International Holdings Limited" (the "Regal 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 Regal 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*)

Dr. Francis Choi Chee Ming, GBS, JP (*Vice Chairman and Non-Executive Director*)

Ms. Alice Kan Lai Kuen (*Independent Non-Executive Director*)

Professor Japhet Sebastian Law (*Independent Non-Executive Director*)

Ms. Winnie Ng, 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 60 of this report.

Report on Review of Interim Financial Information



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

Introduction

We have reviewed the interim financial information of Regal Hotels International Holdings Limited (the “Company”) and its subsidiaries set out on pages 20 to 50 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

www.regal.com.hk

