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)**

# ANNOUNCEMENT OF 2016 INTERIM RESULTS

## FINANCIAL AND BUSINESS HIGHLIGHTS

| | Six months ended 30th June, 2016 | Six months ended 30th June, 2015 | % Change |
|---|---|---|---|
| | (Unaudited) | (Unaudited) | |
| | HK$'M | HK$'M | |
| **Revenue** | **1,374.7** | 1,251.6 | **+9.8%** |
| **Gross profit** | **605.3** | 562.3 | **+7.6%** |
| **Operating profit before depreciation, finance costs and tax** | **527.4** | 579.2 | **-8.9%** |
| **Profit for the period attributable to equity holders of the parent** | **130.3** | 123.8 | **+5.3%** |
| **Basic earnings per ordinary share attributable to equity holders of the parent** | **HK14.10 cents** | HK13.40 cents | **+5.2%** |
| **Interim dividend per ordinary share** | **HK4.0 cents** | HK4.0 cents | – |
| | **As at 30th June, 2016** | **As at 31st Dec., 2015** | |
| | **(Unaudited)** | **(Unaudited)** | |
| **Net asset value per ordinary share attributable to equity holders of the parent** | | | |
| **Book** | **HK$12.86** | HK$12.84 | **+0.2%** |
| ***Adjusted** | **HK$18.90** | HK$18.66 | **+1.3%** |

* compiled, for the purpose of reference, on an adjusted basis to restate the Group's hotel property portfolio at its market value at 30th June, 2016 with the relevant deferred tax liabilities added back

- **The Group attained for the period an unaudited consolidated profit attributable to shareholders of HK$130.3 million, as compared to HK123.8 million recorded for the same period in 2015.**

- **The operating profit before depreciation, financial costs and tax for the half year amounted to HK$527.4 million (6 months ended 30th June, 2015 – HK$579.2 million).**

- **Total depreciation charges on the Group's hotel properties for the period amounted to HK$231.9 million (6 months ended 30th June, 2015 – HK$227.1 million) which, although not having an effect on cash flows, have significantly impacted on the reported profit.**

- **As at 30th June, 2016, the adjusted net asset value per share of the Company amounted to HK$18.90, as compared to HK$12.86 per share based on book net assets.**

- **The combined average occupancy level of the five initial Regal Hotels in Hong Kong for the first six months was maintained at 82.6% but due to keen market competition, their combined average room rate decreased by 6.8%, resulting in a reduction in RevPAR of 7.3% year-on-year.**

- **The combined average occupancy level for the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel for the period under review was maintained at 84.7%, while their average achieved room rate was 3.3% lower than that in the corresponding period last year, which could be considered satisfactory under the prevailing market conditions.**

- **To meet the challenging market environment, the Group has taken steps to streamline and centralise the different operating functions of the hotels to take advantage of its scale of operations, with a view to containing the operating costs of the hotels.**

- **The Group's property development businesses are presently undertaken through P&R Holdings Limited, a 50:50 joint venture with Paliburg Holdings Limited, which progressed satisfactorily during the period.**

- **In June 2016, the Group disposed of its entire 12% shareholding interest in Asia Standard Hotel Group Limited at a total consideration of approximately HK$358 million, which was substantially above its historical cost and carrying value.**
- **The Group expects that the business operations of the Group's hotels in the second half of 2016, which includes the traditional high season of the year, should perform better than in the first six months.**
- **In July 2016, the Group launched a new series of unsecured guaranteed 5-year US$ denominated term notes, which was met with favourable response. The notes bear coupon interest at 3.875% per annum and were issued at an issue price of 99.663% of the nominal amount, and the total nominal amount of the notes issued was upsized from US$300 million to US$350 million.**
- **With its solid asset base and strong liquid resources, the Group will continue to expand its investments in different business sectors, with a view to sustaining further growth.**

## FINANCIAL RESULTS

For the six months ended 30th June, 2016, the Group attained an unaudited consolidated profit attributable to shareholders of HK$130.3 million, as compared to HK123.8 million recorded for the same period in 2015.

During the period under review, the Group maintained steady performance amidst relatively competitive and challenging market conditions. Overall revenues (including the proceeds from the disposal of two held-for-sale garden houses in Regalia Bay and the net gain from the sale of the shareholding interests held in Asia Standard Hotel Group Limited) amounted to HK$1,374.7 million, representing an increase of 9.8% over the HK$1,251.6 million for the corresponding period last year. Gross profit increased by 7.6% year-on-year to HK$605.3 million for the current period (2015 – HK$562.3 million). Largely due to the fair value losses on the Group's financial assets and investment properties, the operating profit before depreciation, financial costs and tax for the half year under review amounted to HK$527.4 million, which was 8.9% below the HK$579.2 million for the last corresponding period. Total depreciation charges on the Group's hotel properties amounted to HK$231.9 million which, although not having an effect on cash flows, have significantly impacted on the reported profit.

The Group's eight hotel properties in Hong Kong are all held through Regal Real Estate Investment Trust and, with the exception of the iclub Wan Chai Hotel which is self-operated by Regal REIT, are leased to the Group for hotel operations. In compliance with the prevailing accounting standards, 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, 2016, the adjusted net asset value per share of the Company would amount to HK$18.90, as compared to HK$12.86 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 announcement on the information regarding the adjusted net asset value of the Company.

## BUSINESS OVERVIEW

### HOTELS

### MARKET OVERVIEW

According to the World Bank Group, growth prospects have weakened throughout the world economy. Global growth for 2016 is projected at 2.4 percent, with the advanced economies expected to expand by 1.7 percent. Emerging market and developing economies are facing stronger headwinds, including weaker growth among advanced economies and persistently low commodity prices, as well as lackluster global trade and capital flows. Growth in China decelerated to 6.9 percent in 2015 and further to 6.7 percent in the first half of 2016, reflecting weak exports and slowing investment, while the domestic rebalancing is gradually under way. In June 2016, the United Kingdom voted to leave the European Union and while the process and timescale for the withdrawal are still uncertain, the move could have significant economic repercussions worldwide. There are, moreover, a number of uncertainties that could materially affect the future development of the global economy, including increased volatility in the financial markets, heightened uncertainties of fiscal policies and enhanced tension in the geopolitical arena.

For the period under review, Hong Kong's economy expanded moderately by 1.2% year-on-year and the GDP for 2016 is forecast to grow by one to two percent in real terms, as adjusted downwards due to the slowdown in the local economy. In the same period, total visitors to Hong Kong amounted to about 27.2 million, representing a decrease of 7.4% year-on-year, of which about 20.4 million were visitors from Mainland China, which was a decrease of 10.6% year-on-year. Visitors from Mainland China under the Individual Visit Scheme alone amounted to approximately 11.5 million, a reduction of 20.1% from the same period in 2015. The reduction in Mainland China visitors was to a certain extent compensated for by the rebound in the number of visitors from the traditional long haul and other short haul markets. The number of overnight visitors maintained at about 12.4 million, which was a decrease of only 2.1% compared on a year-on-year basis. Due to the slowdown in the number of visitors from Mainland China, the retail sector in Hong Kong has been significantly affected, with the value of total retail sales in the first six months of 2016 having contracted by 10.5% year-on-year.

Based on 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 decreased slightly from 85% in 2015 to 84% in 2016, while the average achieved room rate shrunk by 5.8%, reflected in a drop in the Revenue per Available Room (RevPAR) of 6.9% year-on-year.

**HOTEL OWNERSHIP**

**REGAL REAL ESTATE INVESTMENT TRUST**

As at 30th June, 2016, the Group held 74.6% of the outstanding units of Regal REIT and Regal Portfolio Management Limited, a wholly owned subsidiary of the Group, acts as the REIT Manager.

For the six months ended 30th June, 2016, Regal REIT achieved an unaudited consolidated profit before distribution to unitholders of HK$328.6 million, as compared to a loss of HK$1,376.9 million reported in the corresponding period in 2015. Based on the market valuations appraised by the principal valuer of Regal REIT as of 30th June, 2016, the fair value of Regal REIT's investment properties portfolio has increased by HK$88.0 million over its last appraised value as of 31st December, 2015. This fair value gain has been reflected in its results for the interim period, while for the comparative period last year, a fair value loss of HK$1,631.4 million was recorded. If these fair value changes are excluded, the core profit before distributions to unitholders for the period under review would amount to HK$240.6 million, as compared to HK$254.6 million for the same period in 2015.

The five initial Regal Hotels in Hong Kong owned by Regal REIT are presently leased to the Group for a 5-year term up to 31st December, 2020, with the market rental package to be determined on a yearly basis by an independent professional property valuer. The base rent payable to Regal REIT for the five initial Regal Hotels for 2016, as determined by the independent valuer, is HK$732.0 million.

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

The first iclub hotel, the "iclub Wan Chai Hotel", has been self-operated by Regal REIT since 2011. During the period, it maintained an occupancy level of 97.5%, although the average achieved room rate retracted by 3.2%. Aggregate net property income from this property, including the lease rentals from the non-hotel portions, amounted to HK$10.4 million for the interim period, which was a reduction of 9.5% as compared with the same period last year.

The other two iclub hotels, namely, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel, have also been leased to the Group on fixed terms up to 31st December, 2019, with an option for Regal REIT to extend the leases for another five years. Under the terms of the leases, the rentals for the initial 3 years of the fixed terms are fixed and the aggregate prorated rentals payable for the leasing of these two iclub hotels for the interim period amounted to HK$84.5 million.

Regal REIT is presently in the course of arranging a HK$5.5 billion 5-year term and revolving loan facility with a syndicate of local and international financial institutions. This new loan is primarily planned to early refinance the existing HK$4.5 billion term loan facilities which are due to mature in July 2018. The remaining funds that will become available under the new loan are intended to be used for new acquisitions, if appropriate opportunities are available, and the continuing upgrading of Regal REIT's existing property portfolio.

## HOTEL OPERATIONS

Favour Link International Limited, a wholly owned subsidiary of the Company, is the lessee of all the hotels owned by Regal REIT, other than the iclub Wan Chai Hotel which is self-operated by Regal REIT.

During the period under review, the combined average occupancy level of the five initial Regal Hotels in Hong Kong, which are operating as full-service hotels under the "Regal" brand name, was maintained at 82.6%, as compared with 83.0% in the same period last year. Due to keen market competition, their combined average room rate over the same period decreased by 6.8%, resulting in a reduction in RevPAR of 7.3% year-on-year. If the operational figures of the five individual Regal Hotels are only compared with those of other comparable hotels in similar categories, their performance is in line with market averages. Aggregate net property income for these five hotels for the half year period amounted to

HK$339.2 million, as compared to HK$372.6 million for the same period in 2015, and was below the prorated base rent of HK$366.0 million.

The combined average occupancy level for the two iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel for the period under review was maintained at 84.7%, while their average achieved room rate was 3.3% lower than that in the corresponding period last year, which could be considered satisfactory under the prevailing market conditions. Although the net property incomes generated by these two hotels were below their fixed rental levels, management believes there is still room for improvement in the business operations of these two relatively new hotels. The initial 3-year period with fixed rentals for the iclub Sheung Wan Hotel will end on 9th February, 2017 and in accordance with the terms of the lease agreement, an independent professional property valuer has been jointly appointed by Regal REIT and the lessee to determine the market rental package for the ensuing period from 10th February to 31st December, 2017. As mentioned before, any shortfall in the income from the operation of these two hotels below the lease payments payable for the first three years of the lease terms will be fully reimbursed by P&R Holdings Limited, which is a 50:50 joint venture between the Group and Paliburg Holdings Limited, and to be accounted for after expiry of the 3-year period in 2017 on a cumulative basis.

To meet the challenging market environment, the Group has taken steps to streamline and centralise the different operating functions of the hotels to take advantage of its scale of operations, with a view to containing the operating costs of the hotels. Moreover, the Group continually implements various marketing and sales initiatives to diversify its hotel guest source markets and to strengthen its sale distribution channels, including the setting up of new regional sales offices in South Korea, Singapore, the United Kingdom and the East Coast of the United States on top of its six existing overseas sales offices.

The La Mola Hotel & Conference Centre in Barcelona, Spain was acquired by the Group in 2014 at a distressed value. The hotel is presently operating under a third party franchise arrangement. The renovation programme to remodel and upgrade the hotel to an international 5-star standard has recently commenced.

## HOTEL MANAGEMENT

Regal Hotels International Limited, the wholly owned management arm of the Group, is the hotel manager providing services to all the eight operating Regal and iclub Hotels in Hong Kong. The Group is also managing the La Mola Hotel and Conference Centre in Spain.

In China, there are presently nine hotels under operation which are managed by the Group. The two hotels that were most recently opened are, respectively, the Regal Financial Center Hotel in Foshan, a 230-room luxury hotel, in December 2015 and the iclub Yuhong Hotel in Zhengzhou, the first hotel managed by the Group under the iclub branding, in February 2016. Five other hotels to be managed by the Group are in the pipeline, which are expected to open over the course of the next several years. The Group believes that the continuing expansion of the hotel management businesses in China will further strengthen the recognition of the "Regal" brand and promote reciprocal businesses among the Group's different hotels.

## PROPERTIES

The Group's property development business is primarily undertaken through P&R Holdings which, as mentioned above, is a 50:50 joint venture with Paliburg, the immediate listed holding company of the Company.

The property market in Hong Kong continued to stablise in the period under review and was mainly dominated by residential sales in the primary market. Property prices generally fell in the first part of 2016 but the residential property prices slightly rebounded in the recent few months. Due to the persistent low interest rate environment and the expectation that any future increase in interest rates will be slow, particularly after Brexit, the underlying demand for residential properties is expected to remain strong. This will provide support to the residential property prices, despite the anticipated increase in the supply of new residential units in the coming years.

The residential project at Tan Kwai Tsuen Road in Yuen Long was completed in the fourth quarter of 2015 and the certificate of compliance was obtained in April 2016. The development consists of one residential block, named Domus, with 134 studio apartment units and 36 garden houses, named Casa Regalia. All the Domus apartment units have been sold in June 2015 and the sale of the garden houses was first launched in May 2016. Up to date, 7 houses have been contracted to be sold. While the remaining houses are presently planned to be disposed of on a gradual basis, some of them may in the meantime be leased out for rental income.

In July 2016, P&R Holdings commenced the presale of the residential units in the commercial/residential joint venture project with the Urban Renewal Authority of Hong Kong at Shun Ning Road, Sham Shui Po, Kowloon. Up to date, 154 of the total 157 residential units in this development project have been contracted to be sold.

Further details on the development projects and properties of P&R Holdings, including those undertaken in China by Cosmopolitan International Holdings Limited, the listed subsidiary of P&R Holdings, are contained in the section headed "Management Discussion and Analysis" in this announcement.

At the beginning of this year, the Group held a total of 18 luxury garden houses in Regalia Bay, Stanley. During the period, a total of 3 Regalia Bay houses has been sold, two of which were properties held for sale and the other one was held as an investment property. While certain of the remaining 15 houses are being retained for rental income purposes, the other houses will be disposed of if favourable terms are offered.

## OTHER INVESTMENTS

The Group maintains a sizable investment portfolio comprising listed securities, investment funds, bonds as well as treasury and yield enhancement products. In June 2016, the Group disposed of, through private treaty, its entire 12% shareholding interest in Asia Standard Hotel Group Limited at a total consideration of approximately HK$358 million, which was substantially above its historical cost and carrying value, and the gain derived has been accounted for in the results under review.

The Group diversified into the aircraft ownership and leasing business in 2012. As at 30th June, 2016, the Group owned a fleet of 14 aircraft, including two Airbus 321 model aircraft and 12 Embraer ERJ-135 and ERJ-145 model aircraft. Except for one Airbus aircraft which is 85%-owned, all the other aircraft are wholly owned by the Group. The aircraft are yielding satisfactory income and generated net lease rentals (before depreciation) of HK$45.0 million during the period.

On 4th August, 2016, the Group announced that it had entered into a conditional agreement with the Cosmopolitan group pursuant to which, among others, the Group would grant to the Cosmopolitan group loan facilities (comprising term loan of HK$1,350 million and revolving loan of HK$500 million) for a term of 5 years, which will be used to settle all the outstanding consideration payables expected to be owing to the Group on completion of the agreement and will be secured by the entire equity interests owned by the Cosmopolitan group in its two development projects in Chengdu and Tianjin.

The objective of effectively refinancing the consideration payables owing by the Cosmopolitan group by way of the new 5-year loan facilities is to align its due date with the latest presale progress and completion schedules of the Chengdu and Tianjin development projects. The Group may consider in due course the possible acquisition of the hotel component comprised in the Chengdu project, as it is the intention of the Group to take advantage of this investment opportunity to expand its hotel network in the People's Republic of China.

Completion of the agreement will be conditional upon, among others, the approval by the independent shareholders of the Company at a special general meeting to be convened. A circular containing further detailed information regarding the transactions contemplated under the agreement together with the advice from the independent board committee and the independent financial adviser to the independent shareholders is expected to be sent to shareholders shortly.

## OUTLOOK

In view of the changing mix and spending pattern of visitors, the Hong Kong Government is staging various promotional initiatives to attract more high-spending overnight visitors to Hong Kong and to rebuild Hong Kong's reputation as a hospitality city internationally. In the long term, the Hong Kong Government has committed to upgrade Hong Kong's tourism infrastructure. Although the short term business environment will continue to be challenging, the directors of the REIT Manager believe that the future prospects for the hotel businesses in Hong Kong will remain favourable. The REIT Manager will continue to closely monitor any appropriate investment opportunities that may become available, with a view to further expanding and broadening the asset and income base of Regal REIT. Nevertheless, having regard to the volatile economic environment globally, any such acquisitions will be pursued with particular prudence.

Based on the Half-yearly Economic Report 2016 released by the Hong Kong Government, the latest visitor arrivals trend indicated that the drag from the slowdown of inbound tourism has been reducing. The Group expects that the business operations of the Group's hotels in the second half of 2016, which includes the traditional high season of the year, should perform better than in the first six months.

In July 2016, the Group launched a new series of unsecured guaranteed 5-year US$ denominated term notes under the Group's Medium Term Note Programme, which was met with favourable response from institutional and private investors. The 5-year term notes bear coupon interest at 3.875% per annum and were issued at an issue price of 99.663% of the nominal amount, and the total nominal amount of the notes issued was upsized from US$300 million to US$350 million.

With its solid asset base and strong liquid resources, the Group will continue to expand its investments in different business sectors, with a view to sustaining further growth.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise hotel ownership business undertaken through 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 and the interest in the retained houses in Regalia Bay in Stanley, 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 performance and future prospects are contained in the above sections headed "Financial Results", "Business Overview" and "Outlook" as well as in this sub-section.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the above sections headed "Business Overview" and "Outlook" and in this sub-section.

## JOINT VENTURE – P&R HOLDINGS LIMITED

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

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

**Hong Kong**

Apart from the Shun Ning Road development project in Sham Shui Po, Kowloon and the 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 following ongoing development projects and properties are 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.

As previously reported, all the 134 units in the apartment block, named Domus, were sold in June 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, 7 houses have been contracted to be sold. While the remaining houses are presently planned to be disposed of on a gradual basis, some of them may in the meantime be leased out for rental income.

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

The project has an aggregate site area of approximately 700 square metres (7,535 square feet) and is being developed into a hotel with 340 guestrooms, having total gross floor area of approximately 6,298 square metres (67,790 square feet) and covered floor area of approximately 9,490 square metres (102,160 square feet). The superstructure works have been completed and the occupation permit is expected to be issued in the fourth quarter of 2016.

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

This development site has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site is planned to be developed into a shopping mall. The foundation works have been completed and the superstructure works are in progress. The project is scheduled to be completed in 2017 and is intended to be retained for rental income.

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

The project has a site area of 17,476 square metres (188,100 square feet) and is planned for a luxurious residential development comprising 7 mid-rise apartment blocks with about 136 units, 24 detached garden houses and 198 carparking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The site formation works and foundation works are expected to be completed and the superstructure works contract scheduled to be awarded in the third quarter of 2016. The completion of this development is presently scheduled for 2018.

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

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and is planned for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet). The foundation works have been completed. Installation of pipe pile works for construction of pile cap is in progress.

*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 planned for a commercial/residential development with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement carpark. The superstructure works are in progress. The development has been named The Ascent and is scheduled to be completed before the end of 2017. The presale of the residential units in this development was launched in July 2016 and, up to date, 154 residential units have been contracted to be sold.

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

This is a hotel development project also awarded by the Urban Renewal Authority of Hong Kong through a tender process in June 2015. The project has a site area of 725.5 square metres (7,809 square feet) and total permissible gross floor area of approximately 6,529 square metres (70,278 square feet) and is planned to be developed into a multi-storey hotel building comprising about 288 guest rooms, with ancillary accommodation. The general building plans have been approved. The foundation works have been commenced and are scheduled to be completed by the end of this year. The development project is presently anticipated to be completed in 2018.

## COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

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

### Property Development

*Chengdu Project*

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, serviced apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres. The first stage of the development includes a hotel with about 306 hotel rooms and extensive facilities and three residential towers with 339 residential units with car parking spaces and ancillary commercial accommodation. While the business remodeling works in response to the current local market environment continue, the hotel is scheduled to open in phases from 2017. The second stage of the development comprises six residential towers with 957 units, the construction works for which are in progress. The completion of the residential towers in both the first and second stages of the development is expected to be in 2017. The presale of two residential towers in the first stage and one residential tower in the second stage, consisting of a total of 362 units, commenced in April 2016, and there have been contracted sales of approximately RMB 166 million. Presale of the remaining six residential towers with

934 units in both stages is scheduled to be launched in stages commencing from the fourth quarter of 2016. The other components within the development, comprising commercial, office, serviced apartments and residential units, will continue to be developed in stages.

*Tianjin Project*

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres, which is planned for a mixed use development comprising commercial, office and residential components with total gross floor area of about 145,000 square metres. The superstructure works of the four residential towers are progressing and the superstructure works of the commercial complex and the two office towers have already commenced. The presale of three residential towers, comprising 376 units, commenced in October 2015. Up to date, approximately 98% of the available units have been sold, realising contracted sales of approximately RMB 968 million. The remaining residential tower, comprising 136 units, the commercial complex, comprising mainly shops of about 19,000 square metres, and the car parking spaces are expected to be marketed for presale before the end of 2016. The entire development is anticipated to be completed in stages from 2017.

*Xinjiang Project*

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Cosmopolitan group has re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site will be available for real estate development after the requisite inspection, land grant listing and tender procedures are completed.

The Cosmopolitan group has already taken necessary steps to reorganise the local management team, with a view to restoring normal business operations for the project and carrying out the remedial re-forestation works for inspection by the relevant government authorities. The Cosmopolitan group will also initiate measures to settle the land disputes with the surrounding villagers, with an aim to resume the possession of certain parcels of land within the project site being illegally occupied. Based on the legal advice obtained, the legitimate interests of the Cosmopolitan group in this re-forestation and land grant contract remain valid and effective. The Cosmopolitan group is planning to have the required remedial re-forestation works carried out as soon as practicable, such that the inspection and measurement of the reforested area by the relevant government authorities can be resumed and the final procedures leading to the land grant listing and tender of the development land may be concluded.

**Logistics Business**

*Shanghai Logistics Project*

With the aim of diversifying and broadening its business portfolio through the expansion and development of the logistics business and capitalising on the increasing demands for logistics services market by e-commerce merchants in Mainland China, the Cosmopolitan group entered into certain agreements to acquire an effective 60% interest in a group of companies (the "Logistics Group") operating logistics and related businesses in the PRC, details of which were disclosed in the announcements of Cosmopolitan dated 13th January, 2016, 11th March, 2016, 12th April, 2016 and 29th April, 2016. The Cosmopolitan group completed the acquisition on 31st May, 2016 and the acquired Logistics Group companies have since become subsidiaries of the Cosmopolitan group. The Cosmopolitan group recognised a gain on bargain purchase of HK$30.3 million upon the business combination during the period, which is based on a provisional amount and subject to the finalisation of the fair value estimation of the considerations transferred and identifiable net assets acquired within 12 months from the date of acquisition.

One of the companies within the Logistics Group is a licensed courier services provider in the PRC. It has leased an industrial premises with an aggregate lettable area of about 40,000 square metres in Pudong, Shanghai, the PRC (the "Leased Property") from an affiliated company of the ultimate 40% shareholder of the Logistics Group to operate the logistics and related businesses. The ultimate 40% shareholder of the Logistics Group has also through his wholly owned subsidiary entered into a consultancy agreement with the Logistics Group to procure the development and expansion of the logistics businesses with an additional business operating area of 120,000 square metres. The shareholders of the company owning the Leased Property (being the ultimate 40% shareholder of the Logistics Group and his family member) have granted a purchase option to the Logistics Group to acquire the aforesaid property owning company owning the Leased Property and its wholly owned subsidiary which has a contractual right to acquire the land parcel adjacent to the Leased Property. Further details of the above-mentioned acquisition, consultancy agreement, purchase option and other related transactions were disclosed in the related announcements.

Since the completion of the acquisition, the Logistics Group has performed profitably and steadily. The rental occupancy of the Leased Property is about 82% which is based on the occupancy rate of the available area of about 37,000 square metres for sub-letting, with about 77% being rented to e-commence merchants (who are exclusively using courier services provided by the Logistic Group) and the remaining areas being rented to other tenants with fixed-rate rentals. In light of the positive outlook of the e-commence market in China and taking into account the planned expansion of the logistics business, it is expected that the Logistics Group would generate satisfactory income to the Cosmopolitan group.

**ASSOCIATE – HANG FOK PROPERTIES LIMITED**

Hang Fok is an entity that is 50% beneficially owned by each of the Paliburg group and the Group. Hang Fok holds equity interests in a joint venture project company involved in a development project in the Central Business District in Beijing, the PRC. As previously reported, Hang Fok was engaged in a series of legal actions in the PRC with the other joint venture parties in the Beijing project, some of which were initiated by Hang Fok to protect its equity interests in the Beijing project. Appropriate provisions had been made by Hang Fok in the prior years and the interest held by the Group in the project was carried in the consolidated financial statements at an insignificant amount as at 31st December, 2013. In the process of the legal actions taken, the other joint venture parties have funded the joint venture project company and procured the latter to deposit an amount of approximately RMB195 million into the court in the PRC in August 2014, as repayment proceeds of certain of the shareholder’s loans, plus accrued interest thereon, made by Hang Fok to the joint venture project company. Accordingly, Hang Fok had written back loans receivable and recognised related interest income of approximately HK$159.0 million and HK$84.2 million respectively, and the share attributable to the Group was reflected in the results of the Group in the financial year ended 31st December, 2014. The aforesaid sum of RMB195 million (net of incidental expenses) had been received by Hang Fok in February 2016 through payment from the PRC court. Hang Fok is pursuing further claims against the joint venture project company for underpaid interest due. The Group will continue to exercise strenuous efforts with a view to salvaging the value of the Group’s interest in this development project.

## 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 and the iclub Fortress Hill 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 and the iclub Fortress Hill 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 consolidated financial statements at its market value as at 30th June, 2016, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK$18.90 per share, as follows:

| | As at 30th June, 2016 | |
|---|---|---|
| | **HK$'M** | **HK$ per ordinary share** |
| **Book net assets attributable to equity holders of the parent** | **11,880.9** | **12.86** |
| **Adjustment to restate the Group's hotel property portfolio at its market value and add back the relevant deferred tax liabilities** | **5,583.6** | **6.04** |
| **Unaudited adjusted net assets attributable to equity holders of the parent** | **17,464.5** | **18.90** |

## 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 and Hong Kong dollar with fixed coupon interest rates. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Group's management from time to time. As the Hong Kong dollar is pegged to the US dollar, the exchange risks are considered to be insignificant and no currency hedging has been deployed. As regards the Group's overseas investments which are based in currencies other than US dollar and Hong Kong dollar, the Group will consider hedging part or all of the investment amounts into US dollar or Hong Kong dollar to contain the Group's exposure to currency fluctuation.

### Cash Flows

During the period under review, there were net cash flows generated from operating activities of HK$722.6 million (2015 – HK$433.9 million). Net interest payment for the period amounted to HK$111.9 million (2015 – HK$100.5 million).

### Borrowings and Gearing

As at 30th June, 2016, the Group had cash and bank balances and deposits of HK$1,925.9 million (31st December, 2015 – HK$1,573.2 million) and the Group's borrowings net of cash and bank balances and deposits amounted to HK$8,816.4 million (31st December, 2015 – HK$9,135.6 million).

As at 30th June, 2016, the gearing ratio of the Group was 34.5% (31st December, 2015 – 36.0%), representing the Group's borrowings net of cash and bank balances and deposits of HK$8,816.4 million (31st December, 2015 – HK$9,135.6 million) as compared to the total assets of the Group of HK$25,523.5 million (31st December, 2015 – HK$25,342.6 million).

On the basis of the adjusted total assets as at 30th June, 2016 of HK$32,496.7 million (31st December, 2015 – HK$32,011.5 million) with the Group's hotel portfolio restated at its market value, the gearing ratio would be 27.1% (31st December, 2015 – 28.5%).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2016 are shown in the condensed consolidated financial statements ("Interim Financial Statements") contained in the interim report for the six months ended 30th June, 2016 of the Company to be published on or before 30th September, 2016.

**Pledge of Assets**

As at 30th June, 2016, certain of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK$324.3 million (31st December, 2015 – HK$462.1 million) were pledged to secure bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT, and 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$11,058.8 million (31st December, 2015 – HK$11,412.8 million) were also pledged to secure other banking facilities granted to the Group.

**Capital Commitments**

Details of the capital commitments of the Group as at 30th June, 2016 are shown in the Interim Financial Statements.

**Contingent Liabilities**

As at 30th June, 2016, 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$2,929.8 million (31st December, 2015 – HK$3,123.5 million), of which HK$1,571.0 million (31st December, 2015 – HK$1,540.1 million) was utilised.

## DIVIDEND

The Directors have declared the payment of an interim dividend of HK4.0 cents (2015 – HK4.0 cents) per ordinary share for the financial year ending 31st December, 2016, absorbing an amount of approximately HK$37.0 million (2015 – HK$37.0 million) and will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 12th October, 2016.

## CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Friday, 7th October, 2016 to Wednesday, 12th October, 2016, 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 Thursday, 6th October, 2016. The relevant dividend warrants are expected to be despatched on or about 24th October, 2016.

## HALF YEAR RESULTS

### Condensed Consolidated Statement of Profit or Loss

| | Six months ended 30th June, 2016 (Unaudited) HK$'M | Six months ended 30th June, 2015 (Unaudited) HK$'M |
|---|---|---|
| REVENUE (Notes 2 & 3) | **1,374.7** | 1,251.6 |
| Cost of sales | **(769.4)** | (689.3) |
| Gross profit | **605.3** | 562.3 |
| Other income and gains, net (Note 3) | **26.5** | 69.9 |
| Fair value gains/(losses) on financial assets at fair value through profit or loss, net | **(7.7)** | 43.5 |
| Fair value gains/(losses) on investment properties, net | **(32.0)** | 14.3 |
| Fair value gain upon reclassification of a property, plant and equipment to an investment property | **58.5** | – |
| Property selling and marketing expenses | **(7.8)** | (3.2) |
| Administrative expenses | **(115.4)** | (107.6) |
| OPERATING PROFIT BEFORE DEPRECIATION | **527.4** | 579.2 |
| Depreciation | **(265.9)** | (255.1) |
| OPERATING PROFIT (Notes 2 & 4) | **261.5** | 324.1 |
| Finance costs (Note 5) | **(163.9)** | (166.4) |
| Share of profits and losses of: | | |
| Joint ventures | **61.4** | 18.8 |
| Associates | **(4.5)** | (12.5) |
| PROFIT BEFORE TAX | **154.5** | 164.0 |
| Income tax (Note 6) | **(9.6)** | (20.3) |
| PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS | **144.9** | 143.7 |

**Condensed Consolidated Statement of Profit or Loss (Cont'd)**

| | Six months ended 30th June, 2016 | Six months ended 30th June, 2015 |
|---|---|---|
| | **(Unaudited)** | **(Unaudited)** |
| | **HK$'M** | **HK$'M** |
| Attributable to: | | |
| Equity holders of the parent | **130.3** | 123.8 |
| Non-controlling interests | **14.6** | 19.9 |
| | **144.9** | 143.7 |
| EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8) | | |
| Basic and diluted | **HK14.10 cents** | HK13.40 cents |

**Condensed Consolidated Statement of Comprehensive Income**

| | Six months ended 30th June, 2016 (Unaudited) HK$'M | Six months ended 30th June, 2015 (Unaudited) HK$'M |
|---|---|---|
| PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS | **144.9** | 143.7 |
| 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 | **(2.0)** | 5.8 |
| Cash flow hedges: | | |
| Changes in fair value of cash flow hedges | **–** | (0.3) |
| Transfer from hedge reserve to the statement of profit or loss | **–** | 1.0 |
| | **–** | 0.7 |
| Exchange differences on translating foreign operations | **0.8** | (8.0) |
| Share of other comprehensive income/(loss) of a joint venture | **(41.1)** | 0.8 |
| Other comprehensive loss for the period | **(42.3)** | (0.7) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | **102.6** | 143.0 |
| Attributable to: | | |
| Equity holders of the parent | **88.0** | 123.0 |
| Non-controlling interests | **14.6** | 20.0 |
| | **102.6** | 143.0 |

**Condensed Consolidated Statement of Financial Position**

| | 30th June, 2016 (Unaudited) HK$'M | 31st December, 2015 (Audited) HK$'M |
|---|---|---|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | **15,660.8** | 15,875.6 |
| Investment properties | **1,034.0** | 1,070.0 |
| Investments in joint ventures | **3,448.0** | 3,327.6 |
| Investments in associates | **2.7** | 125.1 |
| Available-for-sale investments | **211.5** | 133.4 |
| Financial asset at fair value through profit or loss | **1.9** | 1.9 |
| Debtors and deposits (Note 9) | **7.0** | 5.4 |
| Deferred tax assets | **93.3** | 79.1 |
| Total non-current assets | **20,459.2** | 20,618.1 |
| CURRENT ASSETS | | |
| Properties held for sale | **263.0** | 479.4 |
| Inventories | **33.6** | 33.9 |
| Debtors, deposits and prepayments (Note 9) | **1,911.8** | 1,633.4 |
| Held-to-maturity investments | **419.9** | 201.2 |
| Financial assets at fair value through profit or loss | **508.0** | 795.6 |
| Derivative financial instruments | **–** | 4.7 |
| Tax recoverable | **2.1** | 3.1 |
| Restricted cash | **55.1** | 46.4 |
| Pledged time deposits and bank balances | **235.9** | 346.3 |
| Time deposits | **933.1** | 400.2 |
| Cash and bank balances | **701.8** | 780.3 |
| Total current assets | **5,064.3** | 4,724.5 |

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

| | 30th June, 2016 (Unaudited) HK$'M | 31st December, 2015 (Audited) HK$'M |
|---|---|---|
| CURRENT LIABILITIES | | |
| Creditors, deposits received and accruals (Note 10) | **(634.1)** | (424.4) |
| Interest bearing bank borrowings | **(296.4)** | (279.9) |
| Tax payable | **(57.9)** | (36.0) |
| Total current liabilities | **(988.4)** | (740.3) |
| NET CURRENT ASSETS | **4,075.9** | 3,984.2 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | **24,535.1** | 24,602.3 |
| NON-CURRENT LIABILITIES | | |
| Creditors and deposits received | **(117.3)** | (147.0) |
| Interest bearing bank borrowings | **(6,195.2)** | (6,187.0) |
| Other borrowings | **(4,250.7)** | (4,241.9) |
| Deferred tax liabilities | **(984.0)** | (1,004.8) |
| Total non-current liabilities | **(11,547.2)** | (11,580.7) |
| Net assets | **12,987.9** | 13,021.6 |
| EQUITY | | |
| **Equity attributable to equity holders of the parent** | | |
| Issued capital | **92.4** | 92.4 |
| Reserves | **11,788.5** | 11,770.6 |
| | **11,880.9** | 11,863.0 |
| **Non-controlling interests** | **1,107.0** | 1,158.6 |
| Total equity | **12,987.9** | 13,021.6 |

Notes:

1. Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2015, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2016.

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) | *Investment Entities: Applying the Consolidation Exception* |
| Amendments to HKFRS 11 | *Accounting for Acquisitions of Interests in Joint Operations* |
| Amendments to HKAS 1 | *Disclosure Initiative* |
| Amendments to HKAS 16 and HKAS 38 | *Clarification of Acceptable Methods of Depreciation and Amortisation* |
| Amendments to HKAS 16 and HKAS 41 | *Agriculture: Bearer Plants* |
| Amendments to HKAS 27 (2011) | *Equity Method in Separate Financial Statements* |
| *Annual Improvements 2012-2014 Cycle* | Amendments to a number of HKFRSs |

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

2. Operating Segment Information

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

(a) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income through Regal REIT;

(b) the asset management segment engages in the provision of asset management services to 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

(f) the others segment mainly comprises travel agency services, sale of food products 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.

The following tables present 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,** | | **Six months ended 30th June,** | | **Six months ended 30th June,** | | **Six months ended 30th June,** | | **Six months ended 30th June,** | | **Six months ended 30th June,** | | **Six months ended 30th June,** | | **Six months ended 30th June,** | |
| | **2016** (Unaudited) **HK$'M** | **2015** (Unaudited) **HK$'M** | **2016** (Unaudited) **HK$'M** | **2015** (Unaudited) **HK$'M** | **2016** (Unaudited) **HK$'M** | **2015** (Unaudited) **HK$'M** | **2016** (Unaudited) **HK$'M** | **2015** (Unaudited) **HK$'M** | **2016** (Unaudited) **HK$'M** | **2015** (Unaudited) **HK$'M** | **2016** (Unaudited) **HK$'M** | **2015** (Unaudited) **HK$'M** | **2016** (Unaudited) **HK$'M** | **2015** (Unaudited) **HK$'M** | **2016** (Unaudited) **HK$'M** | **2015** (Unaudited) **HK$'M** |
| Segment revenue: | | | | | | | | | | | | | | | | |
| Sales to external customers | 995.9 | 1,039.9 | - | - | 208.7 | 126.9 | 109.5 | 24.0 | 50.7 | 46.6 | 9.9 | 14.2 | - | - | 1,374.7 | 1,251.6 |
| Intersegment sales | - | - | 47.3 | 50.6 | 2.4 | 2.9 | - | - | - | - | 3.3 | 0.7 | (53.0) | (54.2) | - | - |
| Total | 995.9 | 1,039.9 | 47.3 | 50.6 | 211.1 | 129.8 | 109.5 | 24.0 | 50.7 | 46.6 | 13.2 | 14.9 | (53.0) | (54.2) | 1,374.7 | 1,251.6 |
| Segment results before depreciation | 346.5 | 380.0 | (5.5) | (5.4) | 73.9 | 98.5 | 105.9 | 73.1 | 44.2 | 56.0 | (3.7) | (2.9) | - | - | 561.3 | 599.3 |
| Depreciation | (233.9) | (231.2) | (0.2) | (0.2) | (2.9) | (3.0) | - | - | (27.9) | (20.2) | (1.0) | (0.5) | - | - | (265.9) | (255.1) |
| Segment operating results | 112.6 | 148.8 | (5.7) | (5.6) | 71.0 | 95.5 | 105.9 | 73.1 | 16.3 | 35.8 | (4.7) | (3.4) | - | - | 295.4 | 344.2 |
| Unallocated interest income and unallocated non-operating and corporate gains | | | | | | | | | | | | | | | 7.3 | 9.0 |
| Unallocated non-operating and corporate expenses, net | | | | | | | | | | | | | | | (41.2) | (29.1) |
| Operating profit | | | | | | | | | | | | | | | 261.5 | 324.1 |
| Finance costs | | | | | | | | | | | | | | | (163.9) | (166.4) |
| Share of profits and losses of: | | | | | | | | | | | | | | | | |
| Joint ventures | - | - | - | - | 61.4 | 18.8 | - | - | - | - | - | - | - | - | 61.4 | 18.8 |
| Associates | 1.8 | - | - | - | (1.6) | 0.7 | - | - | - | - | (4.7) | (13.2) | - | - | (4.5) | (12.5) |
| Profit before tax | | | | | | | | | | | | | | | 154.5 | 164.0 |
| Income tax | | | | | | | | | | | | | | | (9.6) | (20.3) |
| Profit for the period before allocation between equity holders of the parent and non-controlling interests | | | | | | | | | | | | | | | 144.9 | 143.7 |
| Attributable to: | | | | | | | | | | | | | | | | |
| Equity holders of the parent | | | | | | | | | | | | | | | 130.3 | 123.8 |
| Non-controlling interests | | | | | | | | | | | | | | | 14.6 | 19.9 |
| | | | | | | | | | | | | | | | 144.9 | 143.7 |

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

| | Six months ended 30th June, 2016 | Six months ended 30th June, 2015 |
|---|---|---|
| | (Unaudited) | (Unaudited) |
| | HK$'M | HK$'M |
| Revenue | | |
| Hotel operations and management services | **969.8** | 1,012.7 |
| Other operations, including estate management, estate agency, travel agency and sale of food products | **10.6** | 14.9 |
| Rental income: | | |
| Hotel properties | **22.6** | 23.8 |
| Investment properties | **6.8** | 8.3 |
| Aircraft | **50.7** | 46.6 |
| Others | **1.3** | 1.3 |
| Net gain from sale of financial assets at fair value through profit or loss | **100.8** | 13.4 |
| Net gain on settlement of derivative financial instruments | **0.3** | 0.9 |
| Interest income from financial assets at fair value through profit or loss | **6.8** | 8.7 |
| Dividend income from listed investments | **1.6** | 1.0 |
| Sale of properties | **203.4** | 120.0 |
| | **1,374.7** | 1,251.6 |
| Other income and gains, net | | |
| Bank interest income | **6.7** | 8.2 |
| Other interest income | **43.2** | 46.6 |
| Loss on disposal of an investment property | **(23.7)** | – |
| Gain on disposal of items of property, plant and equipment, net | – | 14.7 |
| Others | **0.3** | 0.4 |
| | **26.5** | 69.9 |

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

| | Six months ended 30th June, 2016 (Unaudited) HK$'M | Six months ended 30th June, 2015 (Unaudited) HK$'M |
|---|---|---|
| Profit from sale of financial assets at fair value through profit or loss | **100.8** | 13.4 |
| Profit on settlement of derivative financial instruments | **0.3** | 0.9 |
| Profit on disposal of properties | **21.6** | 52.7 |

5. Finance costs of the Group are as follows:

| | Six months ended 30th June, 2016 (Unaudited) HK$'M | Six months ended 30th June, 2015 (Unaudited) HK$'M |
|---|---|---|
| Interest on bank loans | **59.0** | 60.0 |
| Interest on other borrowings | **91.6** | 91.2 |
| Amortisation of debt establishment costs | **11.6** | 11.5 |
| Total interest expenses on financial liabilities not at fair value through profit or loss | **162.2** | 162.7 |
| Fair value changes on derivative financial instruments – cash flow hedge (transfer from hedge reserve) | **–** | 1.0 |
| Other loan costs | **1.7** | 2.7 |
| | **163.9** | 166.4 |

6. The income tax charge for the period arose as follows:

| | Six months ended 30th June, 2016 (Unaudited) HK$'M | Six months ended 30th June, 2015 (Unaudited) HK$'M |
|---|---|---|
| Current – Hong Kong | | |
| Charge for the period | **44.6** | 41.1 |
| Overprovision in prior years | **–** | (1.7) |
| Current – Overseas | | |
| Charge for the period | **0.3** | 0.3 |
| Overprovision in prior years | **(0.1)** | – |
| Deferred | **(35.2)** | (19.4) |
| Total tax charge for the period | **9.6** | 20.3 |

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2015 – 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

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

No provision for tax was required for the joint ventures and associates as no assessable profits were earned by the joint ventures and associates during the period (2015 – Nil).

7. Dividend:

| | For year ending 31st December, 2016 HK$'M | For year ended 31st December, 2015 HK$'M |
|---|---|---|
| Interim – HK4.0 cents (2015 – HK4.0 cents) per ordinary share | **37.0** | 37.0 |

8. The calculation of basic earnings per ordinary share is based on the profit for the period attributable to equity holders of the parent of HK$130.3 million (2015 – HK$123.8 million), and on the weighted average of 924.1 million (2015 – 924.1 million) ordinary shares of the Company in issue during the period.

No adjustment has been made to the basic earnings per ordinary share amount presented for the periods ended 30th June, 2016 and 2015 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the periods.

9. Included in debtors, deposits and prepayments is an amount of HK$1,660.3 million (31st December, 2015 – HK$1,518.3 million) representing the trade debtors of the Group. The aged analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

| | 30th June, 2016 (Unaudited) HK$'M | 31st December, 2015 (Audited) HK$'M |
|---|---|---|
| Outstanding balances with ages: | | |
| Within 3 months | **273.0** | 125.7 |
| Between 4 to 6 months | **2.8** | 6.0 |
| Between 7 to 12 months | **2.7** | 5.3 |
| Over 1 year | **1,383.5** | 1,383.6 |
| | **1,662.0** | 1,520.6 |
| Impairment | **(1.7)** | (2.3) |
| | **1,660.3** | 1,518.3 |

**Credit terms**

Included in the trade debtors of the Group is a sum of HK$1,372.7 million (31st December, 2015 – HK$1,372.7 million) due from the Cosmopolitan group in respect of the disposal of properties under development in Tianjin which is scheduled to be settled on or before 13th September, 2016. Other trade debtors generally have credit terms of 30 to 90 days. Trade debtors are recognised and carried at their original invoiced amounts less impairment which is made when collection of the full amounts is no longer probable. Bad debts are written off as incurred.

10. Included in creditors, deposits received and accruals is an amount of HK$73.3 million (31st December, 2015 – HK$76.4 million) representing the trade creditors of the Group. The aged analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

| | **30th June, 2016 (Unaudited) HK$'M** | **31st December, 2015 (Audited) HK$'M** |
|---|---|---|
| Outstanding balances with ages: | | |
| Within 3 months | **72.0** | 76.3 |
| Between 4 to 6 months | **0.7** | – |
| Between 7 to 12 months | **–** | – |
| Over 1 year | **0.6** | 0.1 |
| | **73.3** | 76.4 |

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

## 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, 2016.

## REVIEW OF RESULTS

The Group's condensed consolidated financial statements for the six months ended 30th June, 2016 have not been audited, but have been reviewed by Ernst & Young, the Company's external auditors, whose review report is contained in the Company's interim report for the six months ended 30th June, 2016 to be despatched to shareholders.

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30th June, 2016, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

## CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30th June, 2016, 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.

## BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises the following members:

***Executive Directors:***

Mr. LO Yuk Sui
*(Chairman and Chief Executive Officer)*
Miss LO Po Man
*(Vice Chairman and Managing Director)*
Ms. Belinda YEUNG Bik Yiu
*(Chief Operating Officer)*
Mr. Donald FAN Tung
Mr. Jimmy LO Chun To
Mr. Kenneth NG Kwai Kai
Mr. Allen WAN Tze Wai

***Non-Executive Director:***

Dr. Francis CHOI Chee Ming, GBS, JP
*(Vice Chairman)*

***Independent Non-Executive Directors:***

Ms. Alice KAN Lai Kuen
Professor Japhet Sebastian LAW
Mr. NG Siu Chan
Mr. WONG Chi Keung

By Order of the Board
**LO YUK SUI**
Chairman

Hong Kong, 23rd August, 2016