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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 2017 INTERIM RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2017	Six months ended 30th June, 2016	% Change
	(Unaudited)	(Unaudited and restated)	
	HK$'M	HK$'M	
Revenue	**1,236.6**	1,374.7	**-10.0%**
Gross profit	**534.4**	605.3	**-11.7%**
Operating profit before depreciation, finance costs and tax	**726.2**	527.4	**+37.7%**
Profit for the period attributable to equity holders of the parent	**270.3**	119.9	**+125.4%**
Basic earnings per ordinary share attributable to equity holders of the parent	**HK29.56 cents**	HK12.97 cents	**+127.9%**
Interim dividend per ordinary share	**HK4.5 cents**	HK4.0 cents	**+12.5%**
	As at 30th June, 2017	**As at 31st Dec., 2016**	
	(Unaudited)	**(Unaudited)**	
Net asset value per ordinary share attributable to equity holders of the parent			
Book	**HK$13.26**	HK$12.91	**+2.7%**
***Adjusted**	**HK$21.06**	HK$19.16	**+9.9%**

* compiled, for the purpose of reference, on an adjusted basis to restate the Group's hotel property portfolio in Hong Kong at its market value at 31st December, 2016 and 30th June, 2017, respectively, with the relevant deferred tax liabilities added back

- **The Group achieved for the period an unaudited consolidated profit attributable to shareholders of HK$270.3 million, an increase of about 1.3 times over the profit of HK$119.9 million (as restated) attained for the same period in 2016.**

- **Operating profit before depreciation, finance costs and tax for the first half of 2017 amounted to HK$726.2 million, representing an increase of approximately 37.7% above the comparative amount of HK$527.4 million in 2016.**

- **Depreciation charges for the period amounted to HK$252.7 million (2016 – HK$265.9 million), most of which were related to the Group's hotel properties, which although not having an impact on cash flow, have nonetheless impacted on the Group's reported profit.**

- **As at 30th June, 2017, the adjusted net asset value per share of the Company amounted to HK$21.06, as compared to HK$13.26 per share based on book net assets.**

- **The five Regal Hotels in Hong Kong recorded a combined average occupancy of 86.0% during the period, up by 3.4 percentage points from 82.6% in the same period last year. Their combined average room rate over the same comparative period also increased by 2.3%, resulting in an improvement of 6.5% in the combined average RevPAR, which outperformed the industry average.**

- **The operating performances of the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel have shown considerable improvement during the first six months of 2017, with their combined average RevPAR improving by 10.2% year-on-year.**

- **The new hotel project at the Hong Kong International Airport, which was awarded by the Airport Authority in February 2017, is planned for the development of a 13-storey (including one basement floor) 1,200-room hotel with extensive banquet, meeting and food and beverage facilities. This new hotel, to be named as the Regala Skycity Hotel, is presently scheduled for opening in 2021.**

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

- **The Group acquired through private treaty in March 2017 the properties located at Nos. 150-158 Queen's Road West, Hong Kong, planned for a commercial/residential development. The Group has recently further acquired units with more than 85% of the undivided shares in the adjoining properties at 160-162 Queen's Road West, which are intended to be consolidated for development.**
- **The Group believes in the resilience of the local economy and is confident in the heathy growth of the local hotel industry as well as the overall prospects of Hong Kong. The undertaking of the new hotel project at the Hong Kong International Airport is a solid testament to the Group's commitment to maintaining the position of the Group (including Regal REIT) as a pre-eminent hotel group with a strong market presence in Hong Kong.**
- **The Group has a solid asset base with strong liquidity and is well poised for further growth.**

FINANCIAL RESULTS

For the six months ended 30th June, 2017, the Group achieved an unaudited consolidated profit attributable to shareholders of HK$270.3 million, an increase of about 1.3 times over the profit of HK$119.9 million (as restated) attained for the same period in 2016.

With the gradual recovery in the tourist market of Hong Kong, the Group's hotel business achieved improved performance over the corresponding six months in 2016. The local stock market maintained a general uptrend during the period and the Group has recorded sizable fair value gains on its financial assets portfolio. Furthermore, the Group accounted for in the interim results under review the reimbursement of rental expenses (net of hotel operating income) with regard to the leasing of the iclub Sheung Wan Hotel for the initial 3-year term with escalating fixed rentals. Operating profit before depreciation, finance costs and tax for the first half of 2017 amounted to HK$726.2 million, representing an increase of approximately 37.7% above the comparative amount of HK$527.4 million in 2016. Depreciation charges for the period amounted to HK$252.7 million (2016 – HK$265.9

million), most of which were related to the Group's hotel properties, which although not having an impact on cash flow, have nonetheless impacted on the Group's 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, the five initial Regal Hotels and the two other iclub Hotels are leased to 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, 2017, the adjusted net asset value per share of the Company would amount to HK$21.06, as compared to HK$13.26 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

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

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

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

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

HOTEL OWNERSHIP

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

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

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

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

REGAL REAL ESTATE INVESTMENT TRUST

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

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

On 29th June, 2017, Regal REIT entered into a sale and purchase agreement for the purchase of the entire equity interests in a group of companies that own the iclub Ma Tau Wai Hotel in Kowloon from P&R Holdings Limited, a joint venture 50:50 owned by each of the Company and Paliburg Holdings Limited, the listed holding company of the Company, at a consideration of HK$1,360 million. The iclub Ma Tau Wai Hotel is a new hotel with 340 guestrooms which only commenced business operations in May 2017. Under the terms of the sale and purchase agreement, the iclub Ma Tau Wai Hotel will be leased to the same lessee of the Group for a term of 5 years with escalating fixed rentals at an average yield of 4.5% per annum. The lease will be extendable at the option of Regal REIT up to 31st December, 2027, with rentals to be based on annual market rental reviews. The proposed acquisition was approved by the independent unitholders of Regal REIT at an extraordinary general meeting held in July 2017. Subject to the satisfactory fulfilment of the other conditions precedent, including the approval of the relevant transactions by the independent shareholders of the Company at a special general meeting convened for 28th August, 2017, the proposed acquisition is expected to be completed in September 2017. Detailed information relating to this proposed acquisition is contained in the circular of the Company dated 9th August, 2017 despatched to shareholders.

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

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

HOTEL OPERATIONS

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

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

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

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

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

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

HOTEL MANAGEMENT

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

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

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

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

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

Despite the hefty stamp duty on residential properties imposed in November 2016 and the progressive tightening of mortgage lending policies, the property market in Hong Kong during the period under review continued on the rise, with the aggregate value of the total recorded property transactions almost doubling that in the first half of 2016. The growing price of the primary sales continued to drive the residential market, as the units put on to the market by property developers were often oversubscribed. The primary market is now mainly dominated by the end-users and so long as the present low interest rate environment persists, the demand for different types of residential properties in Hong Kong will remain strong.

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

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

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

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

Regarding the progress on the projects undertaken by P&R Holdings, as reported above, P&R Holdings has entered into a sale and purchase agreement in June 2017 to sell the entire equity interests in the companies owning the iclub Ma Tau Wai Hotel to Regal REIT at a consideration of HK$1,360 million.

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

On the other hand, the large scale luxury residential development undertaken by P&R Holdings at Kau To is presently scheduled to be completed in 2018 and the unit sales are planned to be launched after project completion.

Additional information on the Group's development projects and properties, including those undertaken by P&R Holdings and its listed subsidiary, Cosmopolitan International Holdings

Limited, are contained in the section headed “Management Discussion and Analysis” in this announcement.

OTHER INVESTMENTS

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

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

OUTLOOK

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

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

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

The Group has a solid asset base with strong liquidity and is well poised for 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.

A brief review on the development projects and properties currently undertaken by the Group in Hong Kong is set out below.

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

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

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

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

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

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

Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong
During the period, the Group completed the sale of one garden house in Regalia Bay, Stanley which was held for sale. A total of 14 garden houses in Regalia Bay with a total gross area of about 6,320 square metres (68,000 square feet) are still being retained, 8 of which are held as investment properties, 3 held for sale and 3 as property, plant and equipment. The 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, with capital contributions provided by the Company and Paliburg 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, 13 houses have been contracted to be sold. While the remaining houses are presently planned to be disposed of on a gradual basis, some of them may in the meantime be retained for rental income.

iclub Ma Tau Wai Hotel, No.8 Ha Heung Road (formerly known as Nos.8, 8A, 10, 10A, 12 and 12A Ha Heung Road), To Kwa Wan, Kowloon

The project has an aggregate site area of approximately 700 square metres (7,535 square feet) and has been developed into a 22-storey hotel (including 1 basement floor) with 340 guest rooms, having total gross floor area of approximately 6,298 square metres (67,790 square feet) and covered floor area of approximately 9,490 square metres (102,160 square feet). The occupation permit of the hotel was issued in November 2016. The hotel licence for the hotel has since been issued and business operations commenced in May 2017.

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

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

This development site has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site is being developed into a shopping mall with 5 storeys above ground level and 2 storeys of basement floors. The occupation permit for the project is expected to be issued in September 2017. This property project is intended to be retained for rental income and the marketing works for the leasing of the units are progressing steadily.

The Ascent at No.83 Shun Ning Road, Sham Shui Po, Kowloon

This is a joint venture project awarded by the Urban Renewal Authority of Hong Kong through a tender process in March 2014. The land has a site area of 824.9 square metres (8,879 square feet) and is being developed into a 28-storey commercial/residential building (including 1 basement floor) with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement carpark. The superstructure works are in progress and the development is scheduled to be completed before the end of 2017. The presale of the residential units in this development was launched in July 2016 and, up to date, 155 of the total 157 residential units have been contracted to be sold.

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

The project has a site area of 17,476 square metres (188,100 square feet) and is being developed into a luxurious residential development comprising 7 mid-rise apartment blocks with about 136 units, 24 detached garden houses and 197 carparking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The superstructure works are in progress. The completion of this development is presently scheduled for 2018 and the unit sales are planned to be launched after project completion.

iclub Mong Kok Hotel at Anchor Street/Fuk Tsun Street, Tai Kok Tsui, Kowloon

This is a hotel development project also awarded by the Urban Renewal Authority of Hong Kong through a tender process in June 2015, which has a site area of 725.5 square metres (7,809 square feet). The project has total permissible gross floor area of approximately 6,529 square metres (70,278 square feet) and covered floor area of approximately 9,355 square metres (100,697 square feet) and is being developed into a 20-storey hotel building comprising about 288 guest rooms, with ancillary accommodation. The superstructure works have commenced and the development project is presently anticipated to be completed in 2018.

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

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and is planned for the development of a hotel with 98 guest rooms and suites, with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet). After extensive periods of delay to resolve the technical difficulties encountered, the foundation works have now been completed. The superstructure works are scheduled to be commenced in the third quarter of 2017.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

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

Property Development

Chengdu Project – Regal Cosmopolitan City

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

Tianjin Project – Regal Renaissance

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres (341,000 square feet), which is planned for a mixed use development comprising commercial, office and residential components with total gross floor area of about 145,000 square metres (1,561,000 square feet). The superstructure works of the four residential towers and the commercial complex have been completed. Unit presales of the remaining residential tower have been launched since the 4th quarter of 2016. Up to date, 464 of the total 512 residential units comprised within the four residential towers have been sold, realising contracted sales of approximately RMB1,418 million (equivalent to approximately HK$1,663 million). The presale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), and 530 residential car parking spaces commenced in August 2016, and there have been contracted sales of approximately RMB128 million (equivalent to approximately HK$150 million). Under the present construction programme, the residential towers, the commercial complex and the residential car parking spaces are scheduled to be completed before the end of 2017. The superstructure works of the two office towers are temporarily suspended due to tightened government planning and environmental controls. The Cosmopolitan group is conducting negotiations with the local government to resume the construction works as soon as possible.

Xinjiang Project

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

The Cosmopolitan group has completed the site survey on the parcels of land within the project site which have been illegally occupied by trespassers and has commenced communications with the relevant government authority to initiate appropriate measures to settle the land disputes. Based on the legal advice obtained, the legitimate interests of the Cosmopolitan group in this re-forestation and land grant contract remain valid and effective.

The Cosmopolitan group is planning to have the required remedial re-forestation works carried out as soon as practicable, such that the inspection and measurement of the reforested area by the relevant government authorities can be resumed and the final procedures leading to the land grant listing and tender of the development land may be concluded.

Logistics Business

Shanghai Logistics Project

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

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

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

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

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, 2017, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK$21.06 per share, as follows:

	As at 30th June, 2017	
	HK$'M	**HK$ per ordinary share**
Book net assets attributable to equity holders of the parent	**12,005.3**	**13.26**
Adjustment to restate the Group's hotel property portfolio at its market value and add back the relevant deferred tax liabilities	**7,061.6**	**7.80**
Unaudited adjusted net assets attributable to equity holders of the parent	**19,066.9**	**21.06**

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 used in operating activities of HK$534.8 million (2016 – net cash flows generated from operating activities of HK$722.6 million). Net interest payment for the period amounted to HK$117.6 million (2016 – HK$111.9 million).

Borrowings and Gearing

As at 30th June, 2017, the Group had cash and bank balances and deposits of HK$3,362.6 million (31st December, 2016 – HK$4,029.3 million) and the Group's borrowings net of cash and bank balances and deposits amounted to HK$10,969.1 million (31st December, 2016 – HK$9,232.4 million).

As at 30th June, 2017, the gearing ratio of the Group was 35.8% (31st December, 2016 – 33.2%), representing the Group's borrowings net of cash and bank balances and deposits of HK$10,969.1 million (31st December, 2016 – HK$9,232.4 million) as compared to the total assets of the Group of HK$30,625.8 million (31st December, 2016 – HK$27,799.4 million).

On the basis of the adjusted total assets as at 30th June, 2017 of HK$39,649.6 million (31st December, 2016 – HK$34,998.6 million) with the Group's hotel portfolio restated at its market value on the basis presented above, the gearing ratio would be 27.7% (31st December, 2016 – 26.4%).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2017 are shown in the condensed consolidated financial statements ("Interim Financial Statements") contained in the interim report for the six months ended 30th June, 2017 of the Company to be published on or before 30th September, 2017.

Pledge of Assets

As at 30th June, 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, derivative financial instruments, held-to-maturity investments, time deposits and bank balances in the total amount of HK$13,735.5 million (31st December, 2016 – HK$12,686.2 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.

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2017 are shown in the Interim Financial Statements.

Contingent Liabilities

As at 30th June, 2017, 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$2,380.8 million (31st December, 2016 – HK$2,579.4 million), of which HK$1,463.0 million (31st December, 2016 – HK$1,566.8 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, 2016 – Nil).

DIVIDEND

The Directors have declared the payment of an interim dividend of HK4.5 cents (2016 – HK4.0 cents) per ordinary share for the financial year ending 31st December, 2017, absorbing an amount of approximately HK$40.4 million (2016 – HK$37.0 million) and will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 11th October, 2017.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Monday, 9th October, 2017 to Wednesday, 11th October, 2017, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the interim dividend declared, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company’s branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Friday, 6th October, 2017. The relevant dividend warrants are expected to be despatched on or about 24th October, 2017.

HALF YEAR RESULTS

Condensed Consolidated Statement of Profit or Loss

	Six months ended 30th June, 2017 (Unaudited) HK$'M	Six months ended 30th June, 2016 (Unaudited and restated) HK$'M
REVENUE (Notes 2 & 3)	**1,236.6**	1,374.7
Cost of sales	**(702.2)**	(769.4)
Gross profit	**534.4**	605.3
Other income and gain, net (Note 3)	**206.4**	26.5
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	**112.1**	(7.7)
Fair value gains/(losses) on investment properties, net	**0.6**	(32.0)
Fair value gain upon reclassification of a property held for sale to an investment property	**–**	58.5
Property selling and marketing expenses	**(5.2)**	(7.8)
Administrative expenses	**(122.1)**	(115.4)
OPERATING PROFIT BEFORE DEPRECIATION	**726.2**	527.4
Depreciation	**(252.7)**	(265.9)
OPERATING PROFIT (Notes 2 & 4)	**473.5**	261.5
Finance costs (Note 5)	**(194.4)**	(163.9)
Share of profits and losses of:		
Joint ventures	**29.3**	51.0
Associates	**6.7**	(4.5)
PROFIT BEFORE TAX	**315.1**	144.1
Income tax (Note 6)	**(34.2)**	(9.6)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**280.9**	134.5

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

	Six months ended 30th June, 2017 (Unaudited) HK$'M	Six months ended 30th June, 2016 (Unaudited and restated) HK$'M
Attributable to:		
Equity holders of the parent	**270.3**	119.9
Non-controlling interests	**10.6**	14.6
	280.9	134.5
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic and diluted	**HK29.56 cents**	HK12.97 cents

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2017 (Unaudited) HK$'M	Six months ended 30th June, 2016 (Unaudited and restated) HK$'M
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**280.9**	134.5
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**	(2.0)
Exchange differences on translating foreign operations	**23.3**	0.8
Share of other comprehensive income/(loss) of a joint venture	**26.7**	(41.1)
Other comprehensive income/(loss) for the period	**61.5**	(42.3)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**342.4**	92.2
Attributable to:		
Equity holders of the parent	**331.7**	77.6
Non-controlling interests	**10.7**	14.6
	342.4	92.2

Condensed Consolidated Statement of Financial Position

	30th June, 2017 (Unaudited) HK$'M	31st December, 2016 (Audited) HK$'M
NON-CURRENT ASSETS		
Property, plant and equipment	**17,283.1**	15,330.7
Investment properties	**1,029.0**	1,026.0
Properties under development	**742.7**	–
Investments in joint ventures	**3,255.8**	3,146.8
Investments in associates	**22.2**	6.5
Available-for-sale investments	**247.9**	236.6
Financial asset at fair value through profit or loss	**1.9**	1.9
Other loan	**1,350.0**	1,350.0
Finance lease receivables	**19.0**	36.8
Debtors and deposits (Note 9)	**206.0**	5.4
Deferred tax assets	**81.3**	94.0
Total non-current assets	**24,238.9**	21,234.7
CURRENT ASSETS		
Properties held for sale	**204.8**	264.6
Inventories	**31.0**	33.0
Aircraft components held for sale	**29.4**	–
Debtors, deposits and prepayments (Note 9)	**440.2**	303.4
Finance lease receivables	**35.5**	36.3
Held-to-maturity investments	**712.9**	466.7
Financial assets at fair value through profit or loss	**1,229.7**	918.4
Other loan	**336.0**	500.0
Derivative financial instruments	**4.8**	12.8
Tax recoverable	**–**	0.2
Restricted cash	**71.3**	63.5
Pledged time deposits and bank balances	**99.4**	265.1
Time deposits	**2,219.8**	2,595.1
Cash and bank balances	**972.1**	1,105.6
Total current assets	**6,386.9**	6,564.7

Condensed Consolidated Statement of Financial Position (Cont'd)

	30th June, 2017 (Unaudited) HK$'M	31st December, 2016 (Audited) HK$'M
CURRENT LIABILITIES		
Creditors, deposits received and accruals (Note 10)	**(459.0)**	(498.8)
Interest bearing bank borrowings	**(616.8)**	(188.0)
Other borrowings	**(4,243.5)**	(2,281.7)
Derivative financial instruments	**–**	(5.7)
Tax payable	**(63.4)**	(60.8)
Total current liabilities	**(5,382.7)**	(3,035.0)
NET CURRENT ASSETS	**1,004.2**	3,529.7
TOTAL ASSETS LESS CURRENT LIABILITIES	**25,243.1**	24,764.4
NON-CURRENT LIABILITIES		
Creditors and deposits received (Note 10)	**(100.4)**	(135.6)
Interest bearing bank borrowings	**(6,762.8)**	(6,170.7)
Other borrowings	**(2,708.6)**	(4,621.3)
Deferred tax liabilities	**(934.8)**	(954.6)
Total non-current liabilities	**(10,506.6)**	(11,882.2)
Net assets	**14,736.5**	12,882.2
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**90.5**	91.6
Reserves	**11,914.8**	11,736.8
	12,005.3	11,828.4
Perpetual securities	**1,732.9**	–
Non-controlling interests	**998.3**	1,053.8
Total equity	**14,736.5**	12,882.2

Notes:

1. Accounting Policies, Restatement and Comparative Amounts

Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2016, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2017.

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

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

Restatement and Comparative Amounts

On 31st May, 2016, a joint venture of the Group had a business combination and the fair values of the considerations transferred and identifiable net assets acquired recognised in the condensed consolidated financial statements of the joint venture for the six months ended 30th June, 2016 were provisional amounts. The fair value estimation was finalised in the consolidated financial statements of the joint venture for the year ended 31st December, 2016. As a result, certain comparative amounts of the share of profits of joint ventures in the Group's condensed consolidated financial statements for the six months ended 30th June, 2017 were restated to reflect the adjustments to the provisional amounts in accordance with HKFRS 3 (Revised) *Business Combinations*.

The effect of the above change is summarised below:

	As previously reported HK$'M	Decrease HK$'M	As restated HK$'M
Share of profits of joint ventures	61.4	(10.4)	51.0
Profit before tax	154.5	(10.4)	144.1
Profit for the period before allocation between equity holders of the parent and non-controlling interests	144.9	(10.4)	134.5
Total comprehensive income for the period	102.6	(10.4)	92.2
Basic and diluted earnings per share (HK cents)	14.10	(1.13)	12.97

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, operation of restaurants, operation of security storage lounge, the 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.

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,	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited and restated)
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Segment revenue:																
Sales to external customers	1,062.8	995.9	-	-	117.2	208.7	21.9	109.5	25.6	50.7	9.1	9.9	-	-	1,236.6	1,374.7
Intersegment sales	3.8	-	47.0	47.3	2.5	2.4	-	-	-	-	33.5	3.3	(86.8)	(53.0)	-	-
Total	1,066.6	995.9	47.0	47.3	119.7	211.1	21.9	109.5	25.6	50.7	42.6	13.2	(86.8)	(53.0)	1,236.6	1,374.7
Segment results before depreciation	496.4	346.5	(6.2)	(5.5)	105.1	73.9	143.4	105.9	23.0	44.2	(1.3)	(3.7)	-	-	760.4	561.3
Depreciation	(232.1)	(233.9)	(0.2)	(0.2)	(3.0)	(2.9)	-	-	(15.3)	(27.9)	(2.1)	(1.0)	-	-	(252.7)	(265.9)
Segment operating results	264.3	112.6	(6.4)	(5.7)	102.1	71.0	143.4	105.9	7.7	16.3	(3.4)	(4.7)	-	-	507.7	295.4
Unallocated interest income and unallocated non-operating and corporate gains															14.7	7.3
Unallocated non-operating and corporate expenses, net															(48.9)	(41.2)
Operating profit															473.5	261.5
Finance costs															(194.4)	(163.9)
Share of profits and losses of:																
Joint ventures	-	-	-	-	29.3	51.0	-	-	-	-	-	-	-	-	29.3	51.0
Associates	-	1.8	-	-	16.1	(1.6)	-	-	-	-	(9.4)	(4.7)	-	-	6.7	(4.5)
Profit before tax															315.1	144.1
Income tax															(34.2)	(9.6)
Profit for the period before allocation between equity holders of the parent and non-controlling interests															280.9	134.5
Attributable to:																
Equity holders of the parent															270.3	119.9
Non-controlling interests															10.6	14.6
															280.9	134.5

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

	Six months ended 30th June, 2017	Six months ended 30th June, 2016
	(Unaudited)	(Unaudited)
	HK$'M	HK$'M
Revenue		
Hotel operations and management services	**1,038.2**	969.8
Rental income:		
Hotel properties	**21.8**	22.6
Investment properties	**7.8**	6.8
Aircraft	**22.9**	50.7
Others	**1.3**	1.3
Net gain from sale of financial assets at fair value through profit or loss	**0.7**	100.8
Net gain on settlement of derivative financial instruments	**–**	0.3
Interest income from financial assets at fair value through profit or loss	**18.7**	6.8
Interest income from finance leases	**2.7**	–
Dividend income from listed investments	**2.5**	1.6
Sale of properties	**110.0**	203.4
Other operations	**10.0**	10.6
	1,236.6	1,374.7
Other income and gain, net		
Bank interest income	**14.2**	6.7
Other interest income	**68.3**	43.2
Loss on disposal of an investment property	**–**	(23.7)
Gain on disposal of items of property, plant and equipment, net	**4.7**	–
Reimbursement of lease payments in connection with an undertaking provided by a joint venture	**115.3**	–
Others	**3.9**	0.3
	206.4	26.5

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, 2017 (Unaudited) HK$'M	Six months ended 30th June, 2016 (Unaudited) HK$'M
Profit from sale of financial assets at fair value through profit or loss	**0.7**	100.8
Profit on settlement of derivative financial instruments	**–**	0.3
Profit on disposal of properties	**48.6**	21.6

5. Finance costs of the Group are as follows:

	Six months ended 30th June, 2017 (Unaudited) HK$'M	Six months ended 30th June, 2016 (Unaudited) HK$'M
Interest on bank loans	**57.1**	59.0
Interest on other borrowings	**144.2**	91.6
Amortisation of debt establishment costs	**12.4**	11.6
Total interest expenses on financial liabilities not at fair value through profit or loss	**213.7**	162.2
Other loan costs	**4.9**	1.7
	218.6	163.9
Less: Finance costs capitalised	**(24.2)**	–
	194.4	163.9

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

	Six months ended 30th June, 2017	Six months ended 30th June, 2016
	(Unaudited)	**(Unaudited)**
	HK$'M	**HK$'M**
Current – Hong Kong		
Charge for the period	**42.3**	44.6
Current – Overseas		
Charge for the period	**0.2**	0.3
Overprovision in prior years	**–**	(0.1)
Deferred	**(8.3)**	(35.2)
Total tax charge for the period	**34.2**	9.6

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2016 – 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

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

The share of tax attributable to a joint venture and an associate amounting to HK$6.1 million and HK$1.9 million, respectively (2016 – Nil), is included in "Share of profits and losses of joint ventures and associates" in the condensed consolidated statement of profit or loss.

7. Dividend:

	For year ending 31st December, 2017	For year ended 31st December, 2016
	HK$'M	**HK$'M**
Interim – HK4.5 cents (2016 – HK4.0 cents) per ordinary share	**40.4**	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$270.3 million (2016 – HK$119.9 million, as restated), and on the weighted average of 914.5 million (2016 – 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, 2017 and 2016 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$106.1 million (31st December, 2016 – HK$138.6 million) representing the trade debtors of the Group. The aged analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2017	**31st December, 2016**
	(Unaudited)	**(Audited)**
	HK$'M	**HK$'M**
Outstanding balances with ages:		
Within 3 months	**87.8**	118.4
Between 4 to 6 months	**3.3**	3.2
Between 7 to 12 months	**2.3**	5.2
Over 1 year	**14.4**	13.5
	107.8	140.3
Impairment	**(1.7)**	(1.7)
	106.1	138.6

Credit terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amounts less impairment which is made when collection of the full amounts is no longer probable. Bad debts are written off as incurred.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances.

10. Included in creditors, deposits received and accruals is an amount of HK$80.1 million (31st December, 2016 – HK$79.0 million) representing the trade creditors of the Group. The aged analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2017 (Unaudited) HK$'M	31st December, 2016 (Audited) HK$'M
Outstanding balances with ages:		
Within 3 months	**80.0**	78.7
Between 4 to 6 months	–	0.2
Over 1 year	**0.1**	0.1
	80.1	79.0

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

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

During the six months ended 30th June, 2017, the Company repurchased a total of 10,612,000 ordinary shares of the Company at aggregate purchase prices of HK$73,016,640 on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest (HK$)	Price per ordinary share Lowest (HK$)	Aggregate purchase price (HK$)
June 2017	10,612,000	7.130	6.450	73,016,640
Total	10,612,000			73,016,640
			Total expenses on shares repurchased	207,317
			Total	73,223,957

Out of the 10,612,000 repurchased ordinary shares, 2,042,000 repurchased ordinary shares were cancelled during the period, and the remaining 8,570,000 repurchased ordinary shares were cancelled subsequent to the period end date. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the period.

REVIEW OF RESULTS

The Group's condensed consolidated financial statements for the six months ended 30th June, 2017 have not been audited, but have been reviewed by Ernst & Young, the Company's external auditor, whose review report is contained in the Company's interim report for the six months ended 30th June, 2017 to be despatched to shareholders.

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30th June, 2017, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor.

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, 2017, except that:

(1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals, due to practical necessity to cater to the Group's corporate operating structure.

(2) The 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, 24th August, 2017