百利保控股有限公司
Paliburg Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code : 617)

INTERIM REPORT 2019

Contents

Corporate Information

DIRECTORS

Executive Directors

Lo Yuk Sui
(Chairman and Chief Executive Officer)
Jimmy Lo Chun To
(Vice Chairman and Managing Director)
Donald Fan Tung
(Chief Operating Officer)
Lo Po Man
Kenneth Ng Kwai Kai
Kenneth Wong Po Man

Independent Non-Executive Directors

Bowen Joseph Leung Po Wing, GBS, JP
Winnie Ng, JP
Abraham Shek Lai Him, GBS, JP
Wong Chi Keung

AUDIT COMMITTEE

Wong Chi Keung (Chairman)
Bowen Joseph Leung Po Wing, GBS, JP
Winnie Ng, JP
Abraham Shek Lai Him, GBS, JP

REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)
Lo Yuk Sui
Winnie Ng, JP

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)
Bowen Joseph Leung Po Wing, GBS, JP
Winnie Ng, JP
Abraham Shek Lai Him, GBS, JP
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
Australia and New Zealand Banking Group Limited
United Overseas Bank Limited, Hong Kong Branch
Industrial and Commercial Bank of China (Asia) Limited

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House, 41 Cedar Avenue
Hamilton HM 12, Bermuda

BRANCH REGISTRAR IN HONG KONG

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

4th Floor North, Cedar House, 41 Cedar Avenue
Hamilton HM 12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street
Causeway Bay, Hong Kong
Tel: 2894 7888
Fax: 2890 1697
Website: www.paliburg.com.hk

Directors' Profile

Mr. Lo Yuk Sui*, aged 74; Chairman and Chief Executive Officer* — Chairman and Managing Director since 1993 and designated as the Chief Executive Officer in 2007. Mr. Lo has been the managing director and the chairman of the predecessor listed companies of the Group since 1984 and 1986, respectively. 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, Regal Hotels International Holdings Limited ("RHIHL") and Cosmopolitan International Holdings Limited ("Cosmopolitan"), both listed subsidiaries 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 RHIHL). 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 Mr. Jimmy Lo Chun To and Miss Lo Po Man.

Mr. Lo Chun To (Alias: Jimmy)*, aged 45; Vice Chairman and Managing Director* — Appointed to the Board in 1999. Mr. Jimmy Lo has been a Vice Chairman and Managing Director of the Company since 2013. He is also an executive director and a vice chairman of CCIHL, an executive director of RHIHL, an executive director, a vice chairman and the managing director of Cosmopolitan, and a non-executive director of RPML. Mr. Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. Mr. Lo joined the Century City Group in 1998. He is primarily involved in overseeing the 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. Mr. Lo is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Mr. Fan Tung, Donald*, aged 62; Executive Director and Chief Operating Officer* — Appointed to the Board in 1993 and designated as the Chief Operating Officer in 2007. Mr. Donald Fan is also an executive director of CCIHL and RHIHL and a non-executive director of RPML. Mr. Fan is a qualified architect and has been with the Group since 1987. He is principally involved in the Group's property development, architectural design and project management functions as well as overseeing the building construction business of the Group.

Mr. Leung Po Wing, Bowen Joseph, GBS, JP*, aged 69; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2008. Mr. Leung is also an independent non-executive director of RPML. Mr. Leung previously served the Hong Kong Government for over 32 years until his retirement as the Director of the Office of the Government of the Hong Kong Special Administrative Region in Beijing ("Beijing Office") in November 2005. He joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr. Leung had served in various policy bureaux and departments. Senior positions held by Mr. Leung included: Deputy Secretary for District Administration (later retitled as Deputy Secretary for Home Affairs); Deputy Secretary for Planning, Environment and Lands; Private Secretary, Government House, Secretary for Planning, Environment and Lands and Director of the Beijing Office. Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as the Director of the Beijing Office, he had made commendable efforts in promoting Hong Kong in the Mainland, as well as fostering closer links and co-operation between Hong Kong and the Mainland. Mr. Leung is an independent non-executive director and a member of the Audit Committee of Quali-Smart Holdings Limited, which is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

***Miss Lo Po Man**, aged 39; Executive Director* — Appointed to the Board in 2007. Miss Lo is also an executive director and a vice chairman of CCIHL, an executive director, a vice chairman and the managing director of RHIHL, 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 joined the RHIHL Group in 2000 and is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing functions of the RHIHL Group and also undertakes responsibilities in the business development of the Century City Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

***Mr. Ng Kwai Kai (Alias: Kenneth)**, aged 65; Executive Director* — Appointed to the Board in 1995. Mr. Kenneth Ng is also an executive director and the chief operating officer of CCIHL, an executive director of RHIHL and Cosmopolitan, and a non-executive director of RPML. Mr. Ng has been with the Group since 1985 and is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. Mr. Ng is a Chartered Secretary.

***Ms. Winnie Ng, JP**, aged 55; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director since January 2018. She is also an independent non-executive director of CCIHL and RHIHL since January 2018. Ms. Ng holds an MBA (Master of Business Administration) from University of Chicago and an MPA (Master of Public Administration) from Harvard University. Ms. Ng has received numerous awards and recognition. In 2017, she was appointed a Justice of the Peace. In 2016, she won Nobel Laureate Series: Asian Chinese Leadership Award and China Top Ten Outstanding Women Entrepreneurs. In previous years, she received recognitions as a Woman of Excellence in Hong Kong, one of 60 Meritorious Chinese Entrepreneurs with Achievement and National Contribution, Yazhou Zhoukan Young Chinese Entrepreneur Award, one of China's 100 Outstanding Women Entrepreneurs and was Mason Fellow of Harvard University. Active in public service, Ms. Ng is Chairman of Hospital Governing Committee of Prince of Wales Hospital, Director of Po Leung Kuk, Member of Town Planning Board, Advisor of Our Hong Kong Foundation, Council Member of The Better Hong Kong Foundation, and Court Member of The Hong Kong Polytechnic University. She was Member of Hong Kong Tourism Board and its Marketing & Business Development Committee Chairman, and Member of Hospital Authority and its Supporting Services Development Committee Chairman from 2010 to 2016. She was Member of Employees Retraining Board and its Course Vetting Committee Convenor, and Member of Vocational Training Council from 2011 to 2017. Ms. Ng is also a non-executive director of Transport International Holdings Limited, and she was the founder, deputy chairman and a non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited). Both companies are listed on the Stock Exchange.

***Hon Shek Lai Him, Abraham (Alias: Abraham Razack), GBS, JP**, aged 74; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2002. Mr. Abraham Shek is also an independent non-executive director of Cosmopolitan and RPML. Mr. Shek holds a Bachelor's Degree of Arts. Mr. Shek is currently a member of the Legislative Council of the Hong Kong Special Administrative Region. He is also a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption of Hong Kong, a member of the Court of The Hong Kong University of Science and Technology, a member of both of the Court and the Council of The University of Hong Kong, and a non-executive director of the Mandatory Provident Fund Schemes Authority. Mr. Shek is the Honorary Chairmen, an independent non-executive director and the chairman of the audit committee of Chuang's China Investments Limited, the vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited, an independent non-executive director and a member of the audit committee of China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Country Garden Holdings Company Limited, CSI Properties Limited, Everbright Grand China Assets Limited, Far East Consortium International Limited, Lifestyle International Holdings Limited, NWS Holdings Limited and SJM Holdings Limited, and an independent non-executive director of Goldin Financial Holdings Limited, Hop Hing Group Holdings Limited and Lai Fung Holdings Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange).

***Mr. Wong Chi Keung**, aged 64; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. He is also an independent non-executive director of CCIHL and RHIHL. Mr. Wong holds a Master's Degree in Business Administration from the University of Adelaide in Australia. Mr. Wong 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 is a responsible officer for asset management and advising on securities under the Securities and Futures Ordinance of Hong Kong. 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 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 36 years of experience in finance, accounting and management.

***Mr. Wong Po Man (Alias: Kenneth)**, aged 53; Executive Director* — Appointed to the Board in 2007. Mr. Kenneth Wong is also an executive director and the chief operating officer of Cosmopolitan. Mr. Wong graduated from The University of Hong Kong with a Bachelor of Arts Degree in Architectural Studies and a Bachelor's Degree of Architecture. He also holds a Master of Science Degree in Real Estates from The University of Hong Kong. Mr. Wong is a qualified architect and has been with the Group for over 26 years. He has been involved in architectural design and project management in respect of various property development projects of the Group and is also the Technical Director of Chatwin Engineering Limited, the construction arm of the Group, registered under the Buildings Ordinance.

Chairman's Statement

Dear shareholders,

I am pleased to present herewith the 2019 Interim Report of the Company.

FINANCIAL RESULTS

For the six months ended 30th June, 2019, the Group achieved an unaudited consolidated profit attributable to shareholders of HK$106.3 million, as compared to the profit of HK$221.7 million attained in the corresponding period in 2018.

As explained in the profit warning announcement published by the Company on 21st August, 2019, the decrease in the profit attained for the period was primarily due to the fact that, in the comparative period last year, there were substantial profits derived from the completed sales of the residential units in the composite development in Tianjin, the People's Republic of China undertaken by Cosmopolitan International Holdings Limited, a listed subsidiary of the Company. While for the period under review, despite the substantial contracted sales secured at Mount Regalia in Kau To in Hong Kong developed by P&R Holdings Limited, a subsidiary of the Company, and the contracted pre-sales of the residential units in the third stage of the other composite development undertaken by Cosmopolitan in Chengdu, the PRC, the profits recognised from property sales were relatively small, as profits from property sales will only be recognised when the properties sold are handed over to the respective purchasers after completion of the relevant sales.

During the first six months of 2019, the Group's hotel operations, which are undertaken through Regal Hotels International Holdings Limited, the major listed subsidiary of the Company, generated steady results. Operating profit before depreciation, finance costs and tax of the Group for the period amounted to HK$756.8 million, which was lower than the corresponding amount of HK$917.6 million last year, largely because of the reduction in the profits from property sales explained above. As mentioned before, all the hotel properties owned by the Group in Hong Kong are self-operated by subsidiaries of the Company and, to comply with currently applicable accounting standards, they are classified in the Group's consolidated financial statements as property, plant and equipment and subject to depreciation charges. Depreciation charges for the period, most of which were related to the Group's hotel properties, amounted to HK$311.6 million which, although not having an effect on cash flow, have nonetheless impacted the Group's reported profit.

Supplementary information showing the adjusted net asset value of the Company as at 30th June, 2019 of HK$16.78 per share, after adjusting for the market value of the hotel properties in Hong Kong on the basis therein presented, is contained in the paragraph headed "Assets Value" in the section headed "Management Discussion and Analysis" in this Interim Report.

BUSINESS OVERVIEW

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

As at 30th June, 2019, the Group directly held a controlling shareholding interest of approximately 69.3% in Regal which, in turn, held approximately 74.6% of the outstanding units of Regal Real Estate Investment Trust, a listed subsidiary of Regal that principally engages in hotel ownership.

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

Apart from its property business, P&R Holdings also held as at 30th June, 2019 an effective controlling shareholding interest of approximately 70.5% in Cosmopolitan (comprising interests in its ordinary shares and convertible preference shares) and, in addition, convertible bonds of Cosmopolitan. Cosmopolitan is consequently also a listed member of the Group and is primarily involved in property and other investment businesses in China.

Further information on the latest progress of the Group's property businesses as well as the financial results and operational review of the listed members of the Group are presented below.

PROPERTIES

The property market in Hong Kong was relatively stable in the early part of 2019, with the sale price and transaction volume of residential properties having generally increased, particularly in the primary market. However, due to the deteriorating external environment and the escalated social disturbance in the local community, market sentiment since the latter part of June this year has been seriously affected.

Mount Regalia in Kau To, Sha Tin is a major residential project developed by P&R Holdings. The project has a total gross floor area of about 349,500 square feet, comprising 24 garden houses and 136 apartment units together with car parks and club house facilities. Following the issue of the certificate of compliance for this development, the sale programme was recently commenced earlier this year. Up to this date, 1 garden house and 7 apartment units together with 9 car parks have been contracted to be sold. The average price secured under these contracted sales is very satisfactory and substantial profits will be realised when these property sales are duly completed with their respective purchasers.

The hotel licence for the hotel project in Tai Kok Tsui, Kowloon developed by P&R Holdings was issued in March 2019 and the hotel soft opened for business soon afterwards. The legal title to the property has recently been formally conveyed to a wholly owned subsidiary of P&R Holdings under the terms of the development agreement with the Urban Renewal Authority of Hong Kong. The hotel is named as the iclub Mong Kok Hotel, which is presently managed by the Regal group and for the time being self-operated by P&R Holdings.

To further replenish its development land bank, P&R Holdings has been continuing with the acquisition of the development properties at Castle Peak Road in Cheung Sha Wan and at Kam Wa Street in Shau Kei Wan, both of which are intended for commercial/residential developments.

Further information regarding, among others, the development projects and properties of P&R Holdings, Regal and Cosmopolitan, as well as the Group's construction and building related business and other investments are contained in the "Management Discussion and Analysis" section.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2019, Regal achieved an unaudited consolidated profit attributable to shareholders of HK$379.1 million, an increase of about 29% over the comparative profit of HK$294.0 million attained for the same period in 2018.

During the half year under review, the core hotel business of the Regal group continued to operate steadily. Benefited by the recovery of the capital market within the period, the Regal group realised significant profits from the disposals of financial assets and recorded substantial fair value gains on the portfolio of financial assets held as at 30th June, 2019. Operating profit before depreciation, finance costs and tax amounted to HK$910.0 million, which was substantially above the comparative amount of HK$597.3 million in the first half of 2018. Depreciation charges for the period amounted to HK$266.2 million (2018 - HK$256.9 million), most of which were related to the Regal group's hotel properties, which though not having an impact on cash flow, have nonetheless impacted its reported profit.

BUSINESS OVERVIEW

HOTELS

MARKET OVERVIEW

According to a recent research report by the World Bank Group, global growth has continued to soften in the first half of 2019. The outlook for global growth for the full year has been adjusted downward to 2.6 percent, 0.3 percentage point below previous forecasts, reflecting that international trade and investment was weaker than expected at the start of the year. During the period under review, China's economy expanded by 6.3% over the same period in 2018. However, weighed down by the softness in manufacturing output due to the escalated trade disputes with the United States, trade flows have been weak. Affected by this unfavourable external climate, Hong Kong's economy also slowed down in the first six months of 2019 and the overall performance across a wide spectrum of economic sectors recorded a visible decline. During this period, the Gross Domestic Product (GDP) in real terms of Hong Kong only increased by 0.5% year-on-year, which was much lower than the GDP growth rate of 4% for the same period last year.

For the period under review, total visitors to Hong Kong amounted to approximately 34.9 million, representing an increase of 13.9% year-on-year, of which 27.6 million were visitors from Mainland China, an increase of 16.4% year-on-year. Of the total arrivals, overnight visitors accounted for approximately 14.9 million, which posted an increase of 7.7% year-on-year. The number of visitors from other short-haul markets (excluding Mainland China and the Macau SAR) had a modest growth of 3.7% but those from the traditional long-haul markets were marginally below the level in the first six months last year. On the other hand, the number of visitors from Mainland China under the Individual Visit Scheme has seen a gradual decrease from over 3.6 million in January to just over 2.3 million in June this year.

Based on the information published by the Hong Kong Tourism Board, the average hotel room occupancy level for all the surveyed hotels under different categories in Hong Kong for the half year ended 30th June was down from 91% in 2018 to 90% in 2019, while the average achieved room rate also shrank by 0.2%, thus resulting in a reduction in the Revenue per Available Room (RevPAR) of 1.3% year-on-year.

HOTEL OWNERSHIP

The Regal group is developing through its wholly owned subsidiary a second hotel at the Hong Kong International Airport, proposed to be named as Regala Skycity Hotel, which will have over 1,200 guestrooms and suites. The construction works for this new hotel are progressing steadily and expected to be completed on schedule in late 2020.

The Regal group also owns a 186-room hotel in Barcelona, Spain, formerly known as the La Mola Hotel & Conference Centre. This hotel property has been leased to an independent third party since September 2017 and yielded satisfactory rental income during the period under review.

In April 2019, the Regal group entered into a sale and purchase agreement with an independent third party for the acquisition of the entire equity interests in a company that owns a freehold existing property located at a prime location in London, the United Kingdom. The existing property has 9 storeys with approximately 2,150 square metres and is intended to be renovated into a hotel with about 78 hotel rooms to be operated by the Regal group. The acquisition of this target company has since been completed at the end of April this year.

REGAL REAL ESTATE INVESTMENT TRUST

The Regal group held 74.6% of the outstanding units of Regal REIT as at 30th June, 2019 and Regal Portfolio Management Limited, a wholly owned subsidiary of Regal, acts as the REIT Manager.

For the six months ended 30th June, 2019, Regal REIT recorded an unaudited consolidated loss before distribution to unitholders of HK$362.9 million, as compared to the profit of HK$942.9 million for the corresponding period in 2018. The loss recorded for the interim period was principally attributable to the reduction of HK$585.1 million in the fair value of Regal REIT's investment property portfolio, based on the market valuations appraised by its principal valuer as of 30th June, 2019, as compared to the last appraised value as of 31st December, 2018. While for the corresponding period last year, a fair value gain of HK$716.0 million was recorded. If these fair value changes are excluded, the core operating profit before distribution to unitholders of Regal REIT for the interim period would amount to HK$222.1 million, slightly below the HK$226.9 million for the same period in 2018.

Regal REIT now owns a total of nine operating hotels in Hong Kong, including the five initial Regal Hotels, namely, the Regal Airport Hotel, the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel; and four iclub Hotels, which are, respectively, the iclub Wan Chai Hotel, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel. With the exception of the iclub Wan Chai Hotel, all the other hotels are under leases by Regal REIT to a wholly owned subsidiary of Regal for hotel operations.

The iclub Wan Chai Hotel was the first iclub hotel in Hong Kong and has been self-operated by Regal REIT since 2011. During the interim period, it maintained an occupancy rate of 94.5%, which was 1.4 percentage points higher than the same period last year. However, as its average room rate decreased by 5.1%, its average RevPAR contracted by 3.8% year-on-year. The net property income from this property, including the lease rentals from the non-hotel portions, amounted to HK$11.2 million for the interim period, which was 5.9% below the comparative amount last year.

HOTEL OPERATIONS

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

During the first half of 2019, the business environment for the hospitality industry in Hong Kong was becoming more competitive and hotel operators were faced with increasing pressure on room rates, particularly towards the end of the second quarter. The combined average occupancy of the five initial Regal Hotels in Hong Kong, which operate as full-service hotels under the "Regal" brand name, during the interim period was 86.3%, as compared to 86.7% for the same period last year. Meanwhile, their combined average room rate decreased by 1.1%, with their combined RevPAR consequently dropping by 1.6% year-on-year. Aggregate net property income for the five hotels for the interim period amounted to HK$378.4 million, which was 7.0% below the HK$406.8 million attained for the same period in 2018 and also below the pro-rated prevailing aggregate base rent of HK$388.0 million for the half year of 2019.

To meet different market demands, the "iclub" brand was developed by the Regal group as a separate line of hotels, which are typically positioned as upscale select-service hotels, with contemporary designs and stylish décors, and equipped with tech-savvy facilities.

During the interim period, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel attained a combined average occupancy rate of 93.4%, an increase of 4.7 percentage points as compared to the level in the corresponding period in 2018. Although their combined average room rate decreased by 2.9%, their combined average RevPAR overall improved by 2.3% year-on-year. Net property income for these two iclub Hotels for the interim period amounted to HK$22.5 million and HK$19.8 million, respectively, which was in each case below the pro-rated base rents of HK$23.0 million for the half year in 2019, as determined by an independent professional property valuer in accordance with the terms of the leases.

As for the iclub Ma Tau Wai Hotel, it was leased for an initial term of 5 years from September 2017 with escalating fixed rentals at an average yield of 4.5% per annum. Under the arrangement agreed with P&R Holdings, any deficit of the rental expenses below the net property income from the business operation of the hotel will be reimbursed by P&R Holdings to the Regal group annually during the initial 5-year term of the lease. Average occupancy rate for this hotel for the interim period was 81.6%, 2.6 percentage points above the comparative figure in 2018, while the average room rate was virtually maintained at about the same level.

HOTEL MANAGEMENT

Regal Hotels International Limited, the wholly owned management arm of the Regal group, is the hotel manager managing all the five initial Regal Hotels and five iclub Hotels now operating in Hong Kong. The most recent addition to the portfolio is the iclub Mong Kok Hotel, a 288-room hotel developed and owned by P&R Holdings, which was soft opened in March 2019. Two other new hotels in Hong Kong, also to be managed by Regal Hotels International, are coming on stream. They are, respectively, the iclub Sheung Wan II Hotel, which is also owned and developed by P&R Holdings, to be completed in the second half of this year and the Regala Skycity Hotel, owned and developed by the Regal group, in late 2020.

In Mainland China, the Regal group is presently managing a total of eight operating Regal Hotels, including four in Shanghai, two in Dezhou, one in Xi'an and one in Foshan. Having managed the Regal International East Asia Hotel in Shanghai since its opening in 1998, the management agreement for this hotel will end at the end of this year. The Regal group is also managing one hotel in Zhengzhou which is operating under the iclub by Regal brand. Three other hotels to be managed by the Regal group are under development, which are separately located in Chengdu, Jiangmen and Kunshan.

The hotel manager will continue to step up its efforts to promote the "Regal", "iclub" and the latest "Regala" brand names and to strengthen the Regal group's marketing and reservation networks on the internet and other platforms.

PROPERTIES

As mentioned above, the Regal group holds a 50% joint venture interest in P&R Holdings. During the recent years, the Regal group has also taken on, through its wholly owned subsidiaries, property development business as and when appropriate opportunities arose.

Apart from the hotel projects mentioned above, the Regal group is also undertaking a commercial/residential development located at Queen's Road West in Hong Kong and a rehabilitation and renovation project in Lisbon, Portugal.

Further detailed information on the development projects and properties held by the Regal group is contained in the "Management Discussion and Analysis" section.

AIRCRAFT OWNERSHIP AND LEASING

In February 2019, the Regal group completed the disposal of the one remaining Embraer ERJ135 aircraft to an independent buyer. The disposal of all the Embraer aircraft has on the whole generated satisfactory profits. In June 2019, the Regal group executed agreements to extend the operating leases of two Airbus A321-211 with the existing lessee, which is a major British international airline operator, from 2020 to 2024. The extensions of these leases will provide steady rental income during the extended term.

At present, the Regal group owns a fleet of 3 passenger aircraft which are all on operating leases. The Regal group still holds a reasonably positive view in the long-term growth of the aviation industry and will continue to review new acquisitions if they could offer attractive returns.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2019, Cosmopolitan recorded an unaudited consolidated loss attributable to shareholders of HK$57.5 million, as compared to a consolidated profit of HK$238.7 million attained for the corresponding period in 2018.

The core assets of the Cosmopolitan group presently comprise two composite development projects in Tianjin and Chengdu in the PRC. As these projects are being developed in stages, the profit contribution from the disposals of their component parts is effectively linked to their respective completion dates and sales status. Consequently, due to the different timing in the recognition of profit generated from such property disposals, the results of the Cosmopolitan group could fluctuate between individual financial reporting periods.

The loss recorded by the Cosmopolitan group for the period under review was mainly due to the finance costs incurred, particularly that the amount of finance costs presently capitalised to its development projects is lower than the levels in previous financial years. Moreover, despite the contracted pre-sales of the residential units in the third stage of the Cosmopolitan group's composite development in Chengdu, the profits recognised from property sales for the period were relatively small, as profits from property sales will only be recognised when the properties sold are handed over to the respective purchasers after completion of the relevant sales. Whereas for the corresponding half year period in 2018, the aggregate amount of profit contribution from property disposals was over HK$470 million.

BUSINESS OVERVIEW

During the period under review, China's economy expanded by 6.3% over the same period in 2018. However, weighed down by the softness in manufacturing output due to the escalated trade disputes with the United States, trade flows have been weak. Regarding the property sector in China, the central government continued to implement administrative policies to regulate the supply and demand and, in some cases, the sale prices of residential commodity units, with a view to controlling speculative activities. For the first six months of 2019, the property market was operating steadily. The price of residential properties on the whole increased moderately, but at a slower pace than in the comparative period in 2018.

The development works of the third stage of Regal Cosmopolitan City in Chengdu, comprising ten residential towers with a total of 1,555 units, are in steady progress. Presale of two residential towers with 314 units within this third stage was commenced in March 2019 and, up to date, 268 units have been contracted as sold. The Cosmopolitan group has further launched the presale of another three residential towers with 472 units recently this August and the response is favourable. In the meantime, the business remodeling works of the hotel within this composite development have been completed and the hotel is scheduled to be opened in phases from the end of 2020. The development works of the other remaining component parts, consisting of a commercial complex and five towers of office accommodation, are also in progress.

As regarding its Regal Renaissance development project in Tianjin, the sale of the commercial complex is continuing and certain parts have been leased out for rental income. The superstructure works of the two office towers have resumed since June 2019 and unit presale is anticipated to commence in the second quarter of 2020.

Further detailed information on these two development projects in Chengdu and Tianjin is contained in the "Management Discussion and Analysis" section.

As previously disclosed, the Cosmopolitan group entered into certain deposit agreements and loan agreements in August and September 2018 with independent third parties for the possible investment by the Cosmopolitan group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in the PRC. Latest update on this possible investment is also contained in the "Management Discussion and Analysis" section.

With an objective to broaden its business spectrum, the Cosmopolitan group entered into a memorandum of understanding (MOU) with certain independent third parties for its possible investment in an operating company principally engaged in the management and trading of tradable or transferable China Certified Emissions Reduction (Carbon Assets) in China. If the investment proposal materialises, the operating company will become an associate of the Cosmopolitan group. Save for the provisions in relation to, among others, due diligence review and exclusivity period, the MOU does not constitute legally-binding commitment on the parties. Further details on the terms of the MOU are contained in the joint announcement by the Company dated 26th June, 2019. The Cosmopolitan group is presently undertaking due diligence review on the operating company and its business, and in the meantime, conducting negotiations on the final terms of the proposed investment. Further announcement will be made in the event that a formal agreement on the investment proposal is signed by the parties or as and when required.

More recently, in July 2019, a wholly owned subsidiary of Cosmopolitan acquired an 80% equity interest in a PRC-incorporated company, which has contractual right to acquire a 10% interest in another PRC-incorporated real estate company that partners with various reputable real estate developers and undertakes joint developments for both industry specific real estate and residential/commercial real estate in China.

OUTLOOK

REGAL GROUP

Apart from the slowing global demand, the overall external environment is still overshadowed by many uncertainties, including the trade and other disputes between China and the United States, the situation on Brexit and the geopolitical tensions in different regions. These unfavourable external factors are already affecting Hong Kong's trade performance and overall economic growth.

The demonstrations and protests in Hong Kong since June this year have led to some social unrest in the local community and adverse publicity internationally. These recent events have also seriously affected the businesses of many different trades in Hong Kong, particularly, the tourism, retail and food and beverage business sectors. If this adverse situation is not well contained in time, the economy of Hong Kong may well further deteriorate.

The operating performances of the hotels owned by the Regal group in Hong Kong, during the month of July and in August to date have been well below earlier forecasts. If the local hospitality market does not recover in the near term, it may have adverse impacts on their hotel incomes for the second half of this year.

Nevertheless, looking ahead, the directors of the REIT Manager still believe in the resilience of the economy of Hong Kong and the integrity of its operating systems and that Hong Kong will be able to overcome these challenges to remain an international business and tourism hub in the region. Regal REIT will continue to consider, though with added prudence, appropriate acquisition opportunities that can strengthen its hotel portfolio and enhance its earnings in the future.

Over the years, the Regal group has built a strong portfolio of quality assets and a solid financial foundation. It is well prepared to meet challenges and to progress forward against headwinds. Overall, the directors of Regal remain cautiously optimistic of the future economic prospects of Hong Kong.

COSMOPOLITAN GROUP

Faced with the complex external environment, the central government of China has put into effect various accommodative fiscal policies and tax cuts to support domestic spending, with a view to maintaining the growth in its gross domestic product within the targeted range of 6 to 6.5 percent for the full year of 2019. Under the ongoing business remodeling process in the economy of China, it is expected that the performance of the property market in the first and second tier cities will continue to outpace the peripheral cities.

When the remaining component parts of the development projects of the Cosmopolitan group in Chengdu and Tianjin, both being major second tier cities, are gradually completed and sold, they will continue to contribute substantial cash flow and profits to the Cosmopolitan group in the coming years. With an objective to enhance and broaden its earnings base, the Cosmopolitan group is actively working on new investment opportunities that can widen its business spectrum.

PALIBURG GROUP

Impacted by the latest social events in Hong Kong, the local property market will inevitably undergo some adjustments and consolidation, both in property price and transaction volume, in the short term. However, given the strong underlying demand for different types of properties and a growing population, the Group anticipates that the property market in Hong Kong will gradually stabilise when the social sentiments tranquilise.

A number of major development projects undertaken by P&R Holdings have recently been completed, including the We Go MALL in 2018, the iclub Mong Kok Hotel and most notably, the Mount Regalia this year. While the We Go MALL and the iclub Mong Kok Hotel are now generating recurring income, the gradual disposals of the houses and apartment units in Mount Regalia will contribute to the Group substantial cash flow and profits in due course.

The Directors of the Company believe in the resilience of the economy of Hong Kong and are cautiously optimistic of Hong Kong's future prospects.

LO YUK SUI
Chairman

Hong Kong
26th August, 2019

Management Discussion and Analysis

BUSINESS REVIEW

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

The significant investments and business interests of Regal Hotels International Holdings Limited ("RHIHL"), the principal listed subsidiary of the Group, 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"), aircraft ownership and leasing and other investment businesses.

Cosmopolitan International Holdings Limited ("Cosmopolitan") is a listed subsidiary of the Group held through P&R Holdings. The principal business activities of the Cosmopolitan group comprise property development and investment and other investments, which are mainly focused in the People's Republic of China (the "PRC"), and investment in financial assets.

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

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.

P&R HOLDINGS LIMITED

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

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

Apart from the Shun Ning Road development project in Sham Shui Po, Kowloon and the Anchor Street/Fuk Tsun Street development project in Tai Kok Tsui, Kowloon, both of which were 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 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, a total of 26 houses have been sold or contracted to be sold. The 10 remaining houses will continue to be disposed of on a gradual basis but some of them may in the meantime be retained for rental income.

We Go MALL at No.16 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 has been developed into a shopping mall with 5 storeys above ground level and 1 storey of basement floor. The occupation permit for the project was issued in September 2017. Since its soft opening in May 2018, the "We Go MALL" has been well received. This shopping mall development is yielding satisfactory rentals and will be retained for investment income.

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 has been 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 car parks. The occupation permit for the project was issued in March 2018 and the certificate of compliance was obtained in July 2018. The presale of the residential units was first launched in July 2016 and all residential units have been sold. The commercial units are planned to be tendered for sale in the fourth quarter of 2019.

Mount Regalia, 23 Lai Ping Road, Kau To, Sha Tin, New Territories

The project has a site area of 17,476 square metres (188,100 square feet). It has been developed into a luxury residential complex comprising 7 mid-rise apartment blocks with 136 units, 24 detached garden houses and 197 car parking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The occupation permit was issued in September 2018 and the certificate of compliance in February 2019. The marketing and sale programme was recently commenced earlier this year.

Up to this date, 1 garden house and 7 apartment units together with 9 car parks have been contracted to be sold for an aggregate gross consideration of about HK$648 million. The average price secured under these contracted sales is very satisfactory and substantial profits will be realised when these property sales are duly completed with their respective purchasers.

iclub Mong Kok Hotel at 2 Anchor Street, Tai Kok Tsui, Kowloon

This is a hotel development project also awarded by the Urban Renewal Authority of Hong Kong through a tender process in June 2015. The project has a site area of 725.5 square metres (7,809 square feet), with 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).

The project has been developed into a 20-storey hotel, comprising 288 guestrooms with ancillary facilities, with its occupation permit issued in October 2018. The hotel was soft opened for business after the issue of the hotel licence in March 2019. The legal title to the property has recently been formally conveyed to a wholly owned subsidiary of P&R Holdings under the terms of the development agreement with the Urban Renewal Authority of Hong Kong. The hotel is presently managed by the RHIHL group and for the time being self-operated by P&R Holdings.

Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan, Hong Kong, to be named as "iclub Sheung Wan II Hotel"

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and is being developed into a hotel with 98 guestrooms and suites (totally 162 room bays), with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet). The building works have mostly been completed and the project is scheduled for completion in the fourth quarter of 2019. It is expected that the hotel licence will be obtained and the hotel open for business in the first quarter of 2020.

Nos.291-293 and 301-303 Castle Peak Road, Cheung Sha Wan, Kowloon

The properties presently comprise interests in 80% undivided shares of Nos.291-293 Castle Peak Road and 100% ownership interests of Nos.301-303 Castle Peak Road. The properties have a total site area of 488 square metres (5,260 square feet) and are planned for a commercial/residential development having an aggregate gross floor area of approximately 4,395 square metres (47,304 square feet).

Nos.9-19 Kam Wa Street, Shau Kei Wan, Hong Kong

The entire ownership interests in the subject properties have now been acquired through private treaty transactions earlier this year. The properties have a total site area of 518 square metres (5,580 square feet) and are intended for a commercial/residential development having an aggregate gross floor area of approximately 4,144 square metres (44,606 square feet).

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

RHIHL is a listed subsidiary of the Company. Further information relating to the property projects undertaken and the principal properties owned by the RHIHL group, which (except for the property project in Portugal) are all wholly owned by RHIHL, is set out below:

Hong Kong

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

In February 2017, a wholly owned subsidiary of RHIHL was awarded by the Airport Authority in Hong Kong the development right for a new hotel project at the Hong Kong International Airport.

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 the first phase of the mega SKYCITY Project by the Airport Authority, which also 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) hotel with 1,208 guestrooms and suites as well as extensive banquet, meeting and food and beverage facilities. The hotel will be operated as a full service hotel targeting at commercial, airline related, leisure and meeting businesses. The superstructure works are progressing steadily and this new hotel is anticipated to be completed in late 2020.

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

The RHIHL group has successfully acquired 100% ownership interests in the subject properties through private treaty transactions. The project has a combined site area of 682 square metres (7,342 square feet) and is planned for a commercial/residential development with gross floor area of about 5,842 square metres (62,883 square feet). The general building plans have been approved and the demolition works of the existing buildings completed. The foundation works have commenced in July 2019 and the project is expected to be completed by 2021.

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

A total of 13 garden houses in Regalia Bay with total gross area of about 5,861 square metres (63,091 square feet) are still being retained, 7 of which are held as investment properties, 3 held for sale and 3 as property, plant and equipment. The RHIHL group will continue to dispose of some of these houses if the price offered is considered satisfactory.

Overseas

Campus La Mola, Barcelona, Spain

This hotel property was acquired by the RHIHL group in 2014. It has a total of 186 rooms and was formerly operated by the RHIHL group under the name of La Mola Hotel & Conference Centre. The hotel property has been leased to an independent third party under a lease agreement that commenced in September 2017 and yielded satisfactory rentals during the period under review.

41 Kingsway, London WC2B 6TP, the United Kingdom

The RHIHL group recently acquired in April 2019 this freehold existing property at an aggregate consideration of approximately GBP22 million (equivalent to approximately HK$223.7 million). This existing property has 9 storeys (including basement and ground floor) with gross floor area of approximately 2,150 square metres (23,140 square feet) and is presently vacant. This property is intended to be renovated into a hotel with about 78 hotel rooms to be operated by the RHIHL group.

Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal

The RHIHL group has a 90% interest in this property project, which is a rehabilitation and renovation project for a historic building located in an area of vast historical heritage. The building has gross development area of about 1,836 square metres (19,768 square feet) comprising shops and apartments. The design for the renovation programme has been approved by the local government authorities. The tendering process for the selection of the main contractor is at the final stage and the renovation works are expected to commence soon afterwards. The property project is intended for sale.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Cosmopolitan is a listed subsidiary of P&R Holdings. Further information relating to the property projects of the Cosmopolitan group, all of which are wholly owned, as well as the possible investment in logistics business in the PRC 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 residential, hotel, commercial and office components, with an overall total gross floor area of approximately 495,000 square metres (5,330,000 square feet).

While the nine residential towers in the first and second stages of the Chengdu project have been completed, the superstructure works of the third stage of the development consisting of ten residential towers of total 1,555 units, about 4,100 square metres (44,100 square feet) of commercial accommodations and 1,941 car parking spaces are in steady progress. Presale of two residential towers consisting of 314 units in the third stage of the development was commenced in March 2019. Up to date, a total of 268 residential units have been contracted as sold, securing aggregate sales proceeds of approximately RMB334 million (equivalent to approximately HK$365 million). The presale of another three residential towers consisting of 472 units has further been launched recently this August and the response is favourable.

The business remodeling works of the hotel have been completed and corresponding interior design works are progressing. The interior fitting-out works are scheduled to commence in early 2020 and the hotel is scheduled to open in phases from the end of 2020.

The updated scheme design of the remaining commercial components within the development, comprising a six-storey commercial complex of about 48,000 square metres (516,700 square feet) and five towers of office accommodations of about 90,500 square metres (974,100 square feet), have been approved by the local authority and the detailed design works have also commenced. The construction works are planned to be started in late 2019 and the associated presale programme is expected to be launched in late 2020.

Tianjin Project – Regal Renaissance

Located in the Hedong District in Tianjin, this project is a mixed use development comprising residential, commercial and office components with total gross floor area of about 145,000 square metres (1,561,000 square feet).

The sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), is continuing steadily and contracts for sale have been secured for some of the shop units. Certain parts of the commercial complex have in the meantime been leased out for rental income.

The superstructure works of the two office towers have resumed since June 2019. The presale of the office accommodations is planned to be launched in the second quarter of 2020.

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 would be available for real estate development after the requisite inspection, land grant listing and tender procedures are completed.

The Cosmopolitan group continues to maintain the re-forested area and communicate with the relevant government authority to initiate appropriate measures to settle the disputes over certain portions of the land in the project site that have been illegally occupied. Based on the legal advice obtained, the legitimate interests of the Cosmopolitan group in this re-forestation and land grant contract remain valid and effective.

Logistics Business

Possible Investment in a Logistics Group

As previously disclosed, the Cosmopolitan group entered into certain deposit agreements and loan agreements in August and September 2018 with independent third parties for the possible investment by the Cosmopolitan group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in the PRC. The Cosmopolitan group has paid deposits to the vendor and the target investee group in a total amount of RMB170 million and also granted loans to the target investee group in an aggregate sum of RMB150 million due for repayment in November 2018. Together with the interest accrued on the loans, the total amount of such deposits and loans amounted to RMB360.7 million in the books of the Cosmopolitan group as at 30th June, 2019.

Due to the complex operating structure and the financial status of the target investee group, the negotiations on the final terms of the proposed investment by the Cosmopolitan group in the target investee group and certain of its selected businesses have not progressed as smoothly as initially envisaged. The Cosmopolitan group is still continuing its discussions with the vendor and the target investee group on the investment proposal and, in the meantime, is also conducting negotiations with a potential investor for its possible investment in these logistics businesses. Further announcement will be made as and when an investment proposal is finalised.

In the meantime, the deposits and the loan amounts (together with the interest accrued) continue to be secured primarily by equity pledges over certain PRC companies associated with the vendor, guarantees provided by the vendor and certain of his associates, and pledges over the receivables of the target investee group and certain associates of the vendor.

CONSTRUCTION AND BUILDING RELATED BUSINESSES

The Group's wholly owned construction arm, Chatwin Engineering Limited ("Chatwin"), was the main contractor for the construction of P&R Holdings' hotel developments at Bonham Strand, Sheung Wan (now operating as the iclub Sheung Wan Hotel), Merlin Street, Fortress Hill (now operating as the iclub Fortress Hill Hotel) and Ha Heung Road, To Kwa Wan (now operating as the iclub Ma Tau Wai Hotel), which were completed in January 2014, May 2014 and November 2016, respectively, as well as the residential project at Tan Kwai Tsuen Road, Yuen Long which was completed in November 2015. Chatwin was also the main contractor for P&R Holdings' iclub Mong Kok Hotel at Anchor Street/Fuk Tsun Street, Tai Kok Tsui, that was completed in late 2018 and opened for business in March 2019.

Due to the increasing number of projects undertaken by the Group as a whole, the Group's development consultancy division, which provides professional services on architectural, engineering and interior design aspects, is likewise principally supporting the needs of the Group's member companies.

FINANCIAL ASSETS AND OTHER INVESTMENTS

The Group holds a significant portfolio of investments comprising listed securities and other investments, including investment funds, bonds as well as treasury and yield enhancement products. Benefited by the recovery of the capital market within the period, the Group realised significant profits from the disposals of financial assets and recorded substantial fair value gains on the portfolio of financial assets held as at 30th June, 2019. However, the capital market, particularly the equities market, has become more volatile since the half year end date, which could have impact on the performance of the Group's investment portfolio in the second half of 2019.

FINANCIAL REVIEW

ASSETS VALUE

All the hotel properties of the Group in Hong Kong owned by Regal REIT, with the exception of the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel, were stated in the financial statements at their fair values as at 7th May, 2012 when RHIHL, together with Regal REIT, became subsidiaries of the Group, plus subsequent capital additions and deducting accumulated depreciation. The market valuations of these hotel properties have since appreciated substantially but have not been reflected in the Group's financial statements. Moreover, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel were stated in the Group's financial statements at cost after full elimination of the unrealised gain arising from the disposal of the hotels by P&R Holdings to Regal REIT, and are also subject to depreciation. For the purpose of providing supplementary information, if the entire hotel property portfolio of the RHIHL group in Hong Kong is restated in the condensed consolidated financial statements at market value as at 30th June, 2019, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK$16.78 per share, computed as follows:

	As at 30th June, 2019	
	HK$'million	**HK$ per ordinary share**
Book net assets attributable to equity holders of the parent	**14,027.8**	**12.59**
Adjustment to restate the RHIHL group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	**4,676.1**	**4.19**
Unaudited adjusted net assets attributable to equity holders of the parent	**18,703.9**	**16.78**

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

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

The Group's banking facilities are mostly denominated in Hong Kong dollar with interest primarily determined with reference to interbank offered rates, while its senior unsecured notes are denominated in US dollar 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 and investments in the PRC which are based in currencies other than US dollar and Hong Kong dollar, the Group will consider hedging part or all of the investment amounts into US dollar or Hong Kong dollar to contain the Group's exposure to currency fluctuation.

Cash Flows

Net cash flows generated from operating activities during the period under review amounted to HK$243.3 million (2018 - net cash flows used in operating activities of HK$1,011.2 million). Net interest payment for the period amounted to HK$205.9 million (2018 - HK$182.1 million).

Borrowings and Gearing

As at 30th June, 2019, the Group had cash and bank balances and deposits of HK$2,525.0 million (31st December, 2018 - HK$2,718.7 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK$17,669.0 million (31st December, 2018 - HK$16,850.6 million).

As at 30th June, 2019, the gearing ratio of the Group was 38.5% (31st December, 2018 - 37.5%), representing the Group's borrowings net of cash and bank balances and deposits of HK$17,669.0 million (31st December, 2018 - HK$16,850.6 million), as compared to the total assets of the Group of HK$45,940.0 million (31st December, 2018 - HK$44,907.6 million).

On the basis of the adjusted total assets as at 30th June, 2019 of HK$54,961.7 million (31st December, 2018 - HK$54,259.6 million) with the hotel portfolio owned by the RHIHL group in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 32.1% (31st December, 2018 - 31.1%).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2019 are shown in notes 13 and 14 to the condensed consolidated financial statements.

Lease Liabilities

As at 30th June, 2019, the Group had lease liabilities of HK$43.7 million.

Pledge of Assets

As at 30th June, 2019, certain of the Group's property, plant and equipment, investment properties, properties under development, properties held for sale, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK$33,918.2 million were pledged to secure general banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 30th June, 2019, certain ordinary shares in a listed subsidiary with a market value of HK$424.9 million were also pledged to secure general banking facilities granted to the Group.

As at 31st December, 2018, certain of the Group's property, plant and equipment, investment properties, properties held for sale, financial assets at fair value through profit or loss, financial assets at amortised cost, time deposits and bank balances in the total amount of HK$28,697.5 million were pledged to secure general banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 31st December, 2018, certain ordinary shares in a listed subsidiary with a market value of HK$457.2 million were also pledged to secure general banking facilities granted to the Group.

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2019 are shown in note 19 to the condensed consolidated financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2019 are shown in note 18 to the condensed consolidated financial statements.

Share Capital

During the period under review, there was no change in the share capital of the Company.

DIVIDEND

The Directors have declared the payment of an interim dividend of HK2.5 cents (2018 - HK2.8 cents) per ordinary share for the financial year ending 31st December, 2019, absorbing an amount of approximately HK$27.9 million (2018 - HK$31.2 million) and will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 15th October, 2019.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Friday, 11th October, 2019 to Tuesday, 15th October, 2019, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the interim dividend declared, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Tricor Tengis Limited, no later than 4:30 p.m. on Thursday, 10th October, 2019. The relevant dividend warrants are expected to be despatched on or about 31st October, 2019.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

During the period under review, there were no material acquisitions or disposals of subsidiaries or associates of the Company.

STAFF AND REMUNERATION POLICY

The Group employs approximately 2,400 staff in Hong Kong and the PRC. 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 for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 30th June, 2019 (Unaudited) HK$'million	Six months ended 30th June, 2018 (Unaudited) HK$'million
REVENUE	2, 3	**1,390.5**	3,337.8
Cost of sales		**(701.0)**	(2,291.4)
Gross profit		**689.5**	1,046.4
Other income and gains	3	**138.2**	59.1
Fair value gains on investment properties, net		**28.4**	152.9
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		**135.2**	(124.2)
Property selling and marketing expenses		**(32.3)**	(24.4)
Administrative expenses		**(202.2)**	(192.2)
OPERATING PROFIT BEFORE DEPRECIATION		**756.8**	917.6
Depreciation		**(311.6)**	(296.0)
OPERATING PROFIT	2, 4	**445.2**	621.6
Finance costs	5	**(267.5)**	(179.4)
Share of profits and losses of associates		**0.2**	(2.0)
PROFIT BEFORE TAX		**177.9**	440.2
Income tax	6	**(9.1)**	(133.3)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		**168.8**	306.9
Attributable to:			
Equity holders of the parent		**106.3**	221.7
Non-controlling interests		**62.5**	85.2
		168.8	306.9
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		**HK6.05 cents**	HK16.38 cents

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2019 (Unaudited)	Six months ended 30th June, 2018 (Unaudited)
	HK$'million	HK$'million
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**168.8**	306.9
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	**(2.3)**	(52.1)
Share of other comprehensive loss of an associate	**–**	(0.1)
	(2.3)	(52.2)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investment designated at fair value through other comprehensive income	**(99.0)**	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	**(101.3)**	(52.2)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**67.5**	254.7
Attributable to:		
Equity holders of the parent	**22.8**	184.7
Non-controlling interests	**44.7**	70.0
	67.5	254.7

Condensed Consolidated Statement of Financial Position

	Notes	30th June, 2019 (Unaudited) HK$'million	31st December, 2018 (Audited) HK$'million
NON-CURRENT ASSETS			
Property, plant and equipment		**23,303.7**	22,969.3
Investment properties		**3,690.5**	3,782.3
Right-of-use assets		**36.1**	–
Properties under development		**2,916.4**	2,227.7
Investments in associates		**6.3**	6.1
Equity investment designated at fair value through other comprehensive income	9	**426.0**	–
Financial assets at fair value through profit or loss		**773.0**	632.4
Loans receivable	10	**108.9**	133.1
Deposits and prepayments	11	**465.5**	401.0
Deferred tax assets		**46.9**	42.9
Goodwill		**261.0**	261.0
Trademark		**610.2**	610.2
Total non-current assets		**32,644.5**	31,066.0
CURRENT ASSETS			
Properties under development		**1,901.7**	1,747.4
Properties held for sale		**6,166.3**	6,128.7
Aircraft held for sale		**–**	5.9
Inventories		**68.8**	64.6
Loans receivable	10	**264.5**	177.0
Debtors, deposits and prepayments	11	**553.3**	450.2
Financial assets at amortised cost		**38.8**	481.3
Financial assets at fair value through profit or loss		**1,753.4**	2,027.2
Derivative financial instruments		**12.0**	28.4
Tax recoverable		**11.7**	12.2
Restricted cash		**200.0**	81.4
Pledged time deposits and bank balances		**298.6**	24.0
Time deposits		**874.8**	1,059.3
Cash and bank balances		**1,151.6**	1,554.0
Total current assets		**13,295.5**	13,841.6

	Notes	30th June, 2019 (Unaudited) HK$'million	31st December, 2018 (Audited) HK$'million
CURRENT LIABILITIES			
Creditors and accruals	12	**(926.2)**	(1,177.1)
Contract liabilities		**(662.7)**	(336.8)
Lease liabilities		**(18.0)**	–
Deposits received		**(31.0)**	(28.9)
Interest bearing bank borrowings	13	**(5,043.0)**	(4,131.2)
Derivative financial instruments		**(0.7)**	(1.0)
Tax payable		**(159.4)**	(176.3)
Total current liabilities		**(6,841.0)**	(5,851.3)
NET CURRENT ASSETS		**6,454.5**	7,990.3
TOTAL ASSETS LESS CURRENT LIABILITIES		**39,099.0**	39,056.3
NON-CURRENT LIABILITIES			
Creditors and deposits received		**(81.0)**	(75.3)
Lease liabilities		**(25.7)**	–
Interest bearing bank borrowings	13	**(12,428.7)**	(12,712.2)
Other borrowing	14	**(2,722.3)**	(2,725.9)
Deferred tax liabilities		**(1,944.1)**	(1,973.2)
Total non-current liabilities		**(17,201.8)**	(17,486.6)
Net assets		**21,897.2**	21,569.7
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**111.4**	111.4
Reserves		**13,916.4**	13,659.9
		14,027.8	13,771.3
Perpetual securities		**1,732.9**	1,732.9
Non-controlling interests		**6,136.5**	6,065.5
Total equity		**21,897.2**	21,569.7

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2019

	Attributable to equity holders of the parent												
	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital reserve (Unaudited)	Special reserve (Unaudited)	Fair value reserve (Unaudited)	Property revaluation reserve (Unaudited)	Exchange equalisation reserve (Unaudited)	Retained profits (Unaudited)	Total (Unaudited)	Perpetual securities (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
At 1st January, 2019	111.4	1,356.1	4.3	2,066.0	689.6	–	5.5	(143.7)	9,682.1	13,771.3	1,732.9	6,065.5	21,569.7
Profit for the period	–	–	–	–	–	–	–	–	106.3	106.3	–	62.5	168.8
Other comprehensive loss for the period:													
Changes in fair value of equity investment designated at fair value through other comprehensive income	–	–	–	–	–	(83.3)	–	–	–	(83.3)	–	(15.7)	(99.0)
Exchange differences on translating foreign operations	–	–	–	–	–	–	–	(0.2)	–	(0.2)	–	(2.1)	(2.3)
Total comprehensive income/(loss) for the period	–	–	–	–	–	(83.3)	–	(0.2)	106.3	22.8	–	44.7	67.5
Acquisition of non-controlling interests in a listed subsidiary	–	–	–	(17.2)	–	–	–	–	–	(17.2)	–	(2.7)	(19.9)
Disposal of non-controlling interests in a listed subsidiary	–	–	–	379.3	–	–	–	–	–	379.3	–	145.7	525.0
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	3.0	3.0
Distribution to holders of perpetual securities	–	–	–	–	–	–	–	–	(39.2)	(39.2)	–	(18.2)	(57.4)
Final 2018 dividend declared	–	–	–	–	–	–	–	–	(89.2)	(89.2)	–	(101.5)	(190.7)
At 30th June, 2019	111.4	1,356.1	4.3	2,428.1	689.6	(83.3)	5.5	(143.9)	9,660.0	14,027.8	1,732.9	6,136.5	21,897.2

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

For the six months ended 30th June, 2019

	Attributable to equity holders of the parent											
	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital reserve (Unaudited)	Special reserve (Unaudited)	Property revaluation reserve (Unaudited)	Exchange equalisation reserve (Unaudited)	Retained profits (Unaudited)	Total (Unaudited)	Perpetual securities (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
At 1st January, 2018	111.4	1,356.1	4.3	2,079.5	689.6	5.5	(44.6)	9,559.2	13,761.0	1,732.9	6,208.9	21,702.8
Profit for the period	–	–	–	–	–	–	–	221.7	221.7	–	85.2	306.9
Other comprehensive loss for the period:												
Exchange differences on translating foreign operations	–	–	–	–	–	–	(37.0)	–	(37.0)	–	(15.1)	(52.1)
Share of other comprehensive loss of an associate	–	–	–	–	–	–	–	–	–	–	(0.1)	(0.1)
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	(37.0)	221.7	184.7	–	70.0	254.7
Acquisition of non-controlling interests in a listed subsidiary	–	–	–	(13.5)	–	–	–	–	(13.5)	–	(6.8)	(20.3)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	3.9	3.9
Distribution to holders of perpetual securities	–	–	–	–	–	–	–	(39.3)	(39.3)	–	(18.1)	(57.4)
Final 2017 dividend declared	–	–	–	–	–	–	–	(89.2)	(89.2)	–	(90.5)	(179.7)
At 30th June, 2018	111.4	1,356.1	4.3	2,066.0	689.6	5.5	(81.6)	9,652.4	13,803.7	1,732.9	6,167.4	21,704.0

Condensed Consolidated Statement of Cash Flows

	Six months ended 30th June, 2019 (Unaudited)	Six months ended 30th June, 2018 (Unaudited)
	HK$'million	**HK$'million**
Net cash flows from/(used in) operating activities	**243.3**	(1,011.2)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries that are not a business	**(434.3)**	–
Purchases of financial assets at amortised cost	**(525.2)**	(489.7)
Purchases of financial assets at fair value through profit or loss	**(76.1)**	(107.0)
Proceeds from redemption of financial assets at amortised cost	**967.7**	444.6
Decrease/(Increase) in loans receivable	**(63.2)**	1.5
Proceeds from disposal of investment properties	**140.6**	–
Additions to investment properties	**(18.1)**	(21.8)
Purchases of items of property, plant and equipment	**(611.4)**	(518.0)
Proceeds from disposal of items of property, plant and equipment	**0.1**	7.9
Advances to associates	**–**	(0.4)
Interest received	**19.2**	31.8
Dividend received from unlisted investments	**0.1**	3.9
Decrease/(Increase) in pledged time deposits and bank balances	**(274.6)**	319.6
Increase in restricted cash	**(4.8)**	(5.0)
Increase in time deposit with an original maturity of more than three months when acquired	**(138.1)**	–
Net cash flows used in investing activities	**(1,018.1)**	(332.6)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of new bank loans	**1,620.5**	4,276.9
Repayment of bank loans	**(1,014.6)**	(1,173.8)
Decrease in other borrowings	**–**	(1,952.3)
Interest paid	**(287.4)**	(244.6)
Payment of loan and other costs	**(6.2)**	(31.1)
Principal portion of lease payments	**(9.6)**	–
Dividends paid	**(88.7)**	(88.9)
Dividends paid to non-controlling interests	**(82.2)**	(90.1)
Contribution from non-controlling interests	**3.0**	3.9
Acquisition of non-controlling interests in a listed subsidiary	**(19.9)**	(20.3)
Distribution to holders of perpetual securities	**(57.4)**	(57.4)
Increase in restricted cash	**(5.5)**	–
Net cash flows from financing activities	**52.0**	622.3

	Six months ended 30th June, 2019 (Unaudited)	Six months ended 30th June, 2018 (Unaudited)
	HK$'million	**HK$'million**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(722.8)**	(721.5)
Cash and cash equivalents at beginning of period	**2,603.3**	4,121.2
Effect of foreign exchange rate changes, net	**(2.2)**	(2.1)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,878.3**	3,397.6
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**2,026.4**	3,397.6
Non-pledged time deposits with an original maturity of more than three months when acquired	**(148.1)**	–
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**1,878.3**	3,397.6

Notes to Condensed Consolidated Financial Statements

1. Accounting Policies

The condensed consolidated financial statements for the six months ended 30th June, 2019 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 condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31st December, 2018. 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, 2018, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 and Amendments to HKAS 28, the adoption of the above new and revised standards are not relevant to the preparation of the Group's condensed consolidated financial statements.

The nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1st January, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1st January, 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1st January, 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices.

As a lessee - Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for certain office, warehouse premises, staff quarters, shop units and office equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1st January, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1st January, 2019.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1st January, 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets and lease liabilities separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1st January, 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1st January, 2019:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1st January, 2019 are as follows:

	Increase (Unaudited) HK$'million
Assets	
Right-of-use assets	36.7
Investment properties	8.3
Total assets	45.0
Liabilities	
Lease liabilities	45.0

The lease liabilities as at 1st January, 2019 reconciled to the operating lease commitments as at 31st December, 2018 is as follows:

	(Unaudited) HK$'million
Operating lease commitments as at 31st December, 2018	31.4
Weighted average incremental borrowing rate as at 1st January, 2019	3.02%
Discounted operating lease commitments as at 1st January, 2019	30.3
Add: Payments for optional extension period not recognised as at 31st December, 2018	15.1
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31st December, 2019	(0.4)
Lease liabilities as at 1st January, 2019	45.0

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual consolidated financial statements for the year ended 31st December, 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1st January, 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the condensed consolidated statement of financial position and condensed consolidated statement of profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Right-of-use assets				
	Land and building (Unaudited)	Other equipment (Unaudited)	Sub-total (Unaudited)	Investment properties (Unaudited)	Lease liabilities (Unaudited)
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
As at 1st January, 2019	36.0	0.7	36.7	8.3	45.0
Additions	8.0	–	8.0	–	8.0
Termination of a lease	(0.5)	–	(0.5)	–	(0.5)
Depreciation charge	(8.0)	(0.1)	(8.1)	–	–
Interest expense	–	–	–	–	0.8
Decrease in fair value	–	–	–	(0.3)	–
Payments	–	–	–	–	(9.6)
Exchange realignment	–	–	–	(0.1)	–
As at 30th June, 2019	35.5	0.6	36.1	7.9	43.7

The Group recognised rental expenses from short-term leases of HK$0.5 million and rental income from subleasing right-of-use assets of HK$1.1 million for the six months ended 30th June, 2019.

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates upon adoption of the amendments on 1st January, 2019 and concluded that the long-term interests in associates continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's condensed consolidated financial information.

2. Operating Segment Information

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

(a) the property development and investment segment comprises the development and sale of properties, the leasing of properties and the provision of estate agency services;

(b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;

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

(d) the asset management segment engages in the provision of asset management services to Regal Real Estate Investment Trust ("Regal REIT");

(e) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments;

(f) the aircraft ownership and leasing segment engages in the aircraft ownership and leasing for rental and interest income; and

(g) the others segment mainly comprises the provision of financing services, travel agency services, sale of food products, operation and management of restaurants, operation of security storage lounge, the provision of housekeeping services, logistics and related services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

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

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

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

	Property development and investment		Construction and building related businesses		Hotel operation and management and hotel ownership		Asset management		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
Segment revenue (note 3):																		
Sales to external customers	87.5	2,133.6	8.0	4.5	1,115.4	1,130.6	-	-	135.0	35.1	25.9	26.9	18.7	7.1	-	-	1,390.5	3,337.8
Intersegment sales	3.6	3.5	26.4	161.4	2.5	3.6	56.1	53.1	-	-	-	-	58.0	51.0	(146.6)	(272.6)	-	-
Total	**91.1**	**2,137.1**	**34.4**	**165.9**	**1,117.9**	**1,134.2**	**56.1**	**53.1**	**135.0**	**35.1**	**25.9**	**26.9**	**76.7**	**58.1**	**(146.6)**	**(272.6)**	**1,390.5**	**3,337.8**
Segment results before depreciation	95.8	586.7	0.7	0.2	413.0	451.3	(5.0)	(5.3)	270.0	(82.9)	17.8	28.5	(2.3)	2.2	-	-	790.0	980.7
Depreciation	(7.0)	(11.8)	(0.2)	(0.1)	(288.3)	(272.2)	(1.1)	(0.2)	-	-	(9.0)	(9.2)	(5.5)	(2.0)	-	-	(311.1)	(295.5)
Segment results	88.8	574.9	0.5	0.1	124.7	179.1	(6.1)	(5.5)	270.0	(82.9)	8.8	19.3	(7.8)	0.2	-	-	478.9	685.2
Unallocated interest income and unallocated non-operating and corporate gains																	46.5	26.7
Unallocated non-operating and corporate expenses																	(80.2)	(90.3)
Operating profit																	**445.2**	**621.6**
Finance costs																	**(267.5)**	**(179.4)**
Share of profits and losses of associates	-	(2.2)	-	-	-	-	-	-	-	-	-	-	0.2	0.2	-	-	**0.2**	**(2.0)**
Profit before tax																	**177.9**	**440.2**
Income tax																	**(9.1)**	**(133.3)**
Profit for the period before allocation between equity holders of the parent and non-controlling interests																	**168.8**	**306.9**
Attributable to:																		
Equity holders of the parent																	**106.3**	**221.7**
Non-controlling interests																	**62.5**	**85.2**
																	168.8	**306.9**

3. Revenue, Other Income and Gains

Revenue, other income and gains are analysed as follows:

	Six months ended 30th June, 2019 (Unaudited)	Six months ended 30th June, 2018 (Unaudited)
	HK$'million	**HK$'million**
Revenue		
Revenue from contracts with customers		
Proceeds from sale of properties	**46.0**	2,123.3
Proceeds from disposal of aircraft held for sale	**5.9**	7.8
Hotel operations and management services	**1,077.2**	1,098.4
Construction and construction-related income	**5.0**	1.7
Estate management fees	**3.0**	2.8
Other operations	**16.6**	5.0
Revenue from other sources		
Rental income:		
Hotel properties	**27.2**	23.3
Investment properties	**49.2**	17.9
Aircraft	**20.0**	17.7
Others	**3.3**	1.3
Net gain/(loss) from sale of financial assets at fair value through profit or loss	**75.0**	(7.3)
Net gain/(loss) on settlement of derivative financial instruments	**0.3**	(6.7)
Interest income from financial assets at fair value through profit or loss	**52.2**	43.3
Interest income from finance leases	**–**	1.4
Dividend income from listed investments	**7.5**	5.8
Other operations	**2.1**	2.1
	1,390.5	3,337.8

Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers and the reconciliation with the operating segment information:

Segments	Property development and investment (Unaudited)	Construction and building related businesses (Unaudited)	Hotel operation and management and hotel ownership (Unaudited)	Aircraft ownership and leasing (Unaudited)	Others (Unaudited)	Total (Unaudited)
	For the six months ended 30th June, 2019					
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Type of goods or services						
Construction and construction-related income	–	5.0	–	–	–	5.0
Sale of properties	46.0	–	–	–	–	46.0
Estate management fees	–	3.0	–	–	–	3.0
Sale of aircraft	–	–	–	5.9	–	5.9
Hotel operations and management services						
Hotel operations	–	–	1,071.9	–	–	1,071.9
Management services	–	–	5.3	–	–	5.3
Other operations	–	–	–	–	16.6	16.6
Total revenue from contracts with customers	46.0	8.0	1,077.2	5.9	16.6	1,153.7
Geographical markets						
Hong Kong	3.2	8.0	1,071.9	–	16.6	1,099.7
Mainland China	42.8	–	5.3	–	–	48.1
Other	–	–	–	5.9	–	5.9
Total revenue from contracts with customers	46.0	8.0	1,077.2	5.9	16.6	1,153.7
Timing of revenue recognition						
At a point of time	46.0	–	292.2	5.9	10.7	354.8
Over time	–	8.0	785.0	–	5.9	798.9
Total revenue from contracts with customers	46.0	8.0	1,077.2	5.9	16.6	1,153.7

	For the six months ended 30th June, 2018					
Segments	Property development and investment (Unaudited)	Construction and building related businesses (Unaudited)	Hotel operation and management and hotel ownership (Unaudited)	Aircraft ownership and leasing (Unaudited)	Others (Unaudited)	Total (Unaudited)
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Type of goods or services						
Construction and construction-related income	–	1.7	–	–	–	1.7
Sale of properties	2,123.3	–	–	–	–	2,123.3
Estate management fees	–	2.8	–	–	–	2.8
Sale of aircraft	–	–	–	7.8	–	7.8
Hotel operations and management services						
Hotel operations	–	–	1,091.9	–	–	1,091.9
Management services	–	–	6.5	–	–	6.5
Other operations	–	–	–	–	5.0	5.0
Total revenue from contracts with customers	2,123.3	4.5	1,098.4	7.8	5.0	3,239.0
Geographical markets						
Hong Kong	99.5	4.5	1,091.9	–	5.0	1,200.9
Mainland China	2,023.8	–	6.5	–	–	2,030.3
Other	–	–	–	7.8	–	7.8
Total revenue from contracts with customers	2,123.3	4.5	1,098.4	7.8	5.0	3,239.0
Timing of revenue recognition						
At a point of time	2,123.3	–	315.2	7.8	5.0	2,451.3
Over time	–	4.5	783.2	–	–	787.7
Total revenue from contracts with customers	2,123.3	4.5	1,098.4	7.8	5.0	3,239.0

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	For the six months ended 30th June, 2019					
Segments	Property development and investment (Unaudited)	Construction and building related businesses (Unaudited)	Hotel operation and management and hotel ownership (Unaudited)	Aircraft ownership and leasing (Unaudited)	Others (Unaudited)	Total (Unaudited)
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Revenue from contracts with customers						
External customers	46.0	8.0	1,077.2	5.9	16.6	1,153.7
Intersegment sales	–	26.4	–	–	58.0	84.4
	46.0	34.4	1,077.2	5.9	74.6	1,238.1
Intersegment adjustments and eliminations	–	(26.4)	–	–	(58.0)	(84.4)
Total revenue from contracts with customers	46.0	8.0	1,077.2	5.9	16.6	1,153.7

	For the six months ended 30th June, 2018					
Segments	Property development and investment (Unaudited)	Construction and building related businesses (Unaudited)	Hotel operation and management and hotel ownership (Unaudited)	Aircraft ownership and leasing (Unaudited)	Others (Unaudited)	Total (Unaudited)
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Revenue from contracts with customers						
External customers	2,123.3	4.5	1,098.4	7.8	5.0	3,239.0
Intersegment sales	–	161.4	–	–	51.0	212.4
	2,123.3	165.9	1,098.4	7.8	56.0	3,451.4
Intersegment adjustments and eliminations	–	(161.4)	–	–	(51.0)	(212.4)
Total revenue from contracts with customers	2,123.3	4.5	1,098.4	7.8	5.0	3,239.0

	Six months ended 30th June, 2019 (Unaudited)	Six months ended 30th June, 2018 (Unaudited)
	HK$'million	HK$'million
Other income and gains		
Bank interest income	**13.1**	24.1
Other interest income	**39.2**	7.9
Dividend income from unlisted investments	**0.1**	3.9
Recovery of loans receivable	**73.7**	–
Gain on disposal of investment properties	**10.8**	–
Gain on disposal of items of property, plant and equipment	**–**	0.4
Maintenance reserves released	**–**	19.4
Others	**1.3**	3.4
	138.2	59.1

4. An analysis of profit on sale of properties and depreciation of the Group is as follows:

	Six months ended 30th June, 2019 (Unaudited)	Six months ended 30th June, 2018 (Unaudited)
	HK$'million	HK$'million
Profit on disposal of properties	**27.4**	488.9
Depreciation of property, plant and equipment	**303.5**	296.0
Depreciation of right-of-use assets	**8.1**	–
	311.6	296.0

5. Finance Costs

	Six months ended 30th June, 2019 (Unaudited)	Six months ended 30th June, 2018 (Unaudited)
	HK$'million	**HK$'million**
Interest on bank loans	**231.4**	166.6
Interest on other borrowings	**54.1**	80.3
Interest expenses arising from revenue contracts	**9.1**	20.3
Interest on lease liabilities	**0.8**	–
Amortisation of debt establishment costs	**24.4**	21.2
Total interest expenses on financial liabilities not at fair value through profit or loss	**319.8**	288.4
Other loan costs	**5.5**	4.0
	325.3	292.4
Less: Finance costs capitalised	**(57.8)**	(113.0)
	267.5	179.4

6. Income Tax

	Six months ended 30th June, 2019 (Unaudited)	Six months ended 30th June, 2018 (Unaudited)
	HK$'million	**HK$'million**
Current – Hong Kong		
Charge for the period	**32.5**	35.1
Underprovision in prior years	**0.1**	–
Current – Overseas		
Charge for the period	**8.7**	65.2
Underprovision in prior years	**0.3**	–
PRC land appreciation tax	**0.5**	83.6
Deferred	**(33.0)**	(50.6)
Total tax charge for the period	**9.1**	133.3

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2018 - 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 PRC land appreciation tax is levied on the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for the sale of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

No provision for tax was required for the associates as no assessable profits were earned by the associates during the period (2018 - Nil).

7. Dividend

The Directors have declared the payment of an interim dividend of HK2.5 cents (2018 - HK2.8 cents) per ordinary share for the financial year ending 31st December, 2019, absorbing a total amount of approximately HK$27.9 million (2018 - HK$31.2 million).

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

(a) Basic earnings per ordinary share

The calculation of the basic earnings per ordinary share for the period ended 30th June, 2019 is based on the profit for the period attributable to equity holders of the parent of HK$106.3 million (2018 - HK$221.7 million), adjusted for the share of distribution related to perpetual securities of Regal Hotels International Holdings Limited ("RHIHL") and its subsidiaries of HK$38.9 million (2018 - HK$39.1 million), and on the weighted average of 1,114.6 million (2018 - 1,114.6 million) ordinary shares of the Company in issue during the period.

(b) Diluted earnings per ordinary share

No adjustment was made to the basic earnings per ordinary share for the periods ended 30th June, 2019 and 2018 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the periods.

9. Equity Investment Designated at Fair Value Through Other Comprehensive Income

	30th June, 2019 (Unaudited)	**31st December, 2018 (Audited)**
	HK$'million	**HK$'million**
Listed equity investment, at fair value		
Beijing Sports and Entertainment Industry Group Limited ("Beijing SEIG")	**426.0**	–

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

The market value of the above listed equity investment at the date of approval of these condensed consolidated financial statements was approximately HK$63.0 million.

10. Loans Receivable

	30th June, 2019 (Unaudited)	31st December, 2018 (Audited)
	HK$'million	**HK$'million**
Non-current		
Mortgage loans	**108.9**	133.1
Current		
Short term secured loans	**170.6**	170.8
Mortgage loans	**93.9**	6.2
	264.5	177.0

On 16th August, 2018, Cosmopolitan International Holdings Limited ("Cosmopolitan") and its subsidiaries (the "Cosmopolitan Group") entered into a deposit agreement (the "Deposit Agreement") in relation to the possible investment by the Cosmopolitan Group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in the PRC. Pursuant to the Deposit Agreement, the Cosmopolitan Group has paid a deposit of RMB70 million (HK$79.6 million) to the vendor and was granted an exclusivity period of 18 months to conduct bona fide negotiations to settle the terms of the possible investment. Following further negotiations with the vendor, the Cosmopolitan Group has agreed to increase the deposit under the Deposit Agreement from RMB70 million (HK$79.6 million) to RMB170 million (HK$193.3 million). The Cosmopolitan Group also granted loan facilities to the target investee group in an aggregate loan amount of RMB150 million (HK$170.6 million) which were fully utilised as at 30th June, 2019 (31st December, 2018 - RMB150 million (HK$170.8 million)).

The short term secured loans bear interest at 18% to 24% per annum. The deposits and the loan amounts outstanding under the loan facilities are primarily secured by equity pledges over certain PRC companies associated with the vendor, guarantees provided by the vendor and certain of his associates, and pledges over the receivables of the target investee group and certain associates of the vendor.

The short term secured loans were overdue as at 30th June, 2019 and the negotiations with the vendor on the detailed terms of the proposed investment are still ongoing.

The long term mortgage loans represent loans granted to purchasers in connection with the sale of the Group's properties. The loans are secured by mortgages over the properties sold and are repayable by instalments in 5 to 25 years (31st December, 2018 - 5 to 25 years). The long term mortgage loans bear interest at rates ranging from the Hong Kong dollar prime lending rate minus 2.75% to the Hong Kong dollar prime lending rate plus 2% per annum (31st December, 2018 - Hong Kong dollar prime lending rate minus 2.75% to the Hong Kong dollar prime lending rate plus 2% per annum).

11. Debtors, Deposits and Prepayments

Included in deposits and prepayments under non-current assets are the deposits in an aggregate amount of RMB170 million (HK$193.3 million) (31st December, 2018 - RMB170 million (HK$193.6 million)) paid in relation to a possible investment by the Cosmopolitan Group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in the PRC, further details of which are disclosed in note 10 above.

Included in debtors, deposits and prepayments under current assets is an amount of HK$134.3 million (31st December, 2018 - HK$145.3 million) representing the trade debtors of the Group. The ageing analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2019 (Unaudited)	**31st December, 2018 (Audited)**
	HK$'million	**HK$'million**
Outstanding balances with ages:		
Within 3 months	**100.2**	123.9
4 to 6 months	**15.3**	3.7
7 to 12 months	**5.6**	5.5
Over 1 year	**19.1**	16.9
	140.2	150.0
Impairment	**(5.9)**	(4.7)
	134.3	145.3

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amounts less impairment.

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 balance are amounts due from a fellow subsidiary and a related company of HK$1.5 million (31st December, 2018 - HK$1.2 million) and HK$1.2 million (31st December, 2018 - HK$1.2 million), respectively, which are unsecured, non-interest bearing and repayable on demand.

Also included in the balance is an amount of HK$4.9 million (31st December, 2018 - HK$0.8 million) in relation to the prepaid commission for sales of properties which is classified as contract costs in accordance with HKFRS 15.

12. Creditors and Accruals

Included in the balance is an amount of HK$66.4 million (31st December, 2018 - HK$78.5 million) representing the trade creditors of the Group. The ageing analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2019 (Unaudited)	31st December, 2018 (Audited)
	HK$'million	HK$'million
Outstanding balances with ages:		
Within 3 months	**66.3**	78.2
4 to 6 months	**0.1**	0.2
7 to 12 months	**–**	0.1
	66.4	78.5

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

Included in the balance under current liabilities are amounts due to fellow subsidiaries and an associate of HK$6.0 million (31st December, 2018 - HK$11.6 million) and HK$3.7 million (31st December, 2018 - HK$1.5 million), respectively, which are unsecured, non-interest bearing and repayable on demand.

13. Interest Bearing Bank Borrowings

	30th June, 2019 (Unaudited)		31st December, 2018 (Audited)	
	Maturity	HK$'million	Maturity	HK$'million
Current				
Bank loans – secured	**2019 - 2020**	**5,043.0**	2019	4,131.2
Non-current				
Bank loans – secured	**2020 - 2023**	**12,428.7**	2020 - 2023	12,712.2
		17,471.7		16,843.4

	30th June, 2019 (Unaudited)	31st December, 2018 (Audited)
	HK$'million	**HK$'million**
Analysed into:		
Bank loans repayable:		
Within one year	**5,043.0**	4,131.2
In the second year	**1,330.0**	1,432.6
In the third to fifth years, inclusive	**11,098.7**	11,279.6
	17,471.7	16,843.4

On 12th September, 2016, Regal REIT group, through its wholly owned subsidiaries, Bauhinia Hotels Limited and Rich Day Investments Limited, entered into a 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 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, 2019, the 2016 IH Facilities had an outstanding term loan facility of HK$4,500.0 million and the full amount of the revolving loan facility was un-utilised.

On 8th March, 2018, Regal REIT group, through its wholly owned subsidiary, Ricobem Limited, arranged a bilateral term loan facility of HK$3,000.0 million (the "2018 RKH Facility"), secured by a mortgage over the Regal Kowloon Hotel. The 2018 RKH Facility has a term of five years to March 2023. As at 30th June, 2019, the outstanding amount of the 2018 RKH Facility was HK$3,000.0 million, representing the full amount of the term loan facility.

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

On 19th October, 2018, 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 "2018 SW Facilities"), secured by the iclub Sheung Wan Hotel. The 2018 SW Facilities have a term of five years to October 2023. As at 30th June, 2019, the utilised amount of the 2018 SW Facilities was HK$632.0 million, representing the full amount of the term loan facility.

On 29th November, 2018, 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 "2018 FH Facilities"), secured by the iclub Fortress Hill Hotel. The 2018 FH Facilities have a term of five years to November 2023. As at 30th June, 2019, the outstanding amount of the 2018 FH Facilities was HK$660.0 million, representing the full amount of the term loan facility.

On 4th September, 2017, Regal REIT group, through its wholly owned subsidiary, Land Crown International Limited, arranged a term loan facility of HK$748.0 million (the "2017 MTW Facility"), secured by the iclub Ma Tau Wai Hotel. The 2017 MTW Facility has a term of three years to September 2020. As at 30th June, 2019, the outstanding amount of the 2017 MTW Facility was HK$748.0 million, representing the full amount of the term loan facility.

As at 30th June, 2019, the outstanding loan facilities of Regal REIT group bore interest at the Hong Kong Interbank Offered Rates ("HIBOR") plus an interest margin ranging from 0.92% per annum to 1.45% per annum (31st December, 2018 - ranging from 0.92% per annum to 1.45% per annum).

Bank borrowings under the 2016 IH Facilities, the 2018 RKH Facility, the 2014 WC Facility, the 2018 SW Facilities, the 2018 FH Facilities and the 2017 MTW Facility 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, 2019, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.98% per annum to 1.55% per annum except for a bank loan of HK$2.2 million, which bore interest at the London Inter Bank Offered Rates ("LIBOR") plus an interest margin of 1% per annum and bank loans of HK$528.4 million, which bore interest at the bank's cost of fund plus an interest margin ranging from 0.75% per annum to 0.8% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK$49.8 million which were denominated in United States dollars and bank loans of HK$22.7 million which were denominated in Euro.

As at 31st December, 2018, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.75% per annum to 1.5% per annum except for a bank loan of HK$21.0 million which bore interest at LIBOR plus an interest margin of 0.75% per annum, and bank loans of HK$714.3 million which bore interest at the bank's cost of fund plus an interest margin ranging from 0.75% per annum to 0.8% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK$557.0 million which were denominated in United States dollars and bank loans of HK$21.6 million which were denominated in Euro.

The Group's bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 17 to the condensed consolidated financial statements.

14. Other Borrowing

	30th June, 2019 (Unaudited) HK$'million	31st December, 2018 (Audited) HK$'million
Other borrowing - unsecured		
Repayable in the third to fifth years, inclusive	**2,722.3**	2,725.9

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

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.

15. Notes to the Condensed Consolidated Statement of Cash Flows

Major non-cash transaction

A subsidiary of the Group completed a share swap with independent third parties to swap its 350 million ordinary shares of Cosmopolitan for 200 million ordinary shares of Beijing SEIG held by these independent third parties based on a consideration of HK$525 million.

16. Related Party Transactions

(a) Transactions with related parties

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

	Six months ended 30th June, 2019 (Unaudited) HK$'million	Six months ended 30th June, 2018 (Unaudited) HK$'million
A wholly owned subsidiary of the listed ultimate holding company:		
Management fees	**39.3**	37.1
An associate:		
Advertising and promotion fees (including cost reimbursements)	**9.3**	2.7

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, 2018.

(b) Outstanding balances with related parties:

	30th June, 2019 (Unaudited)	31st December, 2018 (Audited)
	HK$'million	HK$'million
Due from associates	**87.1**	87.1
Due from a fellow subsidiary	**1.5**	1.2
Due from a related company	**1.2**	1.2
Due to fellow subsidiaries	**(6.0)**	(11.6)
Due to an associate	**(3.7)**	(1.5)

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

	Six months ended 30th June, 2019 (Unaudited)	Six months ended 30th June, 2018 (Unaudited)
	HK$'million	HK$'million
Short term employee benefits	**23.0**	22.0
Staff retirement scheme contributions	**1.6**	1.5
Total compensation paid to key management personnel	**24.6**	23.5

17. Pledge of Assets

As at 30th June, 2019, certain of the Group's property, plant and equipment, investment properties, properties under development, properties held for sale, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK$33,918.2 million were pledged to secure general banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 30th June, 2019, certain ordinary shares in a listed subsidiary with a market value of HK$424.9 million were also pledged to secure general banking facilities granted to the Group.

As at 31st December, 2018, certain of the Group's property, plant and equipment, investment properties, properties held for sale, financial assets at fair value through profit or loss, financial assets at amortised cost, time deposits and bank balances in the total amount of HK$28,697.5 million were pledged to secure general banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 31st December, 2018, certain ordinary shares in a listed subsidiary with a market value of HK$457.2 million were also pledged to secure general banking facilities granted to the Group.

18. Contingent Liabilities

A subsidiary of the Cosmopolitan Group received claims for compensation from certain purchasers of the residential units of the Cosmopolitan Group's property development project in Tianjin in relation to the alleged delay in handing over the completed units. The total amount of the claims amounted to approximately RMB2.1 million (HK$2.4 million) (31st December, 2018 - RMB2.1 million (HK$2.4 million)) and the arbitration proceeding has recently commenced. Based on the legal opinion obtained, management considered there are reasonably good grounds to defend against the allegations and, accordingly, no provision has been made in the condensed consolidated financial statements.

In addition, at the end of the reporting period, the Cosmopolitan Group had provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of its properties amounting to approximately RMB366.5 million (HK$416.8 million) (31st December, 2018 - RMB316.3 million (HK$360.1 million)). The Cosmopolitan Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates and the completion of the proper procedures to register the mortgages under the names of the relevant purchasers, which will generally complete within one to two years after the purchasers take possession of the relevant properties.

No provision has been made in the condensed consolidated financial statements for the guarantees in connection with the mortgage facilities as management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of any default in payments.

19. Commitments

The Group had the following capital commitments at the end of the reporting period:

	30th June, 2019 (Unaudited)	31st December, 2018 (Audited)
	HK$'million	HK$'million
Contracted, but not provided for:		
Property development projects	**2,054.1**	1,961.9

20. 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 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, 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, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited)	Significant observable inputs (Level 2) (Unaudited)	Significant unobservable inputs (Level 3) (Unaudited)	Total (Unaudited)
	HK$'million	HK$'million	HK$'million	HK$'million
Listed equity investment designated at fair value through other comprehensive income	**426.0**	**–**	**–**	**426.0**
Financial assets at fair value through profit or loss:				
Listed equity investments	**426.1**	**14.9**	**–**	**441.0**
Listed debt investments	**–**	**1,288.9**	**–**	**1,288.9**
Unlisted equity investments	**–**	**–**	**184.7**	**184.7**
Unlisted fund investments	**–**	**–**	**611.8**	**611.8**
Derivative financial instruments	**–**	**12.0**	**–**	**12.0**
	852.1	**1,315.8**	**796.5**	**2,964.4**

Assets measured at fair value as at 31st December, 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Audited)	Significant observable inputs (Level 2) (Audited)	Significant unobservable inputs (Level 3) (Audited)	Total (Audited)
	HK$'million	HK$'million	HK$'million	HK$'million
Financial assets at fair value through profit or loss:				
Listed equity investments	452.8	15.1	–	467.9
Listed debt investments	–	1,557.4	–	1,557.4
Unlisted equity investments	–	–	107.6	107.6
Unlisted fund investments	–	–	524.8	524.8
Structured deposit	–	1.9	–	1.9
Derivative financial instruments	–	28.4	–	28.4
	452.8	1,602.8	632.4	2,688.0

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

	2019 (Unaudited) HK$'million	2018 (Audited) HK$'million
Financial assets at fair value through profit or loss – unlisted investments:		
At 1st January	**632.4**	385.8
Purchases	**107.3**	283.7
Distributions	**(7.6)**	(27.3)
Total gains/(losses) recognised in profit or loss	**64.4**	(9.8)
At 30th June/31st December	**796.5**	632.4

Liabilities measured at fair value as at 30th June, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited)	**Significant observable inputs (Level 2) (Unaudited)**	**Significant unobservable inputs (Level 3) (Unaudited)**	**Total (Unaudited)**
	HK$'million	**HK$'million**	**HK$'million**	**HK$'million**
Derivative financial instruments	**–**	**0.7**	**–**	**0.7**

Liabilities measured at fair value as at 31st December, 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Audited)	**Significant observable inputs (Level 2) (Audited)**	**Significant unobservable inputs (Level 3) (Audited)**	**Total (Audited)**
	HK$'million	**HK$'million**	**HK$'million**	**HK$'million**
Derivative financial instruments	–	1.0	–	1.0

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, 2018 - Nil).

Valuation techniques

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

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

The fair values of unlisted equity investments and unlisted fund investments are determined by reference to recent transaction prices of the investments or carried at valuations provided by financial institutions or related administrators.

The fair values of the derivative financial instruments, including foreign currency forward contracts and put options, are determined based on market values provided by financial institutions.

21. Events After the Reporting Period

On 18th July, 2019, the Cosmopolitan Group acquired an 80% equity interest in a PRC-incorporated company at a consideration of approximately RMB21.6 million (HK$24.5 million) and also provided pro rata shareholder's loan of approximately RMB13.2 million (HK$15.0 million) to that investee company. The investee company has a contractual right to acquire a 10% equity interest in another PRC-incorporated real estate company that partners with various reputable real estate developers and undertakes joint developments for both industry specific real estate and residential/commercial real estate in China.

Subsequent to the end of the reporting period, a new 5-year term loan facility of HK$440.0 million was granted by the same bank to early refinance the 2014 WC Facility of Regal REIT group as detailed in note 13. Most of the key terms remain unchanged while the new loan facility bears a lower interest margin with maturity to July 2024.

22. Approval of the Unaudited Condensed Consolidated Financial Statements

The unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 26th August, 2019.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2019, 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:

				Number of shares held			
	The Company/ Name of associated corporation	**Name of Director**	**Class of shares held**	**Personal interests**	**Corporate interests**	**Family/Other interests**	**Total (Approximate percentage of the issued shares as at 30th June, 2019)**
1.	**The Company**	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Mr. Donald Fan Tung	Ordinary (issued)	556	–	–	556 (0.000%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	–	–	6,200 (0.001%)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held: Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 30th June, 2019)
2.	Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	110,867,396	1,769,164,691 (Note a)	380,683	1,880,412,770 (58.69%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
3.	Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	622,855,261 (Note c)	260,700	623,140,161 (69.33%)
		Miss Lo Po Man	Ordinary (issued)	300,000	–	269,169 (Note d)	569,169 (0.06%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
4.	Cosmopolitan International Holdings Limited ("Cosmopolitan")	Mr. Lo Yuk Sui	Ordinary (i) (issued)	–	2,952,074,716 (Note e)	–	2,952,074,716
			(ii) (unissued)	–	5,024,058,784 (Note f)	–	5,024,058,784
						Total:	7,976,133,500 (180.71%)
			Preference (issued)	–	2,345,487,356 (Note f)	–	2,345,487,356 (99.99%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.05%)
		Miss Lo Po Man	Ordinary (issued)	1,380,000	–	–	1,380,000 (0.03%)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 30th June, 2019)
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 the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.68% shareholding interests.

The interests in 16,271,685 issued ordinary shares of the Company 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 the Company 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 RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.68% shareholding interests. The interests in 599,025,861 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 62.28% shareholding interests. The interests in the other 23,408,000 issued ordinary shares of RHIHL 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 the Company and RHIHL through their respective wholly owned subsidiaries) held 54.88% shareholding interests. The Company held 69.25% shareholding interests in RHIHL.

(d) The interests in 269,169 issued ordinary shares of RHIHL were held by Miss Lo Po Man as the beneficiary of a trust.

(e) The interests in 2,422,316,716 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries. The interests in the other 529,758,000 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of RHIHL. The Company, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 58.68% 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 the Company and RHIHL through their respective wholly owned subsidiaries. The Company, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 58.68% 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 RHIHL. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of the Company. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. Cosmopolitan was held as to 54.88% shareholding interests by P&R Holdings, which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries. The Company, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 58.68% shareholding interests in CCIHL.

(h) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 58.68% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 30th June, 2019, 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, 2019, 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, 2019
YSL International Holdings Limited ("YSL Int'l") (Note i)	694,124,547	–	694,124,547	62.28%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	694,124,547	–	694,124,547	62.28%
CCIHL (Note iii)	694,124,547	–	694,124,547	62.28%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	694,124,547	–	694,124,547	62.28%
Almighty International Limited ("Almighty") (Note iv)	346,994,526	–	346,994,526	31.13%
Cleverview Investments Limited ("Cleverview") (Note iv)	180,811,470	–	180,811,470	16.22%

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) These companies are wholly owned subsidiaries of CCIHL and their interests in the ordinary shares of the Company were included in the interests held by CCIHL.

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, 2019, 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, Mr. Jimmy Lo Chun To and Miss Lo Po Man are directors of Grand Modern.

(3) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Mr. Donald Fan Tung, Miss Lo Po Man, Mr. Kenneth Ng Kwai Kai, Ms. Winnie Ng and Mr. Wong Chi Keung are directors of CCIHL.

(4) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Mr. Donald Fan Tung, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of CCBVI, Almighty and Cleverview.

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, 2018 is set out below:

Name of Director	**Details of changes**
Independent Non-Executive Directors:	
Mr. Bowen Joseph Leung Po Wing, GBS, JP	• Resigned as an independent non-executive director of Green Leader Holdings Group Limited, a company listed on the Stock Exchange, with effect from 20th August, 2019.
Hon Abraham Shek Lai Him, GBS, JP	• Retired as the Chairman (but remains as an independent non-executive director) and appointed as the Honorary Chairman of Chuang's China Investments Limited, a company listed on the Stock Exchange, both with effect from 29th April, 2019.
	• Retired as an independent non-executive director of MTR Corporation Limited, a company listed on the Stock Exchange, with effect from the conclusion of its annual general meeting held on 22nd May, 2019.
	• Appointed as an independent non-executive director of Far East Consortium International Limited, a company listed on the Stock Exchange, with effect from 3rd June, 2019.

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".

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, 2019, except that:

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

(2) The Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Bye-laws of the Company, all Directors (including the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the "Code for Securities Transactions by Directors of Paliburg Holdings Limited" (the "Paliburg 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 Paliburg Code during the six months ended 30th June, 2019.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2019.

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)*
Mr. Bowen Joseph Leung Po Wing, GBS, JP *(Independent Non-Executive Director)*
Ms. Winnie Ng, JP *(Independent Non-Executive Director)*
Hon Abraham Shek Lai Him, GBS, JP *(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, 2019, in conjunction with the external auditor. The review report of the external auditor is set out on page 64 of this report.

Report on Review of Interim Financial Information

To the Board of Directors of
Paliburg Holdings Limited
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information of Paliburg Holdings Limited (the "Company") and its subsidiaries set out on pages 24 to 56, which comprises the condensed consolidated statement of financial position as at 30th June, 2019 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 other 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 ("HKICPA").

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 HKICPA. 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

26th August, 2019

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