



富豪酒店國際控股有限公司

**Regal Hotels**

International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 78)

# 2017 INTERIM REPORT





# Contents

2	Corporate Information
3	Directors' Profile
6	Chairman's Statement
12	Management Discussion and Analysis
22	Condensed Consolidated Financial Statements
22	Condensed Consolidated Statement of Profit or Loss
23	Condensed Consolidated Statement of Comprehensive Income
24	Condensed Consolidated Statement of Financial Position
26	Condensed Consolidated Statement of Changes in Equity
28	Condensed Consolidated Statement of Cash Flows
29	Notes to Condensed Consolidated Financial Statements
50	Other Information
60	Report on Review of Interim Financial Information

# Corporate Information

## DIRECTORS

### *Executive Directors*

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Lo Po Man

(Vice Chairman and Managing Director)

Belinda Yeung Bik Yiu

(Chief Operating Officer)

Donald Fan Tung

Jimmy Lo Chun To

Kenneth Ng Kwai Kai

Allen Wan Tze Wai

### *Non-Executive Director*

Francis Choi Chee Ming, GBS, JP

(Vice Chairman)

### *Independent Non-Executive Directors*

Alice Kan Lai Kuen

Japhet Sebastian Law

Ng Siu Chan

Wong Chi Keung

## AUDIT COMMITTEE

Wong Chi Keung (Chairman)

Francis Choi Chee Ming, GBS, JP

Alice Kan Lai Kuen

Japhet Sebastian Law

Ng Siu Chan

## REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)

Lo Yuk Sui

Alice Kan Lai Kuen

Ng Siu Chan

## NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Alice Kan Lai Kuen

Ng Siu Chan

Wong Chi Keung

## SECRETARY

Eliza Lam Sau Fun

## AUDITOR

Ernst & Young

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Hang Seng Bank Limited

The Bank of East Asia, Limited

Standard Chartered Bank (Hong Kong) Limited

Industrial and Commercial Bank of China (Asia) Limited

China Construction Bank Corporation, Hong Kong Branch

Oversea-Chinese Banking Corporation Limited

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

Australia and New Zealand Banking Group Limited

United Overseas Bank Limited, Hong Kong Branch

## PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited

The Belvedere Building, 69 Pitts Bay Road

Pembroke HM08, Bermuda

## BRANCH REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wan Chai

Hong Kong

## REGISTERED OFFICE

The Belvedere Building, 69 Pitts Bay Road

Pembroke HM08, Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street

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# Directors' Profile

**Mr. Lo Yuk Sui**, aged 72; *Chairman and Chief Executive Officer* — Chairman and Managing Director since 1989 when the Company was established in Bermuda as the holding company of the Group. Mr. Lo has been the managing director and the chairman of the predecessor listed company of the Group since 1984 and 1987 respectively. Mr. Lo was designated as the Chief Executive Officer of the Company in 2007. He is also an executive director, the chairman and the chief executive officer of Century City International Holdings Limited (“CCIHL”) (the ultimate listed holding company of the Company), Paliburg Holdings Limited (“PHL”) (the immediate listed holding company of the Company) and Cosmopolitan International Holdings Limited (“Cosmopolitan”) (the listed fellow subsidiary of the Company), and a non-executive director and the chairman of Regal Portfolio Management Limited (“RPML”), the manager of Regal Real Estate Investment Trust (the listed subsidiary of the Company). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Miss Lo Po Man and Mr. Jimmy Lo Chun To.

**Miss Lo Po Man**, aged 37; *Vice Chairman and Managing Director* — Joined the Group in 2000 and appointed to the Board in 2004. Miss Lo has been a Vice Chairman and the Managing Director of the Company since 2013. She is also an executive director and a vice chairman of CCIHL, an executive director of PHL, an executive director and a vice chairman of Cosmopolitan, and a non-executive director and the vice chairman of RPML. Miss Lo graduated from Duke University, North Carolina, the United States, with a Bachelor’s Degree in Psychology. Miss Lo is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing function of the Group and also undertakes responsibilities in the business development of the Century City Group. Miss Lo is also an independent non-executive director of Meitu, Inc., a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

**Dr. Francis Choi Chee Ming**, *GBS, JP*, aged 71; *Vice Chairman and Non-Executive Director* — Invited to the Board as Non-Executive Director and elected Vice Chairman in 2004. Dr. Choi holds a Master’s Degree in Business Administration from the Newport University in the United States of America. He also holds a Ph. D. in Business Management from Harbin Institute of Technology, the People’s Republic of China and an Honorary Degree of Doctor of Business Administration from The Hong Kong Polytechnic University. Dr. Choi is the chairman of Early Light International (Holdings) Limited and has extensive business interests in the manufacturing industry and the property sector. He is the Honorary President of the Toys Manufacturers’ Association of Hong Kong, Honorary President of the Hong Kong Young Industrialists Council and the Court Member of The Hong Kong Polytechnic University. Dr. Choi is also the deputy chairman and non-executive director of Town Health International Medical Group Limited, a company listed on the Stock Exchange.

**Ms. Belinda Yeung Bik Yiu**, aged 59; *Executive Director and Chief Operating Officer* — Appointed to the Board in 2002 and designated as the Chief Operating Officer in 2007. Ms. Yeung joined the Group in 1987. Graduated from Barron Hilton School of Hotel Management, University of Houston, U.S.A., Ms. Yeung has devoted her career in the hospitality industry in U.S.A., Mainland China and Hong Kong – on both multi-unit corporate and single-unit hotel property management levels. As the Chief Operating Officer, she is in charge of the operations of all Regal Hotels in Hong Kong and Mainland China. In addition to her hotel management responsibilities, Ms. Yeung is also responsible for the human resources management of the Century City Group. Ms. Yeung is a member of Election Committee for the Hong Kong Chief Executive Election, Board Member of the Hong Kong Tourism Board, First Vice Chairman of the Federation of Hong Kong Hotel Owners, Fellow of The Hong Kong Polytechnic University and Honorary Fellow of the Vocational Training Council.

## Directors' Profile (Cont'd)

**Mr. Donald Fan Tung**, aged 60; *Executive Director* — Appointed to the Board in 2002. Mr. Fan is a qualified architect. He has been with the Group since 1987 and is primarily in charge of the property investment and development businesses and the hotel project works of the Group. Mr. Fan is also an executive director of CCIHL, an executive director and the chief operating officer of PHL and a non-executive director of RPML. Mr. Fan is involved in the property development, architectural design and project management functions as well as overseeing the building construction business of the PHL Group.

**Ms. Alice Kan Lai Kuen**, aged 62; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. Ms. Kan is also an independent non-executive director of Cosmopolitan. Ms. Kan is a shareholder and the managing director of Asia Investment Management Limited providing corporate advisory and investment management services. She is a licensed investment adviser under the Securities and Futures Ordinance of Hong Kong (the "SFO") and a responsible officer of Asia Investment Management Limited. She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is also an independent non-executive director of China Energine International (Holdings) Limited, Mason Group Holdings Limited, Shimao Property Holdings Limited and Shougang Concord International Enterprises Company Limited, all of which are companies listed on the Stock Exchange, and an independent director of AVIC International Maritime Holdings Limited, a company listed on the Catalist board of Singapore Exchange Securities Trading Limited.

**Professor Japhet Sebastian Law**, aged 65; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2012. Professor Law obtained his Ph.D. in Mechanical/Industrial Engineering from The University of Texas at Austin in 1976. He joined The Chinese University of Hong Kong in 1986 and was a professor in the Department of Decision Sciences and Managerial Economics and the director of the Aviation Policy and Research Center until his retirement since August 2012. He was also the associate dean and subsequently the dean of the Faculty of Business Administration of The Chinese University of Hong Kong from 1993 to 2002. Prior to returning to Hong Kong, Professor Law was the director of operations research at the Cullen College of Engineering and director of graduate studies in Industrial Engineering at the University of Houston, and he was also involved with the United States Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. Professor Law has acted as a consultant for various corporations in Hong Kong and overseas. He is active in public services, having served as a member of the Provisional Regional Council of the Government of the Hong Kong Special Administrative Region and various other government advisory committees, and he is also active in serving on the boards of for-profit, non-profit, public and charitable organisations in Hong Kong and overseas. Professor Law is currently an independent non-executive director of Beijing Capital International Airport Company Limited, Binhai Investment Company Limited, Global Digital Creations Holdings Limited, Shougang Fushan Resources Group Limited, Tianjin Binhai Teda Logistics (Group) Corporation Limited and Tianjin Port Development Holdings Limited, all of which are companies listed on the Stock Exchange. Professor Law has also served on various committees and boards of international organisations, including The Association to Advance Collegiate Schools of Business, Graduate Management Admission Council and Oxfam International.

**Mr. Jimmy Lo Chun To**, aged 43; *Executive Director* — Appointed to the Board in 1999. Mr. Jimmy Lo is also an executive director and a vice chairman of CCIHL, an executive director, the vice chairman and the managing director of PHL, an executive director and a vice chairman and the managing director of Cosmopolitan, and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. He joined the Century City Group in 1998. Mr. Jimmy Lo is primarily involved in overseeing the Cosmopolitan group's property projects in the People's Republic of China (the "PRC") and, in addition, undertakes responsibilities in the business development of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

**Mr. Kenneth Ng Kwai Kai**, aged 62; *Executive Director* — Joined the Group in 1985 and appointed to the Board in 1998. Mr. Ng is a Chartered Secretary and is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. He is also an executive director and the chief operating officer of CCIHL, an executive director of PHL and Cosmopolitan, and a non-executive director of RPML.

**Mr. Ng Siu Chan**, aged 87; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2005. Mr. Ng is also an independent non-executive director of CCIHL and PHL. He is a non-executive director of Transport International Holdings Limited, which is a company listed on the Stock Exchange.

**Mr. Allen Wan Tze Wai**, aged 58; *Executive Director* — Appointed to the Board in 2010. Mr. Wan has been with the Century City Group for over 23 years and is the Group Financial Controller of the Century City Group. Mr. Wan holds a Bachelor's Degree in Commerce from the University of New South Wales in Australia. He is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Wan has over 35 years of experience in finance and accounting field.

**Mr. Wong Chi Keung**, aged 62; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. Mr. Wong is also an independent non-executive director of CCIHL and PHL. He holds a Master's Degree in Business Administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong was a responsible officer for asset management and advising on securities under the SFO. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as Yuexiu Property Company Limited), a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, China Shanshui Cement Group Limited, China Ting Group Holdings Limited, Fortunet e-Commerce Group Limited, Golden Eagle Retail Group Limited, Nickel Resources International Holdings Company Limited, TPV Technology Limited, Yuan Heng Gas Holdings Limited and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 34 years of experience in finance, accounting and management. Mr. Wong lately resigned as an independent non-executive director of Heng Xin China Holdings Limited, a company listed on the Stock Exchange, with effect from 19th September, 2017.

# Chairman's Statement

Dear shareholders,

I am pleased to present herewith the 2017 Interim Report of the Company.

## FINANCIAL RESULTS

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

With the gradual recovery in the tourist market of Hong Kong, the Group's hotel business achieved improved performance over the corresponding six months in 2016. The local stock market maintained a general uptrend during the period and the Group has recorded sizable fair value gains on its financial assets portfolio. Furthermore, the Group accounted for in the interim results under review the reimbursement of rental expenses (net of hotel operating income) with regard to the leasing of the iclub Sheung Wan Hotel for the initial 3-year term with escalating fixed rentals. Operating profit before depreciation, finance costs and tax for the first half of 2017 amounted to HK\$726.2 million, representing an increase of approximately 37.7% above the comparative amount of HK\$527.4 million in 2016. Depreciation charges for the period amounted to HK\$252.7 million (2016 – HK\$265.9 million), most of which were related to the Group's hotel properties, which although not having an impact on cash flow, have nonetheless impacted on the Group's reported profit.

The Group's eight hotel properties in Hong Kong are all held through Regal Real Estate Investment Trust and, with the exception of the iclub Wan Chai Hotel which is self-operated by Regal REIT, the five initial Regal Hotels and the two other iclub Hotels are leased to the Group for hotel operations. In compliance with the prevailing accounting standards, all these hotel properties are stated in the Group's consolidated financial statements as property, plant and equipment and subject to depreciation charges. Consequently, their carrying values in the Group's consolidated financial statements are substantially below their market values. If all such hotel properties were to be stated at their independent professional valuations as at 30th June, 2017, the adjusted net asset value per share of the Company would amount to HK\$21.06, as compared to HK\$13.26 per share based on book net assets. Shareholders could refer to the paragraph headed "Assets Value" in the section headed "Management Discussion and Analysis" in this Interim Report on the information regarding the adjusted net asset value of the Company.

## BUSINESS OVERVIEW

### HOTELS

### MARKET OVERVIEW

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

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

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

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

### **HOTEL OWNERSHIP**

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

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

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

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

### **REGAL REAL ESTATE INVESTMENT TRUST**

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

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

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

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

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

### **HOTEL OPERATIONS**

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

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

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

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

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

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

### **HOTEL MANAGEMENT**

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

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

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

The Group believes that the continuing expansion of the hotel management businesses in China will further strengthen the recognition of the "Regal" brand and promote reciprocal businesses among the Group's different hotels.

### PROPERTIES

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

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

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

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

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

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

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

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

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

Additional information on the Group's development projects and properties, including those undertaken by P&R Holdings and its listed subsidiary, Cosmopolitan International Holdings Limited, are contained in the section headed "Management Discussion and Analysis" in this Interim Report.

### OTHER INVESTMENTS

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

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

### OUTLOOK

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

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

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

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

### LO YUK SUI

Chairman

Hong Kong  
24th August, 2017

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise hotel ownership business undertaken through Regal Real Estate Investment Trust ("Regal REIT"), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings Limited ("P&R Holdings") and the interest in the retained houses in Regalia Bay in Stanley, aircraft ownership and leasing business and other investments including financial assets investments.

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

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

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

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

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

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

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

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

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

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

During the period, the Group completed the sale of one garden house in Regalia Bay, Stanley which was held for sale. A total of 14 garden houses in Regalia Bay with a total gross area of about 6,320 square metres (68,000 square feet) are still being retained, 8 of which are held as investment properties, 3 held for sale and 3 as property, plant and equipment. The Group will continue to dispose of some of these houses if the price offered is considered satisfactory.

### **JOINT VENTURE – P&R HOLDINGS LIMITED**

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

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

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

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

This residential project has a site area of approximately 11,192 square metres (120,470 square feet) and provides a total of 170 units, comprising 36 luxurious garden houses and a low-rise apartment block with 134 units, having aggregate gross floor area of approximately 11,192 square metres (120,470 square feet). The occupation permit for the project was issued in November 2015 and the certificate of compliance was obtained in April 2016.

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

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

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

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

## Management Discussion and Analysis (Cont'd)

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

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

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

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

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

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

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

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

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

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

## COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Cosmopolitan 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 People's Republic of China ("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.

## Management Discussion and Analysis (Cont'd)

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

### Logistics Business

#### *Shanghai Logistics Project*

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

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

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

### ASSOCIATE – HANG FOK PROPERTIES LIMITED

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

## FINANCIAL REVIEW

### ASSETS VALUE

The Group's hotel properties in Hong Kong are owned by Regal REIT and, with the exception of the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel, were stated in the financial statements at their fair values as at 23rd July, 2010 when Regal REIT became a subsidiary of the Group, plus subsequent capital additions and deducting accumulated depreciation. The market valuations of these hotel properties have since appreciated substantially but have not been reflected in the Group's financial statements. Moreover, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel were stated in the Group's financial statements at their fair values at the time of acquisition net of the unrealised gain attributable to the Group and are also subject to depreciation. For the purpose of providing supplementary information, if the Group's entire hotel property portfolio in Hong Kong is restated in the consolidated financial statements at its market value as at 30th June, 2017, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$21.06 per share, as follows:

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

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

### Cash Flows

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

## Management Discussion and Analysis (Cont'd)

### Borrowings and Gearing

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

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

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

Details of the maturity profile of the borrowings of the Group as of 30th June, 2017 are shown in notes 11 and 12 to the condensed consolidated financial statements.

### Pledge of Assets

As at 30th June, 2017, certain of the Group's property, plant and equipment, investment properties, properties held for sale, available-for-sale investments, financial assets at fair value through profit or loss, derivative financial instruments, held-to-maturity investments, time deposits and bank balances in the total amount of HK\$13,735.5 million (31st December, 2016 – HK\$12,686.2 million) were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

### Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2017 are shown in note 18 to the condensed consolidated financial statements.

### Contingent Liabilities

As at 30th June, 2017, the Group had contingent liabilities not provided for in the financial statements for corporate guarantees provided in respect of attributable share of banking facilities granted to subsidiaries of a joint venture in the amount of HK\$2,380.8 million (31st December, 2016 – HK\$2,579.4 million), of which HK\$1,463.0 million (31st December, 2016 – HK\$1,566.8 million) was utilised.

In addition, guarantee has been given to a bank by the Group for a performance bond issued by the bank in relation to a property development contract undertaken by the Group amounting to HK\$15.0 million (31st December, 2016 - Nil).

### Share Capital

During the period under review, the Company repurchased a total of 10,612,000 ordinary shares of the Company at an aggregate purchase price of HK\$73,016,640 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Out of the 10,612,000 repurchased ordinary shares, 2,042,000 repurchased ordinary shares were cancelled during the period, and the remaining 8,570,000 repurchased ordinary shares were cancelled subsequent to the period end date.

Further details of the repurchase by the Company of its ordinary shares during the period are disclosed under the sub-section headed "Purchase, Sale or Redemption of the Company's Listed Securities" in the section headed "Other Information" below.

### DIVIDEND

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

### CLOSURE OF REGISTER

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

### MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

#### Acquisition of 50% interest in Prosper Harvest Investments Limited by P&R Holdings Limited

On 23rd May, 2017, a sale and purchase agreement ("S&P Agreement 1") was entered into between Dragon Pier Investments Limited as the seller and P&R Holdings as the purchaser, relating to the acquisition of the other 50% equity interest in Prosper Harvest Investments Limited ("Prosper Harvest"), in which P&R Holdings held 50% equity interest, held by the seller at a consideration of HK\$165.7 million (the "Acquisition"). Upon completion of the Acquisition, Prosper Harvest became a wholly owned subsidiary of P&R Holdings. The principal asset of Prosper Harvest is its interest in the iclub Ma Tau Wai Hotel which is located at No. 8 Ha Heung Road, To Kwa Wan, Kowloon (the "Hotel") held through its wholly owned subsidiaries. The Hotel has commenced operation under the "iclub by Regal (富薈酒店)" brand and is in soft-opening phase.

The consideration of HK\$165.7 million was determined after taking into account the value of the Hotel with reference to its location and specifications and the market conditions regarding the hotel and tourism industry in Hong Kong, the shareholder loan (the "Shareholder Loan") owing by Prosper Harvest to P&R Holdings on the date of completion of the S&P Agreement 1, and the terms of the possible transactions under the Letter of Intent (as referred to below).

Further details relating to the S&P Agreement 1 and the Letter of Intent were disclosed in the joint announcement of the Company dated 23rd May, 2017.

#### Disposal of 100% interest in Prosper Harvest Investments Limited by P&R Holdings Limited to Regal Real Estate Investment Trust

On 23rd May, 2017, P&R Holdings and Regal Portfolio Management Limited (in its capacity as manager of Regal REIT) executed a letter of intent (the "Letter of Intent") setting out the principal terms of the possible disposal of the entire share capital of Prosper Harvest and the Shareholder Loan by P&R Holdings to Regal REIT or its designated wholly-owned subsidiary.

On 29th June, 2017, a sale and purchase agreement ("S&P Agreement 2") was entered into between P&R Holdings as vendor and DB Trustee (Hong Kong) Limited (in its capacity as trustee of Regal REIT) (the "Purchaser"), in relation to (i) the disposal of the entire issued share capital of Prosper Harvest; and (ii) the assignment of the Shareholder Loan to the Purchaser, for a consideration of HK\$1,360 million (the "Transaction"). The consideration was determined after arm's length negotiation between the parties taking into account, among others, the valuation of the Hotel of HK\$1,400 million as of 23rd June, 2017 as appraised by an independent property valuer, the Shareholder Loan and that the Prosper Harvest group shall not have any liabilities other than the Shareholder Loan at completion of the S&P Agreement 2, and the previous transactions under the Acquisition.

The Transaction under the S&P Agreement 2 was subject to the approval of the independent shareholders of the Company and that of the independent unitholders of Regal REIT. The S&P Agreement 2 was approved by the independent unitholders of Regal REIT at an extraordinary general meeting held on 20th July, 2017. A special general meeting of the Company will be held on 28th August, 2017 to seek its independent shareholders' approval for the S&P Agreement 2. After completion of the S&P Agreement 2, Prosper Harvest will cease to be a joint venture of the Company held through P&R Holdings and become a subsidiary of the Company held through Regal REIT.

Further details relating to the S&P Agreement 2 were disclosed in the joint announcement of the Company dated 30th June, 2017.

Save as disclosed herein, during the period under review, there were no other material acquisitions or disposals of subsidiaries or associates of the Company.

### STAFF AND REMUNERATION POLICY

The Group employs approximately 2,000 staff in Hong Kong. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include a mandatory provident fund scheme as well as medical and life insurance.

# Condensed Consolidated Statement of Profit or Loss

		Six months ended 30th June, 2017  (Unaudited)	Six months ended 30th June, 2016 (Unaudited and restated)
	Notes	HK\$'million	HK\$'million
REVENUE	2, 3	1,236.6	1,374.7
Cost of sales		(702.2)	(769.4)
Gross profit		534.4	605.3
Other income and gain, net	3	206.4	26.5
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		112.1	(7.7)
Fair value gains/(losses) on investment properties, net		0.6	(32.0)
Fair value gain upon reclassification of a property held for sale to an investment property		–	58.5
Property selling and marketing expenses		(5.2)	(7.8)
Administrative expenses		(122.1)	(115.4)
OPERATING PROFIT BEFORE DEPRECIATION		726.2	527.4
Depreciation		(252.7)	(265.9)
OPERATING PROFIT	2, 4	473.5	261.5
Finance costs	5	(194.4)	(163.9)
Share of profits and losses of:			
Joint ventures		29.3	51.0
Associates		6.7	(4.5)
PROFIT BEFORE TAX		315.1	144.1
Income tax	6	(34.2)	(9.6)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		280.9	134.5
Attributable to:			
Equity holders of the parent		270.3	119.9
Non-controlling interests		10.6	14.6
		280.9	134.5
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		HK29.56 cents	HK12.97 cents

# Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2017  (Unaudited)	Six months ended 30th June, 2016 (Unaudited and restated)
	HK\$'million	HK\$'million
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	280.9	134.5
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	11.5	(2.0)
Exchange differences on translating foreign operations	23.3	0.8
Share of other comprehensive income/(loss) of a joint venture	26.7	(41.1)
Other comprehensive income/(loss) for the period	61.5	(42.3)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>342.4</u>	<u>92.2</u>
Attributable to:		
Equity holders of the parent	331.7	77.6
Non-controlling interests	10.7	14.6
	<u>342.4</u>	<u>92.2</u>

# Condensed Consolidated Statement of Financial Position

		30th June, 2017 (Unaudited)	31st December, 2016 (Audited)
	Notes	HK\$'million	HK\$'million
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		17,283.1	15,330.7
Investment properties		1,029.0	1,026.0
Properties under development		742.7	–
Investments in joint ventures		3,255.8	3,146.8
Investments in associates		22.2	6.5
Available-for-sale investments		247.9	236.6
Financial asset at fair value through profit or loss		1.9	1.9
Other loan		1,350.0	1,350.0
Finance lease receivables		19.0	36.8
Debtors and deposits	9	206.0	5.4
Deferred tax assets		81.3	94.0
<b>Total non-current assets</b>		<b>24,238.9</b>	<b>21,234.7</b>
<b>CURRENT ASSETS</b>			
Properties held for sale		204.8	264.6
Inventories		31.0	33.0
Aircraft components held for sale		29.4	–
Debtors, deposits and prepayments	9	440.2	303.4
Financial lease receivables		35.5	36.3
Held-to-maturity investments		712.9	466.7
Financial assets at fair value through profit or loss		1,229.7	918.4
Other loan		336.0	500.0
Derivative financial instruments		4.8	12.8
Tax recoverable		–	0.2
Restricted cash		71.3	63.5
Pledged time deposits and bank balances		99.4	265.1
Time deposits		2,219.8	2,595.1
Cash and bank balances		972.1	1,105.6
<b>Total current assets</b>		<b>6,386.9</b>	<b>6,564.7</b>
<b>CURRENT LIABILITIES</b>			
Creditors, deposits received and accruals	10	(459.0)	(498.8)
Interest bearing bank borrowings	11	(616.8)	(188.0)
Other borrowings	12	(4,243.5)	(2,281.7)
Derivative financial instruments		–	(5.7)
Tax payable		(63.4)	(60.8)
<b>Total current liabilities</b>		<b>(5,382.7)</b>	<b>(3,035.0)</b>

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

		30th June, 2017 (Unaudited)	31st December, 2016 (Audited)
	Notes	HK\$'million	HK\$'million
NET CURRENT ASSETS		1,004.2	3,529.7
TOTAL ASSETS LESS CURRENT LIABILITIES		25,243.1	24,764.4
NON-CURRENT LIABILITIES			
Creditors and deposits received	10	(100.4)	(135.6)
Interest bearing bank borrowings	11	(6,762.8)	(6,170.7)
Other borrowings	12	(2,708.6)	(4,621.3)
Deferred tax liabilities		(934.8)	(954.6)
Total non-current liabilities		(10,506.6)	(11,882.2)
Net assets		14,736.5	12,882.2
EQUITY			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		90.5	91.6
Reserves		11,914.8	11,736.8
		12,005.3	11,828.4
<b>Perpetual securities</b>		1,732.9	–
<b>Non-controlling interests</b>		998.3	1,053.8
Total equity		14,736.5	12,882.2

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2017

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

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

For the six months ended 30th June, 2017

	Attributable to equity holders of the parent										
	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Equity component of convertible bonds of a joint venture (Unaudited)	Capital reserve (Unaudited)	Available-for-sale investment revaluation reserve (Unaudited)	Exchange equalisation reserve (Unaudited)	Retained profits (Unaudited and restated)	Total (Unaudited and restated)	Non-controlling interests (Unaudited)	Total equity (Unaudited and restated)
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
At 1st January, 2016	92.4	554.0	15.2	-	33.5	35.1	(34.8)	11,167.6	11,863.0	1,158.6	13,021.6
Profit for the period (as restated)	-	-	-	-	-	-	-	119.9	119.9	14.6	134.5
Other comprehensive income/(loss) for the period:											
Changes in fair value of available-for-sale investments	-	-	-	-	-	(2.0)	-	-	(2.0)	-	(2.0)
Exchange differences on translating foreign operations	-	-	-	-	-	-	0.8	-	0.8	-	0.8
Share of other comprehensive loss of a joint venture	-	-	-	-	(31.6)	-	(9.5)	-	(41.1)	-	(41.1)
Total comprehensive income/(loss) for the period	-	-	-	-	(31.6)	(2.0)	(8.7)	119.9	77.6	14.6	92.2
Final 2015 dividend declared	-	-	-	-	-	-	-	(83.2)	(83.2)	(66.2)	(149.4)
Elimination of reciprocal interests	-	-	-	-	-	-	-	0.7	0.7	-	0.7
Share of a joint venture	-	-	-	12.4	-	-	-	-	12.4	-	12.4
At 30th June, 2016	92.4	554.0	15.2	12.4	1.9	33.1	(43.5)	11,205.0	11,870.5	1,107.0	12,977.5

# Condensed Consolidated Statement of Cash Flows

	Six months ended 30th June, 2017 (Unaudited)	Six months ended 30th June, 2016 (Unaudited)
	HK\$'million	HK\$'million
Net cash flows from/(used in) operating activities	(534.8)	722.6
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to investment properties	(2.4)	–
Purchases of items of property, plant and equipment	(2,232.6)	(40.2)
Proceeds from disposal of items of property, plant and equipment	26.8	0.8
Deposit received	7.8	–
Deposits paid for purchases of items of property, plant and equipment	(200.0)	(1.6)
Purchases of available-for-sale investments	(4.5)	(80.1)
Purchases of held-to-maturity investments	(1,011.8)	(276.7)
Proceeds from redemption of held-to-maturity investments	765.6	278.0
Advances to a joint venture	(374.1)	(304.4)
Repayment from a joint venture	304.3	188.7
Advances to associates	(9.0)	(5.6)
Repayment from an associate	–	123.5
Interest received	49.7	28.8
Dividend received for an unlisted investment	3.8	0.1
Decrease in other loan	164.0	–
Decrease in pledged time deposits and bank balances	165.7	110.4
Increase in restricted cash	(7.8)	(8.5)
Net cash flows from/(used in) investing activities	(2,354.5)	13.2
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repurchase and cancellation of ordinary shares	(73.2)	–
Drawdown of new bank loans	1,267.8	118.1
Repayment of bank loans	(254.5)	(102.5)
Interest paid	(190.3)	(147.5)
Payment of loan and other costs	(9.5)	(1.6)
Dividends paid	(82.1)	(82.9)
Dividends paid to non-controlling shareholders	(66.2)	(66.2)
Issue of perpetual securities, net of issue expenses	1,737.5	–
Net cash flows from/(used in) financing activities	2,329.5	(282.6)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(559.8)	453.2
Cash and cash equivalents at beginning of period	3,700.7	1,180.5
Effect of foreign exchange rate changes, net	51.0	1.2
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>3,191.9</b>	<b>1,634.9</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	972.1	701.8
Non-pledged time deposits with original maturity of less than three months when acquired	2,219.8	933.1
	<b>3,191.9</b>	<b>1,634.9</b>

# Notes to Condensed Consolidated Financial Statements

## 1. Accounting Policies, Restatement and Comparative Amounts

### Accounting Policies

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

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

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

### Restatement and Comparative Amounts

On 31st May, 2016, a joint venture of the Group had a business combination and the fair values of the considerations transferred and identifiable net assets acquired recognised in the condensed consolidated financial statements of the joint venture for the six months ended 30th June, 2016 were provisional amounts. The fair value estimation was finalised in the consolidated financial statements of the joint venture for the year ended 31st December, 2016. As a result, certain comparative amounts 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 HK\$'M</b>	<b>Decrease HK\$'M</b>	<b>As restated HK\$'M</b>
Share of profits of joint ventures	61.4	(10.4)	51.0
Profit before tax	154.5	(10.4)	144.1
Profit for the period before allocation between equity holders of the parent and non-controlling interests	144.9	(10.4)	134.5
Total comprehensive income for the period	102.6	(10.4)	92.2
Basic and diluted earnings per share (HK cents)	<u>14.10</u>	<u>(1.13)</u>	<u>12.97</u>

### 2. Operating Segment Information

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

- (a) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income through Regal Real Estate Investment Trust ("Regal REIT");
- (b) the asset management segment engages in the provision of asset management services to Regal REIT;
- (c) the property development and investment segment includes investments in properties for sale and for rental income, and the provision of property agency and management services;
- (d) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments;
- (e) the aircraft ownership and leasing segment engages in the aircraft ownership and leasing for rental income; and
- (f) the others segment mainly comprises travel agency services, sale of food products, operation of restaurants, operation of security storage lounge, the provision of housekeeping services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

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

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

# Notes to Condensed Consolidated Financial Statements (Cont'd)

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

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2016		Six months ended 30th June, 2016		Six months ended 30th June, 2016		Six months ended 30th June, 2016		Six months ended 30th June, 2016		Six months ended 30th June, 2016		Six months ended 30th June, 2016		Six months ended 30th June, 2016	
	HK\$m	(Unaudited)	HK\$m	(Unaudited)	HK\$m	(Unaudited)	HK\$m	(Unaudited)	HK\$m	(Unaudited)	HK\$m	(Unaudited)	HK\$m	(Unaudited)	HK\$m	(Unaudited)
Segment revenue:	1,062.8	995.9	-	-	117.2	208.7	21.9	109.5	25.6	50.7	9.1	9.9	-	-	1,236.6	1,374.7
Sales to external customers	3.8	-	47.0	47.3	2.5	2.4	-	-	-	-	33.5	3.3	(86.8)	(53.0)	-	-
Intersegment sales																
<b>Total</b>	<b>1,066.6</b>	<b>995.9</b>	<b>47.0</b>	<b>47.3</b>	<b>119.7</b>	<b>211.1</b>	<b>21.9</b>	<b>109.5</b>	<b>25.6</b>	<b>50.7</b>	<b>42.6</b>	<b>13.2</b>	<b>(86.8)</b>	<b>(53.0)</b>	<b>1,236.6</b>	<b>1,374.7</b>
Segment results before depreciation	496.4	346.5	(6.2)	(5.9)	105.1	73.9	143.4	105.9	23.0	44.2	(1.3)	(3.7)	-	-	760.4	561.3
Depreciation	(232.1)	(233.9)	(0.2)	(0.2)	(3.0)	(2.9)	-	-	(15.3)	(27.9)	(2.1)	(1.0)	-	-	(252.7)	(265.9)
Segment operating results	264.3	112.6	(6.4)	(5.7)	102.1	71.0	143.4	105.9	7.7	16.3	(3.4)	(4.7)	-	-	507.7	295.4
Unallocated interest, income and unallocated non-operating and corporate gains																
Unallocated non-operating and corporate expenses, net																
Operating profit															14.7	7.3
Finance costs															(48.9)	(41.2)
Share of profits and losses of:																
Joint ventures																
Associates																
Profit before tax																
Income tax																
Profit for the period before allocation between equity holders of the parent and non-controlling interests																
Attributable to:																
Equity holders of the parent																
Non-controlling interests																

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 3. Revenue, Other Income and Gain, net

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

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

## Notes to Condensed Consolidated Financial Statements (Cont'd)

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

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

5. Finance Costs

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

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 6. Income Tax

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

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

### 7. Dividend

The Directors have declared the payment of an interim dividend of HK4.5 cents (2016 - HK4.0 cents) per ordinary share for the financial year ending 31st December, 2017, absorbing an amount of approximately HK\$40.4 million (2016 - HK\$37.0 million).

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

#### (a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the period attributable to equity holders of the parent of HK\$270.3 million (2016 - HK\$119.9 million, as restated), and on the weighted average of 914.5 million (2016 - 924.1 million) ordinary shares of the Company in issue during the period.

#### (b) Diluted earnings per ordinary share

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.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 9. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$106.1 million (31st December, 2016 - HK\$138.6 million) representing the trade debtors of the Group. The aged analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

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

#### 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.

Included in the Group's debtors, deposits and prepayments are amounts due from fellow subsidiaries of HK\$265.9 million (31st December, 2016 - HK\$23.7 million).

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 10. Creditors, Deposits Received and Accruals

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

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

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

Included in creditors, deposits received and accruals are amounts due to an associate, a joint venture and fellow subsidiaries of HK\$0.9 million (31st December, 2016 - HK\$1.5 million), HK\$22.8 million (31st December, 2016 - HK\$22.8 million) and HK\$4.6 million (31st December, 2016 - HK\$21.8 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment.

# Notes to Condensed Consolidated Financial Statements (Cont'd)

## 11. Interest Bearing Bank Borrowings

	30th June, 2017 (Unaudited)		31st December, 2016 (Audited)	
	Maturity	HK\$'million	Maturity	HK\$'million
<b>Current</b>				
Bank loans – secured	2017	616.8	2017	188.0
<b>Non-current</b>				
Bank loans – secured	2019-2021	6,762.8	2019-2021	6,170.7
		<u>7,379.6</u>		<u>6,358.7</u>

	30th June, 2017 (Unaudited)	31st December, 2016 (Audited)
	HK\$'million	HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year	616.8	188.0
In the second year	629.5	–
In the third to fifth years, inclusive	6,133.3	6,170.7
	<u>7,379.6</u>	<u>6,358.7</u>

On 12th September, 2016, Regal REIT group, through wholly owned subsidiaries, Bauhinia Hotels Limited and Rich Day Investments Limited, entered into a new facility agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$1,000.0 million (the "2016 IH Facilities"), for a term of five years to September 2021. The term loan portion of the 2016 IH Facilities was fully drawn in September 2016 to repay the previous term loan facilities of the same amount, which was originally due to mature in July 2018 and bore a higher interest margin; while the revolving loan portion will be used for general corporate funding purposes of Regal REIT group. Moreover, the 2016 IH Facilities are secured by four of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and Regal Riverside Hotel. As at 30th June, 2017, the 2016 IH Facilities had an outstanding term loan facility of HK\$4,500.0 million and outstanding revolving loan of HK\$380.0 million.

On 22nd December, 2014, a term loan facility agreement for a principal amount of HK\$440.0 million (the "2014 WC Facility") was entered into, for a term of 5 years to December 2019 by Sonnix Limited, a wholly owned subsidiary of Regal REIT group. The 2014 WC Facility, secured by the iclub Wan Chai Hotel, was fully drawn in December 2014. As at 30th June, 2017, the outstanding amount on the 2014 WC Facility was HK\$440.0 million.

On 10th February, 2014, Regal REIT group, through its wholly owned subsidiary, Tristan Limited, arranged a bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving loan facility of up to HK\$158.0 million (the "2014 SW Facilities"), secured by the iclub Sheung Wan Hotel. The 2014 SW Facilities have a term of five years to February 2019. As at 30th June, 2017, the utilised 2014 SW Facilities was HK\$632.0 million, representing the full amount of the term loan facility.

On 28th July, 2014, Regal REIT group, through its wholly owned subsidiary, Wise Decade Investments Limited, arranged another bilateral loan facility of up to HK\$825.0 million, comprised of a term loan facility of HK\$660.0 million and a revolving loan facility of up to HK\$165.0 million (the "2014 FH Facilities"), secured by the iclub Fortress Hill Hotel. The 2014 FH Facilities have a term of five years to July 2019. As at 30th June, 2017, the utilised 2014 FH Facilities was HK\$660.0 million, representing the full amount of the term loan facility.

As at 30th June, 2017, the outstanding loan facilities of Regal REIT group bear interest at the Hong Kong Interbank Offered Rates ("HIBOR") plus an interest margin ranging from 1.15% to 1.45% per annum (31st December, 2016 - ranging from 1.15% to 1.45% per annum).

Bank borrowings under the 2016 IH Facilities, the 2014 WC Facility, the 2014 SW Facilities and the 2014 FH Facilities are guaranteed by Regal REIT and/or certain individual companies of the Regal REIT group on a joint and several basis.

The Regal REIT group's interest bearing bank borrowings are also secured by, amongst others:

- (i) legal charges and debentures over the corresponding properties;
- (ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, relating to the relevant properties;
- (iii) charges over each relevant rental account, sales proceeds account and other control accounts of the Regal REIT group, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Regal REIT group; and
- (v) an equitable charge over the shares in the relevant companies of the Regal REIT group.

As at 30th June, 2017, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 1.15% to 1.25% per annum except for bank loans of HK\$71.0 million, which bore interest at London Interbank Offered Rates plus 0.75% per annum and bank loans of HK\$165.8 million, which bore interest at the bank's cost of fund plus 0.75% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK\$186.2 million which were denominated in United States dollars, bank loans of HK\$33.9 million which were denominated in Euro and a bank loan of HK\$16.7 million which was denominated in Great British Pounds.

As at 31st December, 2016, the Group's other bank borrowing bore interest at the bank's cost of fund plus 0.75% per annum and is denominated in Euro.

The Group's bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 15 to condensed consolidated the financial statements.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 12. Other Borrowings

	30th June, 2017 (Unaudited)	31st December, 2016 (Audited)
	HK\$'million	HK\$'million
<b>Current</b>		
Other borrowings - unsecured	4,243.5	2,281.7
<b>Non-Current</b>		
Other borrowings - unsecured	2,708.6	4,621.3
	<u>6,952.1</u>	<u>6,903.0</u>
	HK\$'million	HK\$'million
Analysed into:		
Other borrowings repayable:		
Within one year	4,243.5	2,281.7
In the second year	–	1,933.3
In the third to fifth years, inclusive	2,708.6	2,688.0
	<u>6,952.1</u>	<u>6,903.0</u>

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

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

On 20th July, 2016, the MTN Issuer issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$350.0 million at a coupon interest rate of 3.875% per annum. The notes were issued at a discount at 99.663% of the principal amount.

On 11th January, 2013, R-REIT International Finance Limited (the "Regal REIT MTN Issuer"), a wholly owned subsidiary of Regal REIT, established a US\$1,000 million medium term note programme (the "Regal REIT MTN Programme").

On 22nd March, 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme a series of Hong Kong dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of HK\$775.0 million at a coupon interest rate of 4.125% per annum. The notes were issued at a discount at 99.44% of the principal amount.

On 22nd May, 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$150.0 million at a coupon interest rate of 4.10% per annum. The notes were issued at a discount at 99.553% of the principal amount.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 13. Note to the condensed consolidated statement of cash flows

Major non-cash transaction

	<b>Six months ended 30th June, 2017 (Unaudited)</b>	<b>Six months ended 30th June, 2016 (Unaudited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Maintenance liabilities settled upon disposal of an aircraft	<u>5.9</u>	<u>-</u>

### 14. Related Party Transactions

(a) Transactions with related parties

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

	<b>Six months ended 30th June, 2017 (Unaudited)</b>	<b>Six months ended 30th June, 2016 (Unaudited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Fellow subsidiaries:		
Management fees	19.3	17.5
Service fees in respect of security systems and products and other software	0.7	0.6
Repairs and maintenance fees and construction fees	0.1	0.1
An associate:		
Advertising and promotion fees (including cost reimbursements)	2.7	2.9
A joint venture:		
Gross interest income	<u>86.6</u>	<u>71.9</u>

The nature and terms of the above related party transactions have not changed and were already disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2016.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

(b) Outstanding balances with related parties:

	30th June, 2017 (Unaudited)	31st December, 2016 (Audited)
	HK\$'million	HK\$'million
Due from fellow subsidiaries	265.9	23.7
Due to a joint venture	(22.8)	(22.8)
Due to an associate	(0.9)	(1.5)
Due to fellow subsidiaries	(4.6)	(21.8)
Loans to a joint venture	2,461.3	2,391.5
Due from a joint venture	37.4	30.4
Due from associates	79.4	70.4
Other loan	<u>1,686.0</u>	<u>1,850.0</u>

(c) Compensation of key management personnel of the Group:

	Six months ended 30th June, 2017 (Unaudited)	Six months ended 30th June, 2016 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	14.2	12.6
Staff retirement scheme contributions	<u>0.8</u>	<u>0.8</u>
Total compensation paid to key management personnel	<u>15.0</u>	<u>13.4</u>

### 15. Pledge of Assets

As at 30th June, 2017, certain of the Group's property, plant and equipment, investment properties, properties held for sale, available-for-sale investments, financial assets at fair value through profit or loss, derivative financial instruments, held-to-maturity investments, time deposits and bank balances in the total amount of HK\$13,735.5 million (31st December, 2016 - HK\$12,686.2 million) were pledged to secure banking facilities granted to the Group as well as guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

### 16. Contingent Liabilities

As at 30th June, 2017, the Group had contingent liabilities not provided for in the condensed consolidated financial statements for corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture in the amount of HK\$2,380.8 million (31st December, 2016 - HK\$2,579.4 million), of which HK\$1,463.0 million (31st December, 2016 - HK\$1,566.8 million) was utilised.

In addition, guarantee has been given to a bank by the Group for a performance bond issued by the bank in relation to a property development contract undertaken by the Group amounting to HK\$15.0 million (31st December, 2016 - Nil).

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 17. Operating Lease Arrangements

(a) As lessor

The Group leases certain retail space and areas of its hotel properties and aircraft under operating lease arrangements, with leases negotiated for terms ranging from 1 to 5 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

The Group also leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms of 1 to 3 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 30th June, 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30th June, 2017 (Unaudited)</b>	<b>31st December, 2016 (Audited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Within one year	31.1	61.2
In the second to fifth years, inclusive	20.9	43.1
	<u>52.0</u>	<u>104.3</u>

## Notes to Condensed Consolidated Financial Statements (Cont'd)

(b) As lessee

The Group leases certain office and shop units and office equipment under operating lease arrangements. Leases for ranging properties are negotiated for terms ranging from 1 to 12 years. Leases for office equipment are negotiated for terms ranging from 1 to 5 years.

At 30th June, 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30th June, 2017 (Unaudited)</b>	<b>31st December, 2016 (Audited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Land and buildings:		
Within one year	12.1	12.2
In the second to fifth years, inclusive	2.7	1.9
	<u>14.8</u>	<u>14.1</u>
Other equipment:		
Within one year	0.4	0.4
In the second to fifth years, inclusive	0.8	0.9
	<u>1.2</u>	<u>1.3</u>
	<u><u>16.0</u></u>	<u><u>15.4</u></u>

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 18. Commitments

At 30th June, 2017, the Group's share of maximum capital commitment as agreed for P&R Holdings Limited ("P&R Holdings") in respect of its property development projects amounted to HK\$3,700.0 million (31st December, 2016 – HK\$3,700.0 million) (the "P&R Capital Commitment"). At 30th June, 2017, shareholder's loans in an aggregate amount of HK\$501.4 million (31st December, 2016 - HK\$501.4 million) have been contributed, none of which (31st December, 2016 - Nil) has been provided under the P&R Capital Commitment. In addition, a total amount of HK\$2,380.0 million (31st December, 2016 - HK\$2,579.4 million) has been provided as guarantees, on a several basis, for banking facilities granted to certain subsidiaries of P&R Holdings, of which HK\$2,380.0 million (31st December, 2016 - HK\$2,553.4 million) has been provided under the P&R Capital Commitment.

In addition, three (31st December, 2016 - three) loan facilities totalling HK\$2,212.6 million (31st December, 2016 – HK\$2,212.6 million) have been granted to P&R Holdings, of which HK\$1,959.9 million (31st December, 2016 - HK\$1,890.1 million) has been utilised, which bear interest at fixed rates of 4% to 5% per annum (2016 - 4% to 5% per annum).

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

	<b>30th June, 2017 (Unaudited)</b>	<b>31st December, 2016 (Audited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Contracted, but not provided for	<u>1,246.6</u>	<u>1,299.9</u>

In addition to the above Group's share of a joint venture's own capital commitments and the operating lease commitments detailed in note 17(b) above, the Group had the following capital commitments at the end of the reporting period:

	<b>30th June, 2017 (Unaudited)</b>	<b>31st December, 2016 (Audited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Contracted, but not provided for: Property development projects	<u>84.7</u>	<u>536.7</u>

## 19. Fair Value and Fair Value Hierarchy of Financial Instruments

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

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. Independent professional valuers are engaged for the valuation as appropriate. The valuation is reviewed and approved by management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### *Assets measured at fair value as at 30th June, 2017*

	Fair value measurement using			Total (Unaudited) HK\$'million
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'million	Significant observable inputs (Level 2) (Unaudited) HK\$'million	Significant unobservable inputs (Level 3) (Unaudited) HK\$'million	
Available-for-sale investments:				
Unlisted equity investments	–	–	222.9	222.9
Financial assets at fair value through profit or loss:				
Listed equity investments	505.4	16.0	–	521.4
Listed debt investments	–	692.8	–	692.8
Unlisted other investment	–	15.6	–	15.6
Structured deposit	–	1.9	–	1.9
Derivative financial instruments	–	4.8	–	4.8
	<u>505.4</u>	<u>731.1</u>	<u>222.9</u>	<u>1,459.4</u>

## Notes to Condensed Consolidated Financial Statements (Cont'd)

Assets measured at fair value as at 31st December, 2016

	Fair value measurement using			Total (Audited) HK\$'million
	Quoted prices in active markets (Level 1) (Audited) HK\$'million	Significant observable inputs (Level 2) (Audited) HK\$'million	Significant unobservable inputs (Level 3) (Audited) HK\$'million	
Available-for-sale investments:				
Unlisted equity investments	–	–	211.6	211.6
Financial assets at fair value through profit or loss:				
Listed equity investments	378.5	15.4	–	393.9
Listed debt investments	–	524.5	–	524.5
Structured deposit	–	1.9	–	1.9
Derivative financial instruments	–	12.8	–	12.8
	<u>378.5</u>	<u>554.6</u>	<u>211.6</u>	<u>1,144.7</u>

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

	2017 (Unaudited) HK\$'million	2016 (Audited) HK\$'million
Available-for-sale investments – unlisted:		
At 1st January	211.6	129.5
Purchases/(distribution), net	(0.2)	86.9
Total gains/(losses) recognised in other comprehensive income	11.5	(4.8)
At 30th June/31st December	<u>222.9</u>	<u>211.6</u>

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### *Liabilities measured at fair value as at 30th June, 2017*

The Group did not have any financial liabilities measured at fair value as at 30th June, 2017.

### *Liabilities measured at fair value as at 31st December, 2016*

	Fair value measurement using			Total (Audited) HK\$'million
	Quoted prices in active markets (Level 1) (Audited) HK\$'million	Significant observable inputs (Level 2) (Audited) HK\$'million	Significant unobservable inputs (Level 3) (Audited) HK\$'million	
Derivative financial instruments	–	5.7	–	5.7

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (year ended 31st December, 2016 - Nil).

### **Valuation techniques**

The fair values of certain listed equity investments are based on quoted market prices.

The unlisted equity investments are carried at net asset values provided by financial institutions or related administrators.

The fair values of the derivative financial instruments, including foreign currency option and forward contracts, are determined based on discounted cash flow models or market values provided by financial institutions.

The fair values of certain listed equity investments, listed debt investments, an unlisted other investment and a structured deposit are determined based on the market values provided by financial institutions.

## **20. Approval of the Unaudited Condensed Consolidated Financial Statements**

These unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 24th August, 2017.

# Other Information

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2017)
				Personal interests	Corporate interests	Family/Other interests	
1.	The Company	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	622,855,261 (Note c)	260,700	623,140,161 (68.18%)
		Miss Lo Po Man	Ordinary (issued)	300,000	–	269,169 (Note d)	569,169 (0.06%)
		Dr. Francis Choi Chee Ming	Ordinary (issued)	50,240,000	–	–	50,240,000 (5.50%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	10,200	–	–	10,200 (0.001%)
2.	Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	110,667,396	1,769,164,691 (Note a)	380,683	1,880,212,770 (58.69%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
		Ms. Belinda Yeung Bik Yiu	Ordinary (issued)	200	–	–	200 (0.000%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Mr. Ng Siu Chan	Ordinary (issued)	–	–	3,521,973	3,521,973 (0.11%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	24,000	–	–	24,000 (0.001%)

## Other Information (Cont'd)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2017)
				Personal interests	Corporate interests	Family/Other interests	
3.	Paliburg Holdings Limited ("PHL")	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Donald Fan Tung	Ordinary (issued)	556	–	–	556 (0.000%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
		Mr. Ng Siu Chan	Ordinary (issued)	–	–	80,474	80,474 (0.007%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	200	–	–	200 (0.000%)
4.	Cosmopolitan International Holdings Limited ("Cosmopolitan")	Mr. Lo Yuk Sui	Ordinary (i) (issued)	–	3,117,856,716 (Note e)	–	3,117,856,716
			(ii) (unissued)	–	5,024,058,784 (Note f)	–	5,024,058,784
							Total: 8,141,915,500 (191.55%)
			Preference (issued)	–	2,345,487,356 (Note f)	–	2,345,487,356 (99.98%)
		Miss Lo Po Man	Ordinary (issued)	1,380,000	–	–	1,380,000 (0.03%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.05%)

## Other Information (Cont'd)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2017)
				Personal interests	Corporate interests	Family/Other interests	
5.	Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note g)	–	2,443,033,102 (74.99%)
6.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note h)	–	1,000 (100%)

### Notes:

- (a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo").
- (b) The interests in 694,124,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.67% shareholding interests.

The interests in 16,271,685 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 30,464,571 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

- (c) The interests in 421,400 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.67% shareholding interests. The interests in 599,025,861 issued ordinary shares of the Company were held through companies wholly owned by PHL, in which CCIHL held 62.28% shareholding interests. The interests in the other 23,408,000 issued ordinary shares of the Company were held through a wholly owned subsidiary of Cosmopolitan, in which P&R Holdings Limited ("P&R Holdings") (which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries) held 64.26% shareholding interests. PHL held 68.10% shareholding interests in the Company.
- (d) The interests in 269,169 issued ordinary shares of the Company were held by Miss Lo Po Man as the beneficiary of a trust.

- (e) The interests in 2,731,316,716 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries. The interests in the other 386,540,000 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of the Company. PHL, in which CCIHL held 62.28% shareholding interests, held 68.10% shareholding interests in the Company. Mr. Lo held 58.67% shareholding interests in CCIHL.
- (f) The interests in 5,024,058,784 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.28% shareholding interests, held 68.10% shareholding interests in the Company. Mr. Lo held 58.67% shareholding interests in CCIHL.

The interests in 2,345,487,356 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 2,345,487,356 convertible preference shares of Cosmopolitan, convertible into new ordinary shares of Cosmopolitan on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 1,428,571,428 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in the convertible bonds in the principal amount of HK\$500,000,000 issued by a wholly owned subsidiary of Cosmopolitan (the "CB Issuer"). The convertible bonds are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.35 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

The interests in 1,250,000,000 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in the convertible bonds in a principal amount of HK\$500,000,000 issued by the CB Issuer. The convertible bonds are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.40 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

- (g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly owned subsidiary of Cosmopolitan. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly owned subsidiaries of the Company. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of PHL. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. Cosmopolitan was held as to 64.26% shareholding interests by P&R Holdings, which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.28% shareholding interests, held 68.10% shareholding interests in the Company. Mr. Lo held 58.67% shareholding interests in CCIHL.
- (h) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 58.67% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 30th June, 2017, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2017, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares held	Total number of ordinary shares (issued and underlying) held	Approximate percentage of issued ordinary shares as at 30th June, 2017
YSL International Holdings Limited ("YSL Int'l") (Note i)	622,855,261	–	622,855,261	68.15%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	622,855,261	–	622,855,261	68.15%
CCIHL (Note iii)	622,855,261	–	622,855,261	68.15%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	622,855,261	–	622,855,261	68.15%
PHL (Note v)	622,433,861	–	622,433,861	68.10%
Paliburg Development BVI Holdings Limited (Note vi)	622,433,861	–	622,433,861	68.10%
Guo Yui Investments Limited (Note vi)	271,140,466	–	271,140,466	29.66%
Paliburg BVI Holdings Limited (Note vi)	230,870,324	–	230,870,324	25.26%
Taylor Investments Ltd. (Note vi)	154,232,305	–	154,232,305	16.87%
Glaser Holdings Limited (Note vi)	58,682,832	–	58,682,832	6.42%

#### Notes:

- (i) The interests in the ordinary shares of the Company held by YSL Int'l were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) Grand Modern is a wholly owned subsidiary of YSL Int'l and its interests in the ordinary shares of the Company were included in the interests held by YSL Int'l.
- (iii) CCIHL is owned as to 50.89% by Grand Modern and its interests in the ordinary shares of the Company were included in the interests held by Grand Modern.
- (iv) CCBVI is a wholly owned subsidiary of CCIHL and its interests in the ordinary shares of the Company were included in the interests held by CCIHL.
- (v) PHL is a listed subsidiary of CCIHL, which held 62.28% shareholding interests in PHL, and PHL's interests in the ordinary shares of the Company were included in the interests held by CCIHL.
- (vi) These companies are wholly owned subsidiaries of PHL and their interests in the ordinary shares of the Company were included in the interests held by PHL.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 30th June, 2017, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

Details of directorships of the Company's Directors in each of those companies which has an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

- (1) Mr. Lo Yuk Sui is a director of YSL Int'l.
- (2) Mr. Lo Yuk Sui, Miss Lo Po Man and Mr. Jimmy Lo Chun To are directors of Grand Modern.
- (3) Mr. Lo Yuk Sui, Miss Lo Po Man, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Mr. Kenneth Ng Kwai Kai, Mr. Ng Siu Chan and Mr. Wong Chi Keung are directors of CCIHL and PHL.
- (4) Mr. Lo Yuk Sui, Miss Lo Po Man, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To and Mr. Kenneth Ng Kwai Kai are directors of all the above-mentioned wholly owned subsidiaries of CCIHL and PHL.

### CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the annual report of the Company for the financial year ended 31st December, 2016 is set out below:

Name of Director	Details of change
<i>Independent Non-Executive Directors:</i>	
Ms. Alice Kan Lai Kuen	Appointed as an independent non-executive director of Mason Group Holdings Limited, a company listed on the Stock Exchange, with effect from 24th May, 2017.
Mr. Wong Chi Keung	Retired as an independent non-executive director of ENM Holdings Limited, a company listed on the Stock Exchange, at the annual general meeting of such company held on 9th June, 2017.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors' Profile".

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

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

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

Details of the financial assistance provided to affiliated companies by the Group as at 30th June, 2017 are set out below:

Name of Affiliated Companies		Principal Amount of Advances (HK\$'million)	Interest Receivable (HK\$'million)	Guarantee given for Banking Facilities	
				(i) Principal Amount of Banking Facilities (HK\$'million)	(ii) Amount of Banking Facilities Drawdown (HK\$'million)
8D International (BVI) Limited	(A)	12.8	–	Nil	Nil
8D Matrix Limited	(B)	65.0	–	Nil	Nil
Yieldtop Holdings Limited	(C)	0.8	–	Nil	Nil
P&R Holdings Limited	(D)	2,461.3	(E) 37.4	(F)(i) 2,380.0	(F)(ii) 1,463.0
				Total: (A) to (F)(i)	<u>4,957.3</u>
				(A) to (E) & (F)(ii)	<u>4,040.3</u>

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

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

P&R Holdings principally engages in the development of real estate projects for sale and/or leasing and the undertaking of related investment and financing activities. P&R Holdings group holds, through its wholly owned subsidiaries, interests in a number of property development projects in Hong Kong and also holds, through Cosmopolitan (the listed subsidiary of P&R Holdings), interests in certain property development projects in Mainland China. Information relating to the investment of P&R Holdings group in such property development projects are disclosed in the preceding Management Discussion and Analysis. The advances to P&R Holdings were provided by a wholly owned subsidiary of the Company in the form of shareholder's loans in proportion to its shareholding interest in P&R Holdings. The advances to P&R Holdings are unsecured and have no fixed terms of repayment and except for an aggregate amount of HK\$1,890.0 million which bears interest at a fixed rate of 4% to 5% per annum, the balance of the advances is interest free. The guarantees were provided by the Company on a several basis in proportion to its shareholding interests in P&R Holdings and were given in respect of the respective bank loan facilities of, in aggregate, HK\$2,579.4 million made available to seven wholly owned subsidiaries of P&R Holdings for financing their development projects in Hong Kong. Further information relating to the Group's share of the maximum capital commitment to P&R Holdings, the shareholder's loans provided by the Group under such commitment and the several guarantees provided by the Company for securing banking facilities granted to certain wholly owned subsidiaries of P&R Holdings is set out in note 18 to the condensed consolidated financial statements.

Calculated on the basis shown above, as at 30th June, 2017, the aggregate amount of financial assistance provided to and bank guarantees given for affiliated companies by the Group in the respective sums of (a) HK\$5,071.0 million (based on the total available amount of the banking facilities) and (b) HK\$4,058.4 million (based on the total amount of banking facilities drawdown) represented (a) 18.2% and (b) 14.6% of the consolidated total assets of the Group of HK\$27,799.4 million, calculated by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2017.

Save as disclosed above, there were no other financial assistance provided to or guarantees given for affiliated companies by the Group as at 30th June, 2017, which were discloseable pursuant to Rule 13.16 of Chapter 13 of the Listing Rules.

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

	<b>Combined statement of financial position (HK\$'million)</b>	<b>The Group's attributable interest (HK\$'million)</b>
Non-current assets	5,896.8	2,963.3
Current assets	10,060.0	5,025.1
Current liabilities	(4,986.3)	(2,492.5)
Non-current liabilities	(9,017.3)	(4,456.7)
	1,953.2	1,039.2
Non-controlling interests	(226.4)	(113.2)
Net assets attributable to equity holders of the parent	1,726.8	926.0

### CORPORATE GOVERNANCE

#### Corporate Governance Code

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30th June, 2017, except that:

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

#### Code of Conduct for Securities Transactions by Directors

The Company has adopted the "Code for Securities Transactions by Directors of Regal Hotels International Holdings Limited" (the "Regal Code"), on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the Model Code and the Regal Code during the six months ended 30th June, 2017.

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

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

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

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

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

### REVIEW OF RESULTS

The Audit Committee of the Company currently comprises the following members:

Mr. Wong Chi Keung (Chairman of the Committee) (*Independent Non-Executive Director*)

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

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

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

Mr. Ng Siu Chan (*Independent Non-Executive Director*)

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group, auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30th June, 2017, in conjunction with the external auditors. The review report of the external auditors is set out on page 60 of this report.

# Report on Review of Interim Financial Information



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

## Introduction

We have reviewed the interim financial information of Regal Hotels International Holdings Limited (the “Company”) and its subsidiaries set out on pages 22 to 49 which comprises the condensed consolidated statement of financial position as at 30th June, 2017 and the related condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Ernst & Young**  
*Certified Public Accountants*

22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

24th August, 2017





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