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## ANNOUNCEMENT OF 2015 INTERIM RESULTS

### FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2015 (Unaudited) HK\$'M	Six months ended 30th June, 2014 (Unaudited) HK\$'M	% Change
<b>Revenue</b>	<b>1,265.8</b>	1,061.0	<b>+19.3%</b>
<b>Gross profit</b>	<b>508.3</b>	511.2	<b>-0.6%</b>
<b>Operating profit before depreciation, finance costs and tax</b>	<b>503.1</b>	377.2	<b>+33.4%</b>
<b>Profit for the period attributable to equity holders of the parent</b>	<b>54.9</b>	16.2	<b>+238.9%</b>
<b>Basic earnings per ordinary share attributable to equity holders of the parent</b>	<b>HK4.93 cents</b>	HK1.45 cents	<b>+240.0%</b>
<b>Interim dividend per ordinary share</b>	<b>HK2.3 cents</b>	HK2.3 cents	—
	As at 30th June, 2015 (Unaudited)	As at 31st Dec., 2014 (Unaudited)	
<b>Net asset value per ordinary share attributable to equity holders of the parent</b>	<b>HK\$11.76</b>	HK\$11.72	<b>+0.3%</b>

- **The Group's business operations have overall performed satisfactorily and attained for the period operating profit before depreciation, finance costs and tax of HK\$503.1 million, an increase of approximately 33.4% over the comparative amount of HK\$377.2 million in 2014.**
- **Total depreciation charges amounted to HK\$282.0 million (2014 – HK\$242.9 million) which, although of a non-cash nature, have nonetheless adversely affected the reported profit.**
- **The Group's property development and investment businesses in Hong Kong are now principally undertaken through P&R Holdings Limited, a 50:50 joint venture with Regal Hotels International Holdings Limited. As Regal is a listed subsidiary of the Company, P&R Holdings is effectively also a subsidiary of the Group.**
- **P&R Holdings formally launched in June 2015 the presale of the apartment block, named Domus, in the residential project at Tan Kwai Tsuen Road in Yuen Long, and all the 134 units were sold in one day. Earlier this month, P&R Holdings further launched the sale programme for the ten residential duplex units remaining in Rainbow Lodge in Yuen Long. The market response was equally very favourable and all the ten units were sold within a short period of time.**
- **To replenish its land bank after the sale of the two iclub hotel developments in Sheung Wan and Fortress Hill to Regal Real Estate Investment Trust, P&R Holdings successfully secured from the Urban Renewal Authority in June 2015 the contract for the development of a new hotel project located at Anchor Street/Fuk Tsun Street in Tai Kok Tsui, Kowloon, which is planned to be developed into a multi-storey hotel building comprising about 288 guest rooms, with ancillary accommodation.**

- **Apart from its own property development and investment businesses, P&R Holdings also holds a controlling shareholding interest in Cosmopolitan International Holdings Limited and, in addition, substantial interest in the convertible bonds of Cosmopolitan.**
- **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.**
- **Following on the successful track of the two sale programmes launched recently, the marketing programme for the luxurious garden houses in the Tan Kwai Tsuen development, which constitute the main component of the project, is scheduled to be launched shortly.**
- **The majority of the other projects presently undertaken by P&R Holdings, including the hotel project at Ha Heung Road in To Kwa Wan, the shopping mall project in Ma On Shan, the residential project in Kau To, Sha Tin and the commercial/residential joint venture project with the URA in Sham Shui Po, are all expected to be completed before the end of 2017.**
- **While certain of these development projects is presently intended to be retained as investment property after completion to boost recurring rental income, most of the other development projects of P&R Holdings are planned for sale, which are expected to generate substantial profits and cash flows for both the Regal group and the Group as a whole.**
- **The Directors are hopeful that the Group will continue to achieve satisfactory results in the coming years.**

## **FINANCIAL RESULTS**

For the six months ended 30th June, 2015, the Group attained an unaudited consolidated profit attributable to shareholders of HK\$54.9 million, as compared to HK\$16.2 million for the corresponding period in 2014.

During the period under review, the Group's business operations have overall performed satisfactorily. Operating profit before depreciation, finance costs and tax for the period amounted to HK\$503.1 million, which represents an increase of approximately 33.4% over the comparative amount of HK\$377.2 million in 2014. As the Group's entire portfolio of hotel properties are effectively self-operated, they are treated in the consolidated financial statements as property, plant and equipment and subject to depreciation charges. Total depreciation charges for the half year, which are mostly related to the hotel property portfolio, amounted to HK\$282.0 million (2014 – HK\$242.9 million) which, although of a non-cash nature, have nonetheless adversely affected the reported profit.

## **BUSINESS OVERVIEW**

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

As at 30th June, 2015, the Group held an effective controlling shareholding interest of approximately 65.3% in Regal which, in turn, held approximately 74.6% of the outstanding units of Regal Real Estate Investment Trust, a listed subsidiary of Regal which owned all the eight hotels of the Group operating in Hong Kong.

Apart from its own property development and investment businesses, P&R Holdings also held as at 30th June, 2015 an effective controlling shareholding interest of approximately 71.8% in Cosmopolitan International Holdings Limited (comprising interests in its ordinary

shares and convertible preference shares) and, in addition, substantial interest in the convertible bonds of Cosmopolitan. Cosmopolitan is consequently a listed subsidiary of the Group and its principal business activities are engaged in property development and investment businesses with a primary focus in the People's Republic of China.

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

## **PROPERTIES**

During the period under review, the property market in Hong Kong overall remained stable, despite the hefty stamp duty levied by the Hong Kong Government to deter speculative activities. Newly built residential apartments, particularly those smaller-sized units that cater to small families, continued to be in very strong demand, with residential property price indices generally reaching new highs.

P&R Holdings formally launched in June 2015 the presale of the apartment block, named Domus, in the residential project at Tan Kwai Tsuen Road in Yuen Long, and all the 134 units were sold in one day. The 36 luxurious garden houses, which constitute the main component of the project and named Casa Regalia, are planned to be marketed for sale within the next few months.

Earlier this month, P&R Holdings further launched the sale programme for the ten residential duplex units remaining in Rainbow Lodge in Yuen Long. The market response was equally very favourable and all the ten units were sold within a short period of time.

To replenish its land bank after the sale of the two iclub hotel developments in Sheung Wan and Fortress Hill to Regal REIT, P&R Holdings successfully secured from the Urban Renewal Authority in June 2015 the contract for the development of a new hotel project located at Anchor Street/Fuk Tsun Street in Tai Kok Tsui, Kowloon, which is planned to be developed into a multi-storey hotel building comprising about 288 guest rooms, with ancillary accommodation.

The operation review on the property businesses presently conducted in China through Cosmopolitan is set out in the paragraph headed “Cosmopolitan International Holdings Limited” below.

Further details on the development projects and properties of P&R Holdings as well as those of Cosmopolitan, 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, 2015, Regal attained an unaudited consolidated profit attributable to shareholders of HK\$123.8 million, as compared to HK\$167.1 million recorded for the same period in 2014.

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, 2015, Regal REIT recorded an unaudited consolidated loss before distribution to unitholders of HK\$1,376.9 million, as compared to the profit of HK\$319.6 million attained in the corresponding period in 2014. The loss incurred by Regal REIT was solely attributable to the reduction of HK\$1,631.4 million in the fair value of Regal REIT’s investment properties portfolio based on their independent market valuations as at 30th June, 2015, as compared to those last prevailing as at 31st December, 2014. If the fair value changes are excluded, the core profit before distribution to the unitholders of Regal REIT for the period under review would amount to HK\$254.6 million, an increase of approximately 3.6% over HK\$245.6 million attained for the corresponding period in 2014.

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, 2015, Cosmopolitan recorded an unaudited consolidated loss attributable to shareholders of HK\$164.0 million, as compared to the loss of HK\$78.1 million for the corresponding six months in 2014.

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**

When the various transport infrastructures linking with the Mainland are gradually completed, including the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge, Hong Kong will further integrate as a crucial gateway to China. This is anticipated to bring an increasing number of visitors to Hong Kong and will further stimulate its economic growth.

The sale programmes recently launched for the apartments units in the Tan Kwai Tsuen development and the remaining duplex residential units in Rainbow Lodge, both in Yuen Long, have been very well received. Following on this successful track, the marketing programme for the luxurious garden houses in the Tan Kwai Tsuen development, which constitute the main component of the project, is scheduled to be launched shortly.

The majority of the other projects presently undertaken by P&R Holdings, including the hotel project at Ha Heung Road in To Kwa Wan, the shopping mall project in Ma On Shan, the

residential project in Kau To, Sha Tin and the commercial/residential joint venture project with the URA in Sham Shui Po, are all expected to be completed before the end of 2017.

While certain of these development projects, such as the shopping mall project in Ma On Shan, is presently intended to be retained as investment property after completion to boost recurring rental income, most of the other development projects of P&R Holdings are planned for sale, which are expected to generate substantial profits and cash flows for both the Regal group and the Group as a whole.

The Directors are hopeful that the Group will continue to achieve satisfactory results in the coming 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, a 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, and financial assets and other investments.

The performance of the Group's property, construction and building related and other investment businesses, and the principal businesses of Regal, 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 2015 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 to be provided by the Company and Regal on a pro-rata basis in accordance with their respective shareholdings in P&R Holdings, and is a subsidiary of the Company. The business scope of P&R Holdings is the development of real estate projects for sale and/or leasing, the undertaking of related investment and financing activities, and the acquisition or making of any investments (directly or indirectly) in the financial assets of or interests in, or extending loans to, any private, public or listed corporations or undertakings that have interests in real estate projects or other financial activities where the underlying assets or security comprise real estate properties.

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

### **Hong Kong**

Apart from the Shun Ning Road development project in Sham Shui Po, Kowloon and the latest Anchor Street/Fuk Tsun Street development project in Tai Kok Tsui, Kowloon, which are being undertaken pursuant to the development contracts awarded by the Urban Renewal

Authority of Hong Kong, all of the following ongoing development projects and properties are wholly owned by P&R Holdings group.

*Lot No.4309 in Demarcation District No.124, 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 will provide 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 superstructure works have been completed and the occupation permit is expected to be issued in the third quarter of 2015. The presale programme for the units in the apartment block, named Domus, was formally launched in June 2015 and all the 134 units were sold in one day. The sale programme for the 36 garden houses, which constitute the main component of the development and named Casa Regalia, is planned to be launched within the next few months.

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

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and is planned for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet). The foundation works have been completed and the technical difficulties encountered in relation to the adjoining building are being resolved. Some further delay in the construction works is anticipated.

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

The project has an aggregate site area of approximately 700 square metres (7,535 square feet) and is being developed into a hotel with 340 guestrooms, having total gross floor area of approximately 6,298 square metres (67,790 square feet) and covered floor area of approximately 9,490 square metres (102,160 square feet). The foundation works have been completed and the superstructure works are progressing smoothly. This hotel development project is scheduled to be completed in the first half of 2016.

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

This development site has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site is planned to be developed into a shopping mall and the general building plans have been approved. The foundation works are proceeding and currently expected to be completed in the first quarter of 2016. The project is scheduled to be completed in 2017 and is intended to be retained for rental income.

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

The project has a site area of 17,476 square metres (188,100 square feet) and is planned for a luxurious residential development comprising 7 mid-rise apartment blocks with about 136 units, 24 detached garden houses and 198 carparking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The general building plans for the development have been approved and the site formation works and foundation works are progressing. This development is scheduled to be completed in 2017.

*Nos.69-83 Shun Ning Road, Sham Shui Po, Kowloon*

This is a joint venture project awarded by the Urban Renewal Authority of Hong Kong through a tender process in March 2014. The land has a site area of 824.9 square metres (8,879 square feet) and is planned for a commercial/residential development with total gross floor area of 7,159 square metres (77,059 square feet), providing 155 residential units, 2 storeys of shops and 1 storey of basement carpark. The general building plans have been approved and foundation works commenced. The development is scheduled to be completed in 2017.

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

This is a hotel development project also awarded by the Urban Renewal Authority of Hong Kong through a tender process in June 2015. The project has a site area of 725.5 square metres (7,809 square feet) and total permissible gross floor area of approximately 6,529 square metres (70,278 square feet) and is planned to be developed into a multi-storey hotel building comprising about 288 guest rooms, with ancillary accommodation. The general building plans are being finalised and will be submitted to the Building Authority for

approval shortly. Further details with regards to this development project are contained in the announcement of the Company dated 17th June, 2015.

*Rainbow Lodge, 9 Ping Shan Lane, Tong Yan San Tsuen, Yuen Long, New Territories*

These properties comprise ten residential duplex units with gross area of approximately 1,832 square metres (19,720 square feet) and 14 car parks in a completed residential development. To prepare for the planned disposals, the tenancies for those units that were previously under lease have been terminated, and the sale programme launched in August 2015. The market response was very favourable and all the ten residential units and 13 car parks were sold within a short period of time.

## **COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED**

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

### **Property Development**

*Chengdu Project*

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, service apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres. The first stage of the development includes a hotel with 306 hotel rooms and extensive facilities and three residential towers with about 340 residential units with car parking spaces and ancillary commercial accommodation. The construction works for these three residential towers are presently expected to be completed in the third quarter of 2016 and units presale is anticipated to be launched within the next few months. Having considered the current local market environment, a series of business remodeling works are being planned for the hotel, which is now anticipated to be completed in phases from late 2016. The second stage of the development comprises six residential towers with about 960 units, the construction works for which have commenced and are expected to be completed in the second quarter of 2017. The other components comprised within the overall development will continue to be

developed in stages.

#### *Tianjin Project*

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres, which is planned for a mixed use development comprising commercial, office and residential components with total gross floor area of about 145,000 square metres. The piling works for the project have already been completed and basement excavation works have commenced. Presale of the two residential towers with about 250 residential units is anticipated to be launched within the next few months. The entire development is now anticipated to be completed in stages from 2017.

#### *Xinjiang Project*

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Cosmopolitan group has re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site will be available for commercial development after the requisite inspection, land grant listing and tender procedures are completed. The inspection and measurement of the reforested area by the relevant government authorities is still ongoing and certain remedial re-forestation works will be undertaken to meet the requirements of the government authorities. In the meantime, the Cosmopolitan group is working on the design of the master plan to prepare for the land grant procedures. It is hoped that the final procedures leading to the land grant listing and tender of the development land would be concluded as soon as practicable. Should the Cosmopolitan group successfully secure the development land and depending on the permitted land use, the Cosmopolitan group preliminarily plans to develop on the land, in stages, a large scale mixed use development comprising residential, hotel, recreational and commercial properties.

## **Property Investment**

### *Beijing Tongzhou Project*

As previously reported, certain conditions required to be fulfilled by the counterparty with respect to the co-operation agreement entered into in 2014 for the captioned project have not been satisfied and the co-operation agreement has lapsed. The Group has determined that the captioned project will not be further pursued.

## **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. Appropriate provisions had been made by Hang Fok in the prior years and the interest held by the Group in the project was carried in the consolidated financial statements at an insignificant amount as at 31st December, 2013. In the process of the legal actions taken, the other joint venture parties have funded the joint venture project company and procured the latter to deposit an amount of approximately RMB195 million into the court in the PRC in August 2014, as repayment proceeds of certain of the shareholder's loans, plus accrued interest thereon, made by Hang Fok to the joint venture project company, which is pending collection by Hang Fok. Accordingly, Hang Fok had recorded a recovery of loans receivable and related interest income of approximately HK\$159.0 million and HK\$84.2 million respectively, which was reflected in the results of the Group in the financial year ended 31st December, 2014. The Group will continue to exercise strenuous efforts with a view to salvaging the value of the Group's interest in this development project.

## **CONSTRUCTION AND BUILDING RELATED BUSINESS**

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 and at Merlin Street, Fortress Hill, which have been completed in January and May 2014, respectively. Chatwin is also undertaking the main contract works for P&R Holdings' residential project in Yuen Long and the hotel development project at Ha Heung Road, To Kwa Wan, awarded through competitive tender process. Due to the increasing number of projects undertaken, the Group's development consultancy division, which provides professional services on architectural, engineering and interior design aspects, is 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.

## **FINANCIAL REVIEW**

### **ASSETS VALUE**

As at 30th June, 2015, the Group's net assets attributable to equity holders of the parent amounted to HK\$13,106.7 million, representing HK\$11.76 per ordinary share.

## **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. Project financing may be arranged 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 were 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\$1.5 million (2014 – net cash flows used in operating activities of HK\$130.3 million). Net interest payment for the period amounted to HK\$134.7 million (2014 – HK\$128.8 million).

### **Borrowings and Gearing**

As at 30th June, 2015, the Group had cash and bank balances and deposits of HK\$2,455.3 million (31st December, 2014 – HK\$3,332.5 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$10,734.5 million (31st December, 2014 – HK\$10,025.4 million).

As at 30th June, 2015, the gearing ratio of the Group was 29.3% (31st December, 2014 – 27.1%), representing the Group's borrowings net of cash and bank balances and deposits of HK\$10,734.5 million (31st December, 2014 – HK\$10,025.4 million), as compared to the total assets of the Group of HK\$36,607.2 million (31st December, 2014 – HK\$36,942.1 million).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2015 are shown in the condensed consolidated financial statements (“Interim Financial Statements”) contained in the interim report for the six months ended 30th June, 2015 of the Company to be published on or before 30th September, 2015.

### **Pledge of Assets**

As at 30th June, 2015, certain of the Group’s property, plant and equipment, investment properties, properties held for sale, properties under development, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, bank deposits and bank balances in the total amount of HK\$18,695.6 million (31st December, 2014 – HK\$17,861.1 million) were pledged to secure general banking facilities granted to the Group and, in addition, certain of the Group’s bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$458.3 million (31st December, 2014 – HK\$454.6 million) were pledged to secure bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 30th June, 2015, certain ordinary shares in a listed subsidiary with a market value of HK\$424.9 million (31st December, 2014 – HK\$445.0 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, 2015 are shown in the Interim Financial Statements.

### **Contingent Liabilities**

The Group had no contingent liability as at 30th June, 2015.

## **DIVIDEND**

The Directors have declared the payment of an interim dividend of HK2.3 cents (2014 – HK\$2.3 cents) per ordinary share for the financial year ending 31st December, 2015, absorbing an amount of approximately HK\$25.6 million (2014 – HK\$25.6 million) and will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 9th October, 2015.

## **CLOSURE OF REGISTER**

The Register of Ordinary Shareholders will be closed from Wednesday, 7th October, 2015 to Friday, 9th October, 2015, 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 Tuesday, 6th October, 2015. The relevant dividend warrants are expected to be despatched on or about 23rd October, 2015.

## HALF YEAR RESULTS

### Condensed Consolidated Statement of Profit or Loss

	Six months ended 30th June, 2015  (Unaudited)  HK\$'M	Six months ended 30th June, 2014  (Unaudited)  HK\$'M
REVENUE (Notes 2 & 3)	1,265.8	1,061.0
Cost of sales	(757.5)	(549.8)
Gross profit	508.3	511.2
Other income and gain (Note 3)	39.0	28.9
Fair value gains on investment properties, net	42.9	1.2
Fair value gains on financial assets at fair value through profit or loss, net	68.7	16.3
Administrative expenses	(155.8)	(180.4)
OPERATING PROFIT BEFORE DEPRECIATION	503.1	377.2
Depreciation	(282.0)	(242.9)
OPERATING PROFIT (Notes 2 & 4)	221.1	134.3
Finance costs (Note 5)	(116.6)	(114.5)
Share of profits and losses of associates	(13.2)	(8.6)
PROFIT BEFORE TAX	91.3	11.2
Income tax (Note 6)	(5.7)	45.9
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	85.6	57.1

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

	<b>Six months ended 30th June, 2015  (Unaudited)  HK\$'M</b>	<b>Six months ended 30th June, 2014  (Unaudited)  HK\$'M</b>
Attributable to:		
Equity holders of the parent	<b>54.9</b>	16.2
Non-controlling interests	<b>30.7</b>	40.9
	<hr/> <b>85.6</b> <hr/>	<hr/> 57.1 <hr/>
<b>EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)</b>		
Basic and diluted	<b>HK4.93 cents</b>	HK1.45 cents
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## Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2015	Six months ended 30th June, 2014
	(Unaudited)	(Unaudited)
	HK\$'M	HK\$'M
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	85.6	57.1
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	5.9	29.3
Cash flow hedges:		
Changes in fair value of cash flow hedges	(0.3)	(4.4)
Transfer from hedge reserve to the statement of profit or loss	1.2	3.1
	<u>0.9</u>	<u>(1.3)</u>
Exchange differences on translating foreign operations	(5.5)	(70.2)
Share of other comprehensive loss of an associate	–	(0.2)
Other comprehensive income/(loss) for the period	<u>1.3</u>	<u>(42.4)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>86.9</u>	<u>14.7</u>
Attributable to:		
Equity holders of the parent	55.8	(3.2)
Non-controlling interests	31.1	17.9
	<u>86.9</u>	<u>14.7</u>

## Condensed Consolidated Statement of Financial Position

	30th June, 2015	31st December, 2014
	(Unaudited)	(Audited)
	HK\$'M	HK\$'M
NON-CURRENT ASSETS		
Property, plant and equipment	19,631.7	19,687.6
Investment properties	2,101.6	1,946.6
Properties under development	1,306.0	1,305.1
Investments in associates	21.0	25.7
Available-for-sale investments	142.0	131.8
Financial assets at fair value through profit or loss	1.9	1.9
Loans receivable	1.5	1.7
Deposits and prepayments	110.7	87.2
Deferred tax assets	62.4	62.4
Trademark	610.2	610.2
Goodwill	261.0	261.0
Total non-current assets	<u>24,250.0</u>	<u>24,121.2</u>
CURRENT ASSETS		
Properties under development	7,040.2	6,617.0
Properties held for sale	876.8	1,000.5
Inventories	66.2	57.2
Debtors, deposits and prepayments (Note 9)	703.5	558.0
Loans receivable	7.0	13.3
Held-to-maturity investments	344.6	378.1
Financial assets at fair value through profit or loss	862.2	864.3
Derivative financial instruments	1.4	–
Restricted cash	38.1	47.2
Pledged time deposits and bank balances	192.2	333.8
Time deposits	551.3	761.5
Cash and bank balances	1,673.7	2,190.0
Total current assets	<u>12,357.2</u>	<u>12,820.9</u>

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

	30th June, 2015	31st December, 2014
	(Unaudited)	(Audited)
	HK\$'M	HK\$'M
<b>CURRENT LIABILITIES</b>		
Creditors and accruals (Note 10)	(607.9)	(661.3)
Deposits received	(66.0)	(24.5)
Interest bearing bank borrowings	(725.3)	(1,375.9)
Derivative financial instruments	–	(4.8)
Tax payable	(149.4)	(126.5)
Total current liabilities	<u>(1,548.6)</u>	<u>(2,193.0)</u>
NET CURRENT ASSETS	<u>10,808.6</u>	<u>10,627.9</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>35,058.6</u>	<u>34,749.1</u>
<b>NON-CURRENT LIABILITIES</b>		
Creditors and deposits received	(107.4)	(27.8)
Interest bearing bank borrowings	(8,250.0)	(7,770.8)
Other borrowings	(4,214.5)	(4,211.2)
Deferred tax liabilities	(2,260.9)	(2,296.2)
Total non-current liabilities	<u>(14,832.8)</u>	<u>(14,306.0)</u>
Net assets	<u>20,225.8</u>	<u>20,443.1</u>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Issued capital	111.4	111.4
Reserves	12,969.7	12,847.4
Dividends	25.6	103.7
	<u>13,106.7</u>	<u>13,062.5</u>
Non-controlling interests	7,119.1	7,380.6
Total equity	<u>20,225.8</u>	<u>20,443.1</u>

Notes:

1. Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31st December, 2014, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which are effective for the Group’s annual periods beginning on or after 1st January, 2015.

Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs

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

2. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has 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 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.

Following the acquisition of additional aircraft during the current period by the Regal group, the Regal group has increased its focus on the aircraft ownership and leasing business. A change on the reporting structure of operating segments was made for facilitating management to make decisions about operating matters, resources allocation and performance assessment. Accordingly, an additional reportable operating segment of “Aircraft ownership and leasing” was separately disclosed and certain comparative amounts previously reported under the reportable operating segment of “Others” have been reclassified and restated to conform with the current period’s presentation.

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

## Group

	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, 2015		Six months ended 30th June, 2014		Six months ended 30th June, 2015		Six months ended 30th June, 2014		Six months ended 30th June, 2015		Six months ended 30th June, 2014		Six months ended 30th June, 2015		Six months ended 30th June, 2014		Six months ended 30th June, 2015	
	(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	126.9	6.5	6.4	3.7	1,039.9	1,019.1	-	-	31.8	3.8	46.6	16.7	14.2	11.2	-	-	1,265.8	1,061.0
Intersegment sales	3.9	3.8	177.4	117.8	-	-	50.6	64.2	-	-	-	-	0.7	-	(232.6)	(185.8)	-	-
Total	<u>130.8</u>	<u>10.3</u>	<u>183.8</u>	<u>121.5</u>	<u>1,039.9</u>	<u>1,019.1</u>	<u>50.6</u>	<u>64.2</u>	<u>31.8</u>	<u>3.8</u>	<u>46.6</u>	<u>16.7</u>	<u>14.9</u>	<u>11.2</u>	<u>(232.6)</u>	<u>(185.8)</u>	<u>1,265.8</u>	<u>1,061.0</u>
Segment results before depreciation	8.2	(28.3)	0.2	(6.5)	381.1	446.9	(5.4)	(5.4)	105.8	22.6	56.0	14.7	(2.9)	5.6	-	-	543.0	449.6
Depreciation	(7.1)	(0.9)	(0.2)	(0.5)	(253.2)	(232.1)	(0.2)	-	-	-	(20.2)	(8.3)	(0.5)	(0.8)	-	-	(281.4)	(242.6)
Segment results	<u>1.1</u>	<u>(29.2)</u>	<u>-</u>	<u>(7.0)</u>	<u>127.9</u>	<u>214.8</u>	<u>(5.6)</u>	<u>(5.4)</u>	<u>105.8</u>	<u>22.6</u>	<u>35.8</u>	<u>6.4</u>	<u>(3.4)</u>	<u>4.8</u>	<u>-</u>	<u>-</u>	<u>261.6</u>	<u>207.0</u>
Unallocated interest income and unallocated non-operating and corporate gains																	17.2	13.8
Unallocated non-operating and corporate expenses																	(57.7)	(86.5)
Operating profit																	221.1	134.3
Finance costs																	(116.6)	(114.5)
Share of profits and losses of associates	-	0.2	-	-	-	-	-	-	-	-	-	-	(13.2)	(8.8)	-	-	(13.2)	(8.6)
Profit before tax																	91.3	11.2
Income tax																	(5.7)	45.9
Profit for the period before allocation between equity holders of the parent and non-controlling interests																	85.6	57.1
Attributable to:																		
Equity holders of the parent																	54.9	16.2
Non-controlling interests																	30.7	40.9
																	<u>85.6</u>	<u>57.1</u>

3. Revenue (which is also the Group's turnover), other income and gain are analysed as follows:

	<b>Six months ended 30th June, 2015</b>	<b>Six months ended 30th June, 2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
<u>Revenue</u>		
Rental income:		
Hotel properties	<b>23.8</b>	23.0
Investment properties	<b>8.9</b>	7.5
Properties held for sale	<b>1.4</b>	1.4
Aircraft	<b>46.6</b>	16.7
Construction and construction-related income	<b>3.9</b>	1.3
Proceeds from sale of a property	<b>120.0</b>	–
Estate management fees	<b>2.5</b>	2.4
Net gain/(loss) from sale of financial assets at fair value through profit or loss	<b>18.0</b>	(3.7)
Net gain/(loss) on settlement of derivative financial instruments	<b>1.7</b>	(5.4)
Interest income from financial assets at fair value through profit or loss	<b>9.9</b>	9.4
Dividend income from listed investments	<b>2.2</b>	3.5
Hotel operations and management services	<b>1,012.7</b>	993.8
Other operations	<b>14.2</b>	11.1
	<b>1,265.8</b>	1,061.0

	<b>Six months ended 30th June, 2015</b>	<b>Six months ended 30th June, 2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
<u>Other income and gain</u>		
Bank interest income	<b>16.4</b>	12.8
Other interest income	<b>6.7</b>	15.1
Fair value gain upon reclassification of a property held for sale to an investment property	–	0.1
Gain on disposal of items of property, plant and equipment, net	<b>14.7</b>	–
Others	<b>1.2</b>	0.9
	<b>39.0</b>	28.9

4. An analysis of profit/(loss) on sale of investments and a property of the Group is as follows:

	<b>Six months ended 30th June, 2015</b>	<b>Six months ended 30th June, 2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Profit/(Loss) from sale of financial assets at fair value through profit or loss	<b>18.0</b>	(3.7)
Profit/(Loss) on settlement of derivative financial instruments	<b>1.7</b>	(5.4)
Loss on disposal of a property	<b>(10.0)</b>	–

5. Finance costs of the Group are as follows:

	<b>Six months ended 30th June, 2015</b>	<b>Six months ended 30th June, 2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Interest on bank loans wholly repayable within five years	<b>79.4</b>	73.0
Interest on other borrowings wholly repayable within five years	<b>90.7</b>	90.6
Amortisation of debt establishment costs	<b>18.6</b>	15.8
Total interest expenses on financial liabilities not at fair value through profit or loss	<b>188.7</b>	179.4
Fair value changes on derivative financial instruments – cash flow hedge (transfer from hedge reserve)	<b>1.0</b>	3.1
Other loan costs	<b>7.4</b>	4.1
	<b>197.1</b>	186.6
Less: Finance costs capitalised	<b>(80.5)</b>	(72.1)
	<b>116.6</b>	114.5

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

	<b>Six months ended 30th June, 2015</b>	<b>Six months ended 30th June, 2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Group:		
Current – Hong Kong		
Charge for the period	<b>41.1</b>	42.2
Current – Overseas		
Charge for the period	<b>0.4</b>	2.4
Overprovision in prior years	<b>(1.7)</b>	–
Deferred	<b>(34.1)</b>	(90.5)
Total tax charge/(credit) for the period	<b>5.7</b>	(45.9)

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2014 – 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 (2014 – Nil).

7. Dividend:

	<b>For year ending 31st December, 2015</b>	<b>For year ended 31st December, 2014</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Interim – HK2.3 cents (2014 – HK2.3 cents) per ordinary share	<b>25.6</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\$54.9 million (2014 – HK\$16.2 million) and on the weighted average of 1,114.6 million (2014 – 1,115.0 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, 2015 and 2014 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\$230.8 million (31st December, 2014 – HK\$125.6 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:

	<b>30th June, 2015</b>	<b>31st December, 2014</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Outstanding balances with ages:		
Within 3 months	<b>212.7</b>	112.1
Between 4 to 6 months	<b>5.4</b>	4.1
Between 7 to 12 months	<b>4.8</b>	2.7
Over 1 year	<b>10.2</b>	9.0
	<hr/> <b>233.1</b>	<hr/> 127.9
Impairment	<b>(2.3)</b>	(2.3)
	<hr/> <b>230.8</b> <hr/>	<hr/> 125.6 <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\$86.3 million (31st December, 2014 – HK\$136.2 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, 2015</b>	<b>31st December, 2014</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Outstanding balances with ages:		
Within 3 months	<b>85.5</b>	135.3
Between 4 to 6 months	<b>0.4</b>	0.2
Between 7 to 12 months	<b>0.1</b>	0.3
Over 1 year	<b>0.3</b>	0.4
	<hr/> <b>86.3</b> <hr/>	<hr/> 136.2 <hr/>

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2015.

## **REVIEW OF RESULTS**

The Group's condensed consolidated financial statements for the six months ended 30th June, 2015 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, 2015 to be despatched to shareholders.

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30th June, 2015, 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, 2015, 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, 25th August, 2015