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## ANNOUNCEMENT OF 2017 INTERIM RESULTS

### FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2017 (Unaudited) HK\$'M	Six months ended 30th June, 2016 (Unaudited and restated) HK\$'M	% Change
<b>Revenue</b>	<b>1,414.8</b>	1,502.0	<b>-5.8%</b>
<b>Gross profit</b>	<b>517.9</b>	537.8	<b>-3.7%</b>
<b>Operating profit before depreciation and amortisation, finance costs and tax</b>	<b>718.6</b>	399.3	<b>+80.0%</b>
<b>Profit/(Loss) for the period attributable to equity holders of the parent</b>	<b>159.1</b>	(1.2)	<b>N/A</b>
<b>Basic earnings/(loss) per ordinary share attributable to equity holders of the parent</b>	<b>HK14.28 cents</b>	HK(0.11) cent	<b>N/A</b>
<b>Interim dividend per ordinary share</b>	<b>HK2.5 cents</b>	HK2.3 cents	<b>+8.7%</b>
	<b>As at 30th June, 2017 (Unaudited)</b>	<b>As at 31st Dec, 2016 (Unaudited)</b>	
<b>Net asset value per ordinary share attributable to equity holders of the parent</b>			
<b>Book</b>	<b>HK\$11.97</b>	HK\$11.77	<b>+1.7%</b>
<b>*Adjusted</b>	<b>HK\$14.89</b>	HK\$13.84	<b>+7.6%</b>

\* compiled, for the purpose of reference, on an adjusted basis to restate the hotel property portfolio owned by the Regal group 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\$159.1 million, as compared to a loss of HK\$1.2 million (as restated) for the corresponding period in 2016.**
- **During the period under review, the overall business of the Group achieved steady progress and benefiting from the relatively buoyant conditions in the property and capital markets, the Group recorded sizable fair value gains on its investment properties and financial assets, as well as the write-back of an impairment loss on a property under development.**
- **Operating profit before depreciation and amortisation, finance costs and tax amounted to HK\$718.6 million, representing an increase of 80.0% over the HK\$399.3 million (as restated) recorded for the corresponding period last year.**
- **Total depreciation charges on the Group's hotel properties for the period amounted to HK\$258.1 million, which although not having an effect on cash flow, have nonetheless impacted the Group's reported profit.**
- **The Group's property development and investment businesses in Hong Kong are principally undertaken through P&R Holdings Limited, a joint venture 50:50 held by each of the Company and Regal Hotels International Holdings Limited, a listed subsidiary of the Company.**
- **After the completion of the "Domus and Casa Regalia" residential development at Tan Kwai Tsuen Road, Yuen Long and the iclub Ma Tau Wai Hotel in Kowloon in 2016, there are five property projects under development by P&R Holdings in Hong Kong.**
- **In June 2017, P&R Holdings formally entered into a sale and purchase agreement with Regal Real Estate Investment Trust, a listed subsidiary of Regal, for the sale to Regal REIT of the entire equity interests in the group of companies that own the iclub Ma Tau Wai Hotel at a consideration of HK\$1,360 million. Subject to the satisfactory fulfilment of the conditions precedent, the sale and purchase is expected to be completed in September 2017.**
- **The shopping mall project in Ma On Shan, Sha Tin by P&R Holdings is nearing completion and the occupation permit is expected to be issued in September 2017. The project is intended to be retained for rental income and the marketing works for the leasing of the units are progressing steadily.**

- **In the meantime, the large scale luxury residential development in Kau To, Sha Tin is presently scheduled to be completed in 2018 and the unit sales are planned to be launched after project completion.**
- **The Group's property development businesses in the PRC are undertaken through Cosmopolitan International Holdings Limited, a listed subsidiary of the Group held through P&R Holdings.**
- **The two major development projects in China undertaken by Cosmopolitan group are making steady progress. Up to date, total contracted unit sales in Regal Renaissance in Tianjin aggregated to approximately RMB1,546 million (HK\$1,813 million), while for Regal Cosmopolitan City in Chengdu, total contracted sales amounted to approximately RMB767 million (HK\$900 million).**
- **Detailed information on the business operations of Regal, Regal REIT and Cosmopolitan, the Company's listed subsidiaries, are contained in their separate results announcements released today.**
- **The Group has a balanced asset base, well distributed among hotels, properties and other investments. While the hotels are generating steady revenues, all the property projects undertaken within the Group are scheduled to be completed progressively from this financial year onwards and are expected to contribute very significant revenues and profits to the Group in the coming few years.**

## **FINANCIAL RESULTS**

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

In the interim results announced by the Company in August 2016, an unaudited consolidated profit of HK\$17.2 million was stated as attributable to shareholders for the six months ended 30th June, 2016. The profit as reported has taken into account a gain on bargain purchase

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

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

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

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

## **BUSINESS OVERVIEW**

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

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

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

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

Further information on the latest progress of the Group's property business as well as the financial results and operational review of Regal (including Regal REIT) and Cosmopolitan are presented below.

## **PROPERTIES**

Despite the hefty stamp duty on residential properties imposed in November 2016 and the progressive tightening of mortgage lending policies, the property market in Hong Kong during the period under review continued on the rise, with the aggregate value of the total

recorded property transactions almost doubling that in the first half of 2016. The growing price of the primary sales continued to drive the residential market, as the units put on to the market by property developers were often oversubscribed.

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

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

On 29th June, 2017, P&R Holdings formally entered into a sale and purchase agreement with Regal REIT for the sale to Regal REIT of the entire equity interests in the group of companies that own the iclub Ma Tau Wai Hotel at a consideration of HK\$1,360 million. Under the terms of the sale and purchase agreement, P&R Holdings will procure the lessee wholly owned by Regal to lease the hotel from Regal REIT for a term of 5 years with escalating fixed rentals at an average yield of 4.5% per annum. P&R Holdings has agreed with the Regal lessee that, subject to the lease agreement becoming and remaining effective, if there is any

shortfall of the total cumulative income derived from the hotel below the total cumulative payments (including rent) under the lease agreement for any of the 5 years, P&R Holdings shall account for such cumulative shortfall to the lessee after the end of each year on an annual basis. This transaction was approved by the independent unitholders of Regal REIT in July 2017 and, subject to the satisfactory fulfilment of the other conditions precedent, including the approval by the independent shareholders of Regal, the sale and purchase is expected to be completed in September 2017. Detailed information relating to this transaction is contained in the joint announcement dated 29th June, 2017 published by the Company.

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

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

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

Further details on the development projects and properties of P&R Holdings, Regal and Cosmopolitan, as well as the Group's construction and building related business and other investments are contained in the section headed "Management Discussion and Analysis" in this announcement.

## **REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED**

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

Further information on the principal business operations and outlook of Regal, including its Management Discussion and Analysis, is contained in Regal's announcement separately released today.

## **REGAL REAL ESTATE INVESTMENT TRUST**

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.

Further information on the principal business operations and outlook of Regal REIT, including its Management Discussion and Analysis, is contained in Regal REIT's announcement separately released today.

## **COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED**

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

Further information on the principal business operations and outlook of Cosmopolitan, including its Management Discussion and Analysis, is contained in Cosmopolitan's announcement separately released today.

## **OUTLOOK**

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

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group's significant investments and principal business activities mainly comprise property development and investment, construction and building related businesses, hotel ownership, hotel operation and management, asset management, aircraft ownership and leasing business and other investments including financial assets investments.

The significant investments and business interests of Regal, the principal listed subsidiary of the Group, 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 and other investment businesses. Cosmopolitan is a listed subsidiary of the Group held through P&R Holdings. The principal business activities of the Cosmopolitan group comprise property development and investment, mainly focused in the PRC, investment in financial assets, logistics operation (disposed of in June 2017) and other investments.

The performance of the Group's property, construction and building related and other investment businesses, and the principal businesses of Regal and Regal REIT as well as those of Cosmopolitan during the period under review, the commentary on the hotel and property sectors in which the Group operates and the changes in general market conditions and the potential impact on their operating performance and future prospects are contained in the

sections headed “Business Overview” and “Outlook” above and in this sub-section as well as in the separate interim results announcements for 2017 released by Regal, Regal REIT and Cosmopolitan.

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.

## **P&R HOLDINGS LIMITED**

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

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

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

*Domus and Casa Regalia at Nos.65-89 Tan Kwai Tsuen Road, Yuen Long, New Territories*

This residential project has a site area of approximately 11,192 square metres (120,470 square feet) and provides a total of 170 units, comprising 36 luxurious garden houses and a low-rise apartment block with 134 units, having aggregate gross floor area of approximately 11,192

square metres (120,470 square feet). The occupation permit for the project was issued in November 2015 and the certificate of compliance was obtained in April 2016.

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

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

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

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

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

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

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

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

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

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

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

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

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

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and is planned for the development of a hotel with 98 guest rooms and suites, with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area

of approximately 6,420 square metres (69,120 square feet). After extensive periods of delay to resolve the technical difficulties encountered, the foundation works have now been completed. The superstructure works are scheduled to be commenced in the third quarter of 2017.

## **REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED**

Regal is a listed subsidiary of the Company. Further information relating to the property projects undertaken and principal properties owned by the Regal group in Hong Kong, all of which are wholly owned by Regal, 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 Regal was awarded by the Airport Authority in Hong Kong in February 2017 the development right for a new hotel project at the Hong Kong International Airport, at a consideration payable in the form of non-refundable rental payment of approximately HK\$2,188.9 million.

The hotel project 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 Regal group has recently further acquired units with more than 85% of the undivided shares in the adjoining properties at 160-162 Queen's Road West, which have an aggregate site area of about 187 square metres (2,012 square feet). The two properties are intended to be consolidated for development and the combined site will have a total aggregate site area of about 667 square metres (7,190 square feet).

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

During the period, the Regal 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 Regal group will continue to dispose of some of these houses if the price offered is considered satisfactory.

## **COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED**

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

### **Property Development**

*Chengdu Project – Regal Cosmopolitan City*

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, serviced apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres (5,350,000 square feet). To cope with the changing market conditions, the business profile of the 311-room hotel has been revised and the corresponding interior design works are in progress. The hotel is scheduled to open in phases from 2018. The construction works of the

nine residential towers in the first and second stages have progressed steadily and are expected to be completed in the latter part of 2017. Presales of the residential units commenced in April 2016 and response has been favourable. Up to date, a total of 1,205 residential units have been contracted to be sold, securing aggregate sales proceeds of approximately RMB767 million (equivalent to approximately HK\$900 million). The planning approval of the remaining ten residential towers in the third stage of the development has been obtained and construction works are expected to commence by end of 2017, with units presale scheduled to commence in the latter part of 2018. The other components within the development, comprising commercial and office space and serviced apartments, will continue to be developed in stages.

#### *Tianjin Project – Regal Renaissance*

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

#### *Xinjiang Project*

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur

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

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

## **Logistics Business**

### *Shanghai Logistics Project*

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

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

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

## **HANG FOK PROPERTIES LIMITED**

Hang Fok is an entity that is 50% beneficially owned by each of the Group and the Regal group and is effectively a subsidiary of the Group. Hang Fok holds equity interests in a joint venture project company involved in a development project in the Central Business District in Beijing, the PRC. As previously reported, Hang Fok was engaged in a series of legal actions in the PRC with the other joint venture parties in the Beijing project, some of which were initiated by Hang Fok to protect its equity interests in the Beijing project. As also reported before, in the process of the legal actions taken, Hang Fok has recovered in February 2016 about RMB195 million (equivalent to approximately HK\$228.4 million) from the joint venture project company, as repayment of certain of the shareholder's loans owing to Hang Fok, plus accrued contractual interest thereon. As at 31st December, 2016, the interest held by the Group in the project was carried in the consolidated financial statements at an insignificant amount. In March 2017, Hang Fok further recovered an additional amount of about RMB34 million (equivalent to approximately HK\$37.8 million) from the joint venture project company, which principally represents late payment interest as required by the relevant court rules in the PRC. The Group will continue to exercise strenuous efforts with a view to salvaging the value of the Group's interest in this investment.

## **CONSTRUCTION AND BUILDING RELATED BUSINESSES**

The Group's wholly owned construction arm, Chatwin Engineering Limited, was the main contractor for the construction of P&R Holdings' hotel developments at Bonham Strand, Sheung Wan (now operating as the iclub Sheung Wan Hotel), Merlin Street, Fortress Hill (now operating as the iclub Fortress Hill Hotel) and Ha Heung Road, To Kwa Wan (now operating as the iclub Ma Tau Wai Hotel), which were completed in January 2014, May 2014 and November 2016, respectively, as well as the residential project at Tan Kwai Tsuen Road, Yuen Long which was completed in November 2015. Chatwin is presently undertaking the main contract works at Anchor Street/Fuk Tsun Street, Tai Kok Tsui, which were also awarded to Chatwin through competitive tender process. Due to the increasing number of projects undertaken by the Group as a whole, the Group's development consultancy division, which provides professional services on architectural, engineering and interior design aspects, is likewise principally supporting the needs of the Group's member companies.

## **OTHER INVESTMENTS**

The Group holds a significant portfolio of investments comprising listed securities and other investments, including investment funds, bonds as well as treasury and yield enhancement products. Benefiting from the relatively buoyant conditions in the capital market, the Group recorded sizable fair value gains on its financial assets during the period.

## FINANCIAL REVIEW

### ASSETS VALUE

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

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

## **CAPITAL RESOURCES AND FUNDING**

### **Funding and Treasury Policy**

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash balances are mostly placed on bank deposits, and treasury and yield enhancement products are deployed when circumstances are considered to be appropriate.

Property development projects in Hong Kong are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date. Property development projects in the PRC are presently financed by internal resources and proceeds from the presale of the units. Project financing may be arranged in local currency on appropriate terms to cover a part of the land cost and/or construction cost, and with the loan maturity tied in to the estimated project completion date.

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

### **Cash Flows**

Net cash flows generated from operating activities during the period under review amounted to HK\$381.9 million (2016 – HK\$1,123.0 million). Net interest payment for the period amounted to HK\$124.8 million (2016 – HK\$69.6 million).

## **Borrowings and Gearing**

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

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

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

Details of the maturity profile of the borrowings of the Group as of 30th June, 2017 are shown in 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, properties under development, available-for-sale investments, financial assets at fair value through profit or loss, derivative financial instruments, held-to-maturity investments, time deposits and bank balances in the total amount of HK\$21,861.1 million (31st December, 2016 – HK\$20,405.4 million) were pledged to secure general banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 30th June, 2017, certain ordinary shares in a listed subsidiary with a market value of HK\$598.0 million (31st December, 2016 – HK\$370.7 million) were also pledged to secure general banking facilities granted to the Group.

### **Capital Commitments**

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

### **Contingent Liabilities**

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

## **DIVIDEND**

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

## **CLOSURE OF REGISTER**

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

## HALF YEAR RESULTS

### Condensed Consolidated Statement of Profit or Loss

	Six months ended 30th June, 2017	Six months ended 30th June, 2016
	(Unaudited)	(Unaudited and restated)
	HK\$'M	HK\$'M
REVENUE (Notes 2 & 3)	1,414.8	1,502.0
Cost of sales	(896.9)	(964.2)
Gross profit	517.9	537.8
Other income and gains, net (Note 3)	82.5	13.5
Fair value gains on investment properties, net	202.4	80.3
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	62.8	(27.0)
Gain on bargain purchase	–	3.1
Impairment loss on properties held for sale	–	(7.9)
Write-back of impairment loss on property under development	53.0	–
Property selling and marketing expenses	(21.9)	(30.8)
Administrative expenses	(178.1)	(169.7)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION	718.6	399.3
Depreciation and amortisation	(300.1)	(302.0)
OPERATING PROFIT (Notes 2 & 4)	418.5	97.3
Finance costs (Note 5)	(155.3)	(120.5)
Share of profits and losses of associates	(9.7)	(2.9)
PROFIT/(LOSS) BEFORE TAX	253.5	(26.1)
Income tax (Note 6)	(35.9)	20.1
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	217.6	(6.0)

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

	<b>Six months ended 30th June, 2017</b>	<b>Six months ended 30th June, 2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited and restated)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Attributable to:		
Equity holders of the parent	<b>159.1</b>	(1.2)
Non-controlling interests	<b>58.5</b>	(4.8)
	<hr/> <b>217.6</b> <hr/>	<hr/> (6.0) <hr/>
<b>EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)</b>		
Basic and diluted	<hr/> <b>HK14.28 cents</b> <hr/>	<hr/> HK(0.11) cent <hr/>

## Condensed Consolidated Statement of Comprehensive Income

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

## Condensed Consolidated Statement of Financial Position

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

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

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

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 *Clarification of the scope of the Standard in Annual Improvements 2014-2016 Cycle*

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, the Cosmopolitan group acquired from independent third parties a 60% effective equity interest in 上海禾允投資諮詢有限公司 and its wholly owned subsidiary (the “SH Logistics Group”). The fair values of the considerations transferred and identifiable net assets acquired recognised in the Group’s condensed consolidated financial statements for the six months ended 30th June, 2016 were provisional amounts. The fair value estimation was finalised in the Group’s consolidated financial statements for the year ended 31st December, 2016. As a result, certain comparative amounts in the Group’s condensed consolidated financial statements for the six months ended 30th June,

2017 were restated to reflect the adjustments to the provisional amounts in accordance with HKFRS 3 (Revised) *Business Combinations*.

The effect of the above change is summarised below:

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

## 2. Operating Segment Information

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

- (a) the property development and investment segment comprises the development and sale of properties, the leasing of properties and the provision of estate agency services;
- (b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;
- (c) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income through Regal REIT;

- (d) the asset management segment engages in the provision of asset management services to Regal REIT;
- (e) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments;
- (f) the aircraft ownership and leasing segment engages in the aircraft ownership and leasing for rental income; and
- (g) the others segment mainly comprises the provision of financing services, travel agency services, sale of food products, operation of restaurants, operation of security storage lounge, the provision of housekeeping services, logistics and related services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

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

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

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

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

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

	<b>Six months ended 30th June, 2017</b>	<b>Six months ended 30th June, 2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
<u>Revenue</u>		
Rental income:		
Hotel properties	21.8	22.6
Investment properties	7.8	6.9
Properties held for sale	1.3	1.3
Aircraft	22.9	50.7
Construction and construction-related income	2.5	5.0
Proceeds from sale of properties	270.7	316.0
Estate management fees	2.8	2.3
Net gain from sale of financial assets at fair value through profit or loss	0.7	103.1
Interest income from financial assets at fair value through profit or loss	18.7	7.7
Interest income from finance leases	2.7	–
Dividend income from listed investments	3.7	2.9
Hotel operations and management services	1,041.0	969.8
Logistics and related services income	9.1	3.7
Other operations	9.1	10.0
	<b>1,414.8</b>	<b>1,502.0</b>

	<b>Six months ended 30th June, 2017</b>	<b>Six months ended 30th June, 2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
<u>Other income and gains, net</u>		
Bank interest income	<b>26.6</b>	12.0
Other interest income	<b>47.0</b>	6.5
Dividend income from unlisted investment	<b>3.8</b>	0.3
Loss on disposal of an investment property	–	(23.7)
Fair value gain upon reclassification of a property held for sale to an investment property	–	3.7
Gain on disposal of items of property, plant and equipment, net	<b>4.7</b>	–
Gain on disposal of subsidiaries (Note 11)	<b>0.2</b>	–
Others	<b>0.2</b>	14.7
	<b>82.5</b>	13.5

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

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

5. Finance costs of the Group are as follows:

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

6. The income tax charge/(credit) for the period arose as follows:

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

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

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

No provision for tax was required for the associates as no assessable profits were earned by the associates during the period (2016 – Nil).

7. Dividend:

	<b>For year ending 31st December, 2017</b>	<b>For year ended 31st December, 2016</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Interim – HK2.5 cents (2016 – HK2.3 cents) per ordinary share	<b>27.9</b>	25.6

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

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\$107.6 million (31st December, 2016 – HK\$145.9 million) representing the trade debtors of the Group. The aged analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30th June, 2017</b>	<b>31st December, 2016</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Outstanding balances with ages:		
Within 3 months	<b>89.1</b>	124.4
Between 4 to 6 months	<b>3.3</b>	4.1
Between 7 to 12 months	<b>2.5</b>	5.6
Over 1 year	<b>14.4</b>	13.5
	<hr/> <b>109.3</b>	<hr/> 147.6
Impairment	<b>(1.7)</b>	(1.7)
	<hr/> <b>107.6</b> <hr/>	<hr/> 145.9 <hr/>

### **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 and accruals is an amount of HK\$89.6 million (31st December, 2016 – HK\$93.8 million) representing the trade creditors of the Group. The aged analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30th June, 2017</b>	<b>31st December, 2016</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Outstanding balances with ages:		
Within 3 months	<b>89.5</b>	93.2
Between 4 to 6 months	–	0.4
Between 7 to 12 months	–	0.2
Over 1 year	<b>0.1</b>	–
	<hr/> <b>89.6</b> <hr/>	<hr/> 93.8 <hr/>

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

11. Disposal of subsidiaries

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2017.

## **REVIEW OF RESULTS**

The 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 auditors, 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 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, 2017, except that:

- (1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals, due to practical necessity to cater to the Group's corporate operating structure.
- (2) The Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Bye-laws of the Company, all Directors (including the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

## **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)*

Mr. Jimmy LO Chun To

*(Vice Chairman and Managing Director)*

Mr. Donald FAN Tung

*(Chief Operating Officer)*

Miss LO Po Man

Mr. Kenneth NG Kwai Kai

Mr. Kenneth WONG Po Man

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

Mr. Bowen Joseph LEUNG Po Wing, GBS, JP

Mr. NG Siu Chan

Hon Abraham SHEK Lai Him, GBS, JP

Mr. WONG Chi Keung

By Order of the Board

**LO YUK SUI**

Chairman

Hong Kong, 24th August, 2017