世紀城市國際控股有限公司
Century City International Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 355)

ANNOUNCEMENT OF 2018 INTERIM RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2018	Six months ended 30th June, 2017	% Change
	(Unaudited)	(Unaudited)	
	HK$'M	HK$'M	
Revenue	**3,342.1**	1,431.3	**+133.5%**
Gross profit	**1,050.7**	533.6	**+96.9%**
Operating profit before depreciation and amortisation, finance costs and tax	**900.5**	734.6	**+22.6%**
Profit for the period attributable to equity holders of the parent	**120.1**	105.3	**+14.1%**
Basic earnings per ordinary share attributable to equity holders of the parent	**HK2.99 cents**#	HK3.29 cents	**-9.1%**
Interim dividend per ordinary share	**HK0.70 cent**	HK0.65 cent	**+7.7%**
	As at 30th June, 2018	**As at 31st Dec., 2017**	
	(Unaudited)	**(Unaudited)**	
Net asset value per ordinary share attributable to equity holders of the parent			
Book	**HK$2.82**	HK$2.81	**+0.4%**
Adjusted★	**HK$3.63**	HK$3.53	**+2.8%**

the basic earnings per ordinary share for the current period has been adjusted for the distribution related to the perpetual securities issued by a listed subsidiary of the Company

★ compiled, for the purpose of reference, on an adjusted basis to restate the hotel property portfolio owned by the Regal group in Hong Kong at its market value at 31st December, 2017 and 30th June, 2018, respectively, with the relevant deferred tax liabilities added back

- **The Group achieved for the period an unaudited consolidated profit attributable to shareholders of HK$120.1 million, representing an increase of 14.1% over the comparative amount attained in the corresponding period in 2017.**
- **Operating profit before depreciation and amortisation, finance costs and tax of the Group for the period amounted to HK$900.5 million, which was 22.6% higher than that recorded for the corresponding period last year.**
- **Depreciation charges for the period, most of which were related to the Group's hotel properties, amounted to HK$297.0 million which, although having no impact on cash flow, have nonetheless affected the Group's reported profit.**
- **The Company acts as the ultimate controlling company of a business conglomerate comprising five listed entities in Hong Kong, all with different business focuses, principally encompassing property development and investment, hotel ownership and operations, hotel management, aircraft ownership and leasing and other investment businesses.**
- **Detailed information on the business operations of Paliburg Holdings Limited, Regal Hotels International Holdings Limited, Regal Real Estate Investment Trust and Cosmopolitan International Holdings Limited, the listed subsidiaries of the Company, are contained in their separate results announcements released today.**
- **The Group currently owns, through its wholly owned subsidiaries, a Boeing B737-300F freighter aircraft on finance lease to a logistics operator, which is generating steady income. In addition, the Regal group also owns at present a fleet of 10 passenger aircraft.**
- **The Group as a whole 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.**
- **Century Innovative Technology group (CIT), a 48%-owned associate of the Group, is an edutainment company principally engaged in the production of education and entertainment multimedia content, products and services based on its flagship brand, *Bodhi and Friends*.**

- **To develop its edutainment business, CIT plans to launch an at-home learning subscription platform for children and parents. At the same time, to meet the growing demand for day-care and quality early childhood education, it is also planning to develop STEAM playgroups, early childhood centres, and kindergartens across Hong Kong and China.**
- **Management is confident that the expanding portfolio of high-quality educational content, products, and services in collaboration with business partners will help elevate *Bodhi and Friends* to become China's first international preschool brand.**
- **During the recent years, the Group as a whole has grown substantially in asset size and business scope.**
- **As the ultimate holding company of the Century City Group, the Company keeps under review from time to time different options that can rationalise the corporate and asset holding structure of all its member companies, with the objective to formulating an optimum group structure that can serve to materialise the true underlying value of their assets and businesses while, at the same time, facilitate their future expansion.**
- **With the solid business foundations laid over the past years, the Directors are optimistic that the Group as a whole will continue to achieve satisfactory results in the years ahead.**

FINANCIAL RESULTS

For the six months ended 30th June, 2018, the Group achieved an unaudited consolidated profit attributable to shareholders of HK$120.1 million, representing an increase of 14.1% over the comparative amount of HK$105.3 million attained in the corresponding period in 2017.

The Group's operating profit before depreciation and amortisation, finance costs and tax for the period under review amounted to HK$900.5 million, which was 22.6% higher than the HK$734.6 million recorded for the corresponding period last year. Depreciation charges for the period, most of which were related to the Group’s hotel properties, amounted to HK$297.0 million (2017 – HK$298.1 million) which, although having no impact on cash flow, have nonetheless affected the Group’s reported profit.

Supplementary information showing the adjusted net asset value of the Company as at 30th June, 2018 of HK$3.63 per share, after adjusting for the market value of the hotel properties in Hong Kong owned within the Group on the basis therein presented, is contained in the paragraph headed “Asset Value” in the section headed “Management Discussion and Analysis” in this announcement.

BUSINESS OVERVIEW

The Century City Group comprises a total of five listed entities in Hong Kong, with the Company acting as the ultimate holding company of the Group. As at 30th June, 2018, the Company held approximately 62.3% shareholding in Paliburg Holdings Limited and the core hotel and property businesses of the Group are conducted through different subsidiaries of Paliburg.

Regal Hotels International Holdings Limited, a listed subsidiary approximately 69.3% held by Paliburg as at the half year end date, primarily undertakes the Group’s hotel businesses. Apart from engaging in hotel operating and management businesses, Regal has a significant portfolio of diversified business interests and held approximately 74.6% of the outstanding units of Regal Real Estate Investment Trust, a listed subsidiary of Regal which presently owns nine Regal and iclub Hotels operating in Hong Kong.

The Group’s property development businesses are principally conducted through P&R Holdings Limited, a joint venture 50:50 owned by each of Paliburg and Regal. As Regal is a subsidiary of the Group, P&R Holdings is effectively also a subsidiary of the Company. As at 30th June, 2018, P&R Holdings also held an effective controlling shareholding interest of approximately 75.7% in Cosmopolitan International Holdings Limited (comprising interests in its ordinary shares and convertible preference shares) and, in addition, the convertible bonds issued by the Cosmopolitan group. Cosmopolitan is consequently also a listed member of the Group, which is principally undertaking property and other investment businesses in China.

After the disposal of the 85% owned Boeing 737-800 aircraft in November 2017, the Group currently owns, through its wholly owned subsidiaries, a Boeing B737-300F freighter aircraft on finance lease to a logistics operator, which is generating steady income. In addition, the Regal group also owns at present a fleet of 10 passenger aircraft.

The 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. The Group will continue to examine different available proposals to devise an appropriate holding structure for the overall aircraft ownership and leasing business of the Group.

The Group effectively owns an aggregate of 48% interest (comprising 36% held by the Regal group and 12% held through wholly owned subsidiaries of the Company) in Century Innovative Technology group (CIT), an edutainment company principally engaged in the production of education and entertainment multimedia content, products and services.

To date, CIT has developed over 2,000 minutes of award-winning 3D animated content based on its flagship brand, *Bodhi and Friends*, released in four seasons in China and Hong Kong. To support the further global expansion of *Bodhi and Friends*, CIT plans to work with local and international partners to develop future seasons for international markets.

Bodhi and Friends was the first Chinese IP licensed to Mattel, one of the world's largest toy companies. *Bodhi and Friends* was also the first Chinese animated IP licensed to Scholastic, one of the world's largest children publishers. As further testament to the brand's growing popularity, CIT also collaborated with KFC, which has over 5,000 outlets in China, to distribute *Bodhi and Friends* bilingual books.

To develop its edutainment business, CIT plans to launch an at-home learning subscription platform for children and parents, offering premium offline physical products and books and adaptive online edutainment content. At the same time, to meet the growing demand for day-care and quality early childhood education, CIT is also planning to develop STEAM playgroups, early childhood centres, and kindergartens across Hong Kong and China and is in discussions with leading international educational institutions to bring the best content and practices to China.

Management is confident that the expanding portfolio of high-quality educational content, products, and services in collaboration with business partners will help elevate *Bodhi and Friends* to become China's first international preschool brand.

The operational performance and business review of the listed members of the Group during the period under review are highlighted below.

PALIBURG HOLDINGS LIMITED

For the six months ended 30th June, 2018, Paliburg achieved an unaudited consolidated profit attributable to shareholders of HK$221.7 million, representing an increase of 39.3% above the corresponding profit of HK$159.1 million attained in 2017.

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

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2018, Regal achieved an unaudited consolidated profit attributable to shareholders of HK$294.0 million, an increase of 8.8% over the comparative profit of HK$270.3 million attained for the same period in 2017.

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

REGAL REAL ESTATE INVESTMENT TRUST

For the six months ended 30th June, 2018, Regal REIT achieved an unaudited consolidated profit before distribution to unitholders of HK$942.9 million, as compared to HK$1,767.5 million reported for the corresponding period in 2017.

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

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2018, Cosmopolitan attained for the period an unaudited consolidated profit attributable to shareholders of HK$238.7 million, which represented an increase of approximately 5.8 times over the comparative profit of HK$35.2 million recorded for the corresponding half year in 2017.

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

OUTLOOK

During the recent years, the Group as a whole has grown substantially in asset size and business scope. As indicated previously, as the ultimate holding company of the Century City Group, the Company keeps under review from time to time different options that can rationalise the corporate and asset holding structure of all its member companies, with the objective to formulating an optimum group structure that can serve to materialise the true underlying value of their assets and businesses while, at the same time, facilitate their future expansion.

With the solid business foundations laid over the past years, the Directors are optimistic that the Group as a whole will continue to achieve satisfactory results in the years ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The principal businesses of Paliburg, the Group's listed intermediate subsidiary, comprise its investment in Regal, its property development and investment businesses (including those undertaken in Hong Kong through P&R Holdings, the joint venture with Regal, and those in the PRC through Cosmopolitan, which is a listed subsidiary of P&R Holdings), construction and building related businesses, and other investment businesses. The business review of Paliburg during the period, the commentary on the property sectors in which the Paliburg 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 separate interim results announcements for 2018 released by Paliburg and Cosmopolitan.

The significant investments and business interests of Regal comprise hotel ownership business undertaken through Regal REIT, hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings, aircraft ownership and leasing and other investment businesses. The performance of Regal's hotel, property and other investment businesses as well as that of Regal REIT during the period under review, the commentary on the hotel and property sectors in which the Regal group operates and the changes in general market conditions and the potential impact on their operating performances and future prospects are contained in the separate interim results announcements for 2018 released by

Regal and Regal REIT.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the above sections headed "Business Overview" and "Outlook" and in this sub-section.

CENTURY INNOVATIVE TECHNOLOGY GROUP (CIT)

The Group effectively owns an aggregate of 48% interests (comprising 36% held by the Regal group and 12% held through wholly owned subsidiaries of the Company) in 8D Matrix Limited, an associate of the Group, which wholly owns CIT. The remaining 52% interest in 8D Matrix is held by private companies owned by Mr. Lo Yuk Sui, the Chairman and controlling shareholder of the Company. CIT is a dynamic edutainment company principally engaged in the production of high-quality education and entertainment multimedia content as well as related products and services for families of preschoolers, focusing primarily on the China market. CIT's flagship property "*Bodhi and Friends*" has been created by Miss Lo Po Man, the daughter of Mr. Lo and a Vice Chairman and an Executive Director of the Company, and the intellectual property rights over such characters are beneficially owned by Miss Lo.

To date, CIT has developed over 2,000 minutes of award-winning 3D animated content based on its flagship brand, *Bodhi and Friends*. The first and second seasons debuted on China's two leading children television channels, CCTV (China Central Television) and Hunan Television, and reached No.1 in viewership ratings. Season four, written by an Emmy-award winning writer, achieved No. 1 status on Kaku TV and Jinying TV. It was also launched on CCTV, Shandong TV, and TVB, Hong Kong's leading television channel. To support the further global expansion of *Bodhi and Friends*, CIT plans to work with local and international partners to develop future seasons for international markets.

Bodhi and Friends was the first Chinese IP licensed to Mattel, one of the world's largest toy companies. *Bodhi and Friends* was also the first Chinese animated IP licensed to Scholastic, one of the world's largest children publishers. As further testament to the brand's growing popularity, CIT also collaborated with KFC, which has over 5,000 outlets in China, to distribute over 2 million *Bodhi and Friends* bilingual books and is in discussions to continue the partnership this year.

To develop its edutainment business, CIT also plans to launch an at-home learning subscription platform for children and parents, offering premium offline physical products and books and adaptive online edutainment content (including videos, books, and songs). Leveraging the existing fan base drawn from content distribution and licensing exposure, the home learning experience will feature *Bodhi Galaxy* digital content and online courses with curated content from the West.

To foster holistic child development and meet the growing demand for day-care and quality early childhood education, CIT is also planning to develop STEAM playgroups, early childhood centres, and kindergartens across Hong Kong and China and is in discussions with leading international educational institutions to bring the best content and practices to China.

Management is confident that the expanding portfolio of high-quality educational content, products, and services in collaboration with business partners will help elevate *Bodhi and Friends* to become China's first international preschool brand.

P&R HOLDINGS LIMITED

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

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

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

Domus and Casa Regalia at Nos.65-89 Tan Kwai Tsuen Road, Yuen Long, New Territories
This residential project has a site area of approximately 11,192 square metres (120,470 square feet) and provides a total of 170 units, comprising 36 luxurious garden houses and a low-rise apartment block with 134 units, having aggregate gross floor area of approximately 11,192 square metres (120,470 square feet). The occupation permit for the project was issued in November 2015 and the certificate of compliance was obtained in April 2016.

With the exception of 1 unit, all the other 133 units in the apartment block, named Domus, had been sold in 2015. The sale programme for the garden houses, named Casa Regalia, which constitute the main component of the development, was first launched in May 2016 and, up to date, a total of 24 houses have been sold or contracted to be sold. While the remaining houses will continue to be disposed of on a gradual basis, 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 this year, the "We Go MALL" has been well received and most of its lettable space has been leased out or occupied. 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 is being developed into a 28-storey commercial/residential building (including 1 basement floor) with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement carparks. The occupation permit for the project was issued in March 2018 and the certificate of compliance was recently obtained in July 2018. The presale of the residential units in this development was launched in July 2016 and, up to date, 155 of the total 157 residential units have been contracted to be sold. The units sold are being handed over to the respective purchasers and the profits to be derived therefrom will be accounted for in the second half of 2018. The sale programme for the commercial units is planned to be launched shortly.

Sha Tin Town Lot No.578, Area 56A, Kau To, Sha Tin, New Territories to be named as "Mount Regalia"

The project has a site area of 17,476 square metres (188,100 square feet) and is being developed into a luxury residential complex comprising 7 mid-rise apartment blocks with 136 units, 24 detached garden houses and 197 carparking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The development works of the project have been substantially completed and the occupation permit is expected to be issued in September this year. The sale programme is planned to be launched in stages commencing from the fourth quarter of this year.

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

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

Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan, intended 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, with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet). After extensive periods of delay to resolve the technical difficulties encountered on the substructure works, the superstructure works are progressing steadily and the project is presently anticipated to be completed in 2019.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

Regal is a listed subsidiary of Paliburg. Further information relating to the property projects undertaken and principal properties owned by the Regal group in Hong Kong, all of which are wholly owned by Regal, is set out below:

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

In February 2017, a wholly owned subsidiary of Regal 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 also the first phase of the mega SKYCITY Project by the Airport Authority, which contains large scale retail and offices, dining and entertainment facilities.

The new project is planned for the development of a 13-storey (including one basement floor) hotel with 1,210 guestrooms and suites as well as extensive banquet, meeting and food and beverage facilities. The hotel is intended to be named as the Regala Skycity Hotel, which will be operated as a full service hotel targeting at commercial, airline related, leisure and meeting businesses. The foundation works have been substantially completed and the superstructure works are scheduled to be commenced in September this year. The new hotel is anticipated to be completed in 2020.

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

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

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

A total of 14 garden houses in Regalia Bay with a total gross area of about 6,320 square metres (68,000 square feet) are still being retained, 8 of which are held as investment properties, 3 as held for sale and 3 as fixed assets. The Regal group will continue to dispose of some of these houses if the price offered is considered satisfactory.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Cosmopolitan is a listed subsidiary of P&R Holdings. Further information relating to the property projects of the Cosmopolitan group in the PRC, all of which are wholly owned, 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).

There are total 1,296 residential units comprised in the first and second stages of the Chengdu project. Most of these residential units have been sold and handed over to the purchasers before the end of 2017 and the profits therefrom already accounted for in the prior year. The sale process of the remaining units has continued during the period and, up to date, the number of units still available for sale is insignificant.

While the business remodeling and corresponding interior design works for the hotel are ongoing, the mechanical and electrical installation works are also in progress. The hotel is now scheduled to open in phases from the second half of 2019. In the meantime, the substructure and superstructure works of the remaining ten residential towers in the third stage of the development have commenced and the presale programme of these residential units is planned to be launched in the fourth quarter of 2018.

The detailed design of the other components within the development, comprising primarily commercial and office spaces, has commenced and the associated construction works are expected to commence in early 2019.

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 construction works of the four residential towers, the commercial complex and the associated car parking spaces have been completed. Of the total 512 units comprised in the four residential towers, 484 units together with 202 residential car parking spaces have been sold to date. Most of the residential units and car parking spaces sold have been handed over to the individual purchasers before the half year end date and the profits therefrom accounted for in the results for the period under review. The sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), is continuing steadily.

The superstructure works of the two office towers have been temporarily suspended due to the tightened government planning controls. The Cosmopolitan group is actively conducting negotiations with the local government to resume the superstructure works as soon as practicable and the recent response from the local government to resolve the issue is positive.

Xinjiang Project

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

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

FINANCIAL REVIEW

ASSETS VALUE

All the hotel properties of the Group in Hong Kong are owned by Regal REIT and, 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 Regal, together with Regal REIT, became subsidiaries of the Group, plus subsequent capital additions and deducting accumulated depreciation. The market valuations of these hotel properties have since appreciated substantially but have not been reflected in the Group's financial statements. Moreover, the iclub Sheung Wan Hotel, 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 Regal group in Hong Kong is restated in the condensed consolidated financial statements at its market value as at 30th June, 2018, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK$3.63 per share, computed as follows:

	As at 30th June, 2018	
	HK$'M	**HK$ per ordinary share**
Book net assets attributable to equity holders of the parent	**9,025.1**	**2.82**
Adjustment to restate the Regal group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	**2,609.3**	**0.81**
Unaudited adjusted net assets attributable to equity holders of the parent	**11,634.4**	**3.63**

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 used in operating activities during the period under review amounted to HK$1,013.6 million (2017 – net cash flows generated from operating activities of HK$423.5 million). Net interest payment for the period amounted to HK$176.2 million (2017 – HK$118.5 million).

Borrowings and Gearing

As at 30th June, 2018, the Group had cash and bank balances and deposits of HK$3,927.7 million (31st December, 2017 – HK$5,039.2 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK$15,290.0 million (31st December, 2017 – HK$13,013.9 million).

As at 30th June, 2018, the gearing ratio of the Group was 33.6% (31st December, 2017 – 28.2%), representing the Group's borrowings net of cash and bank balances and deposits of HK$15,290.0 million (31st December, 2017 – HK$13,013.9 million), as compared to the total assets of the Group of HK$45,445.3 million (31st December, 2017 – HK$46,100.5 million).

On the basis of the adjusted total assets as at 30th June, 2018 of HK$53,435.5 million (31st December, 2017 – HK$53,070.3 million) with the hotel portfolio owned by the Regal group in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 28.6% (31st December, 2017 – 24.5%).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2018 are shown in the condensed consolidated financial statements contained in the interim report for the six months ended 30th June, 2018 of the Company ("Interim Financial Statements") to be published on or before 30th September, 2018.

Pledge of Assets

As at 30th June, 2018, certain of the Group's property, plant and equipment, investment properties, properties held for sale, properties under development, 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$32,295.2 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, 2018, certain ordinary shares in a listed subsidiary with a market value of HK$426.6 million were also pledged to secure general banking facilities granted to the Group.

As at 31st December, 2017, certain of the Group's property, plant and equipment, investment properties, properties held for sale, properties under development, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, time deposits and bank balances in the total amount of HK$27,144.0 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, 2017, certain ordinary shares in a listed subsidiary with a market value of HK$536.8 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, 2018 are shown in the Interim Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2018 are shown in the Interim Financial Statements.

DIVIDEND

The Directors have declared the payment of an interim dividend of HK0.70 cent (2017 – HK0.65 cent) per ordinary share for the financial year ending 31st December, 2018, absorbing an amount of approximately HK$22.4 million (2017 – HK$20.8 million) and will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 11th October, 2018.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Tuesday, 9th October, 2018 to Thursday, 11th October, 2018, 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 Monday, 8th October, 2018. The relevant dividend warrants are expected to be despatched on or about 25th October, 2018.

HALF YEAR RESULTS

Condensed Consolidated Statement of Profit or Loss

	Six months ended 30th June, 2018	**Six months ended 30th June, 2017**
	(Unaudited)	**(Unaudited)**
	HK$'M	**HK$'M**
REVENUE (Notes 2 & 3)	**3,342.1**	1,431.3
Cost of sales	**(2,291.4)**	(897.7)
Gross profit	**1,050.7**	533.6
Other income and gains (Note 3)	**61.0**	83.1
Fair value gains on investment properties, net	**152.9**	202.4
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	**(141.0)**	68.9
Write-back of impairment loss on property under development	**–**	53.0
Property selling and marketing expenses	**(24.4)**	(21.9)
Administrative expenses	**(198.7)**	(184.5)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION	**900.5**	734.6
Depreciation and amortisation	**(297.0)**	(305.9)
OPERATING PROFIT (Notes 2 & 4)	**603.5**	428.7
Finance costs (Note 5)	**(179.4)**	(155.3)
Share of profits and losses of associates	**(1.9)**	(12.9)
PROFIT BEFORE TAX	**422.2**	260.5
Income tax (Note 6)	**(133.3)**	(35.9)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**288.9**	224.6

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

	Six months ended 30th June, 2018 (Unaudited) HK$'M	Six months ended 30th June, 2017 (Unaudited) HK$'M
Attributable to:		
Equity holders of the parent	**120.1**	105.3
Non-controlling interests	**168.8**	119.3
	288.9	224.6
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic and diluted	**HK2.99 cents**	HK3.29 cents

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2018	**Six months ended 30th June, 2017**
	(Unaudited)	**(Unaudited)**
	HK$'M	**HK$'M**
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**288.9**	224.6
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	**–**	12.4
Exchange differences on translating foreign operations	**(52.0)**	91.7
Reclassification adjustment on disposal of foreign operations	**–**	1.6
Share of other comprehensive loss of an associate	**(0.1)**	–
Other comprehensive income/(loss) for the period	**(52.1)**	105.7
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**236.8**	330.3
Attributable to:		
Equity holders of the parent	**97.2**	150.9
Non-controlling interests	**139.6**	179.4
	236.8	330.3

Condensed Consolidated Statement of Financial Position

	30th June, 2018 (Unaudited) HK$'M	31st December, 2017 (Audited) HK$'M
NON-CURRENT ASSETS		
Property, plant and equipment	**22,872.9**	22,676.2
Investment properties	**3,596.9**	3,445.2
Properties under development	**1,726.9**	2,075.3
Investments in associates	**23.0**	24.5
Available-for-sale investments	**–**	447.7
Financial assets at fair value through profit or loss	**554.9**	1.9
Loans receivable	**110.4**	111.9
Finance lease receivables	**29.2**	35.1
Debtors, deposits and prepayments (Note 9)	**110.8**	101.4
Deferred tax assets	**54.2**	51.7
Other assets	**0.2**	0.2
Goodwill	**261.0**	261.0
Trademark	**610.2**	610.2
Total non-current assets	**29,950.6**	29,842.3
CURRENT ASSETS		
Properties under development	**6,152.5**	7,194.9
Properties held for sale	**2,097.1**	1,285.8
Aircraft held for sale	**70.6**	18.4
Inventories	**77.7**	65.5
Loans receivable	**4.5**	4.5
Finance lease receivables	**28.9**	46.0
Debtors, deposits and prepayments (Note 9)	**563.0**	716.6
Held-to-maturity investments	**–**	167.9
Financial assets at amortised cost	**213.0**	–
Financial assets at fair value through profit or loss	**2,336.1**	1,707.7
Derivative financial instruments	**14.2**	–
Tax recoverable	**9.4**	11.7
Restricted cash	**80.2**	145.6
Pledged time deposits and bank balances	**230.8**	550.4
Time deposits	**1,716.2**	1,979.7
Cash and bank balances	**1,900.5**	2,363.5
Total current assets	**15,494.7**	16,258.2

Condensed Consolidated Statement of Financial Position (Cont'd)

	30th June, 2018 (Unaudited) HK$'M	31st December, 2017 (Audited) HK$'M
CURRENT LIABILITIES		
Creditors and accruals (Note 10)	**(931.4)**	(1,061.3)
Contract liabilities	**(834.3)**	–
Deposits received	**(44.5)**	(2,568.5)
Interest bearing bank borrowings	**(4,881.1)**	(4,251.6)
Other borrowings	–	(1,945.8)
Derivative financial instruments	**(0.3)**	(3.0)
Tax payable	**(203.5)**	(141.1)
Total current liabilities	**(6,895.1)**	(9,971.3)
NET CURRENT ASSETS	**8,599.6**	6,286.9
TOTAL ASSETS LESS CURRENT LIABILITIES	**38,550.2**	36,129.2
NON-CURRENT LIABILITIES		
Creditors and deposits received	**(80.9)**	(76.7)
Interest bearing bank borrowings	**(11,608.3)**	(9,142.0)
Other borrowings	**(2,728.3)**	(2,713.7)
Deferred tax liabilities	**(2,000.0)**	(2,048.5)
Total non-current liabilities	**(16,417.5)**	(13,980.9)
Net assets	**22,132.7**	22,148.3
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**320.4**	320.4
Reserves	**8,704.7**	8,694.9
	9,025.1	9,015.3
Perpetual securities	**1,732.9**	1,732.9
Non-controlling interests	**11,374.7**	11,400.1
Total equity	**22,132.7**	22,148.3

Notes:

1. Accounting Policies

The condensed consolidated financial statements for the six months ended 30th June, 2018 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2017, 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, 2018.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than the impacts of HKFRS 9 and HKFRS 15 as explained below, the adoption of the above new and revised standards has had no significant financial effect on the Group's condensed consolidated financial statements.

The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position upon the adoption of HKFRS 9 and HKFRS 15 under the transition methods.

	At 31st December, 2017	Impact on initial application of HKFRS 9	Impact on initial application of HKFRS 15	At 1st January, 2018
	HK$'M	**HK$'M**	**HK$'M**	**HK$'M**
Assets and liabilities				
Available-for-sale investments	447.7	(447.7)	-	-
Financial assets at fair value through profit or loss (non-current)	1.9	447.7	-	449.6
Properties under development (current)	7,194.9	-	136.9	7,331.8
Held-to-maturity investments	167.9	(167.9)	-	-
Financial assets at amortised cost	-	167.9	-	167.9
Creditors and accruals	(1,061.3)	-	15.5	(1,045.8)
Deposits received	(2,568.5)	-	2,522.9	(45.6)
Contract liabilities	-	-	(2,675.3)	(2,675.3)
Equity				
Available-for-sale investment revaluation reserve	73.1	(73.1)	-	-
Retained profits	5,573.0	73.1	-	5,646.1

Impact of HKFRS 9 *Financial Instruments*

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1st January, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1st January, 2018 in accordance with the transition requirements. The Group has elected not to adjust the comparative information for the period beginning on 1st January, 2017, which the comparative information was prepared under HKAS 39.

The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(i) *Classification and measurement*

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets is as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's loans receivable, trade debtors, other financial assets included in debtors, deposits and prepayments, finance lease receivables, restricted cash, pledged time deposits and bank balances, time deposits, cash and bank balances and unlisted certificates of deposits.

Other financial assets are classified and subsequently measured, as follows:

- Financial assets at FVPL comprise derivative instruments, quoted equity instruments and unquoted equity and fund instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under HKAS 39, the Group's unquoted equity and fund instruments were classified as available-for-sale investments. Upon transition, the available-for-sale investment revaluation reserve relating to unquoted equity and fund instruments, which had been previously recognised under accumulated other comprehensive income, was reclassified to retained profits.

The assessment of the Group's business models was made as of the date of initial application, 1st January, 2018, and applied to those financial assets that were not derecognised before 1st January, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

(ii) *Impairment*

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. Upon the adoption of HKFRS 9, the Group applied the simplified approach and recorded lifetime expected losses that were estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group applied the general approach and recorded twelve-month expected credit losses that were estimated based on the possible default events on its other receivables within the next twelve months. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

<u>Impact of HKFRS 15 *Revenue from Contracts with Customers*</u>

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits as at 1st January, 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1st January, 2018, thus the comparative figures have not been restated.

The major impacts arising from the adoption of HKFRS 15 on the Group's condensed consolidated financial statements are summarised as follows:

Revenue recognition

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;

- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

(i) Revenue from sale of properties

Prior to the adoption of HKFRS 15, the Group accounted for revenue from sales of properties when significant risks and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession.

Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

The Group has assessed that most revenue from sale of properties is recognised at the point in time, when the purchasers obtain the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable. The adoption of HKFRS 15 has had no significant impact on the timing of revenue recognition.

(ii) *Significant financing component for sales of properties*

Prior to the adoption of HKFRS 15, the Group presented sales proceeds received from customers in connection with the Group's pre-sales of properties as receipts in advance under deposits received in the consolidated statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

Upon adoption of HKFRS 15, the Group recognised contract liabilities for the interest on the sales proceeds received from customers with a significant financing component. The Group elected to apply the practical expedient and did not recognise the effects of a significant financing component with a customer if the time period is one year or less. The adoption of HKFRS 15 has had no significant impact on the opening retained profits as at 1st January, 2018. Significant financing component on the sales proceeds received in advance directly attributable to the construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, is capitalised as part of the cost of those assets. Advance payments from customers that were previously classified under deposits received have been reclassified to contract liabilities as at 1st January, 2018.

(iii) *Loyalty points programmes*

The Group's hotel operation segment operates loyalty points programmes which allow customers to accumulate points when they patronise the Group's hotels. The points can be redeemed for future spending in the hotels or other gifts. The Group concluded that under HKFRS 15, the loyalty points programmes give rise to a separate performance obligation because they provide a material right to the customer. The Group determined that the impacts upon the adoption of HKFRS 15 were not significant and thus, no adjustment was made to the opening balance of retained profits at 1st January, 2018. In addition, deferred liabilities on the loyalty points programmes were reclassified to contract liabilities as at 1st January, 2018.

(iv) Presentation and disclosures

Reclassifications were made as at 1st January, 2018 and 30th June, 2018 to be consistent with the terminology used under HKFRS 15 and, accordingly, advance payments received from customers were reclassified from “deposit received” and “creditors and accruals” to “contract liabilities” before relevant sales are recognised.

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 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 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,	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(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:																		
Sales to external customers	2,132.3	275.7	4.5	5.3	1,130.6	1,065.6	-	-	36.0	24.5	31.0	41.3	7.7	18.9	-	-	3,342.1	1,431.3
Intersegment sales	4.8	4.8	161.4	54.5	3.6	3.8	53.1	47.0	-	-	-	-	51.0	33.5	(273.9)	(143.6)	-	-
Total	2,137.1	280.5	165.9	59.8	1,134.2	1,069.4	53.1	47.0	36.0	24.5	31.0	41.3	58.7	52.4	(273.9)	(143.6)	3,342.1	1,431.3
Segment results before depreciation and amortisation	585.4	275.0	0.2	(0.3)	451.3	380.5	(5.3)	(6.2)	(98.9)	104.6	32.1	37.5	2.4	0.5	-	-	967.2	791.6
Depreciation and amortisation	(11.8)	(12.0)	(0.1)	(0.2)	(272.2)	(261.4)	(0.2)	(0.2)	-	-	(9.2)	(20.2)	(2.0)	(10.2)	-	-	(295.5)	(304.2)
Segment results	573.6	263.0	0.1	(0.5)	179.1	119.1	(5.5)	(6.4)	(98.9)	104.6	22.9	17.3	0.4	(9.7)	-	-	671.7	487.4
Unallocated interest income and unallocated non-operating and corporate gains																	28.6	27.5
Unallocated non-operating and corporate expenses																	(96.8)	(86.2)
Operating profit																	603.5	428.7
Finance costs																	(179.4)	(155.3)
Share of profits and losses of associates	(2.2)	(0.3)	-	-	-	-	-	-	-	-	-	-	0.3	(12.6)	-	-	(1.9)	(12.9)
Profit before tax																	422.2	260.5
Income tax																	(133.3)	(35.9)
Profit for the period before allocation between equity holders of the parent and non-controlling interests																	288.9	224.6
Attributable to:																		
Equity holders of the parent																	120.1	105.3
Non-controlling interests																	168.8	119.3
																	288.9	224.6

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

	Six months ended 30th June, 2018	Six months ended 30th June, 2017
	(Unaudited)	(Unaudited)
	HK$'M	HK$'M
<u>Revenue</u>		
Rental income:		
Hotel properties	**23.3**	21.8
Investment properties	**17.9**	7.8
Aircraft	**17.7**	34.2
Construction and construction-related income	**1.7**	2.5
Proceeds from sale of properties	**2,123.3**	270.7
Estate management fees	**2.8**	2.8
Proceeds from disposal of aircraft held for sale	**7.8**	–
Net gain/(loss) from sale of financial assets at fair value through profit or loss	**(7.3)**	0.7
Net loss on settlement of derivative financial instruments	**(6.7)**	–
Interest income from financial assets at fair value through profit or loss	**43.5**	19.1
Interest income from loans receivable	**0.6**	0.7
Interest income from finance leases	**5.5**	7.1
Dividend income from listed investments	**6.5**	4.7
Hotel operations and management services	**1,098.4**	1,041.0
Logistics and related services income	**–**	9.1
Other operations	**7.1**	9.1
	3,342.1	1,431.3

	Six months ended 30th June, 2018	Six months ended 30th June, 2017
	(Unaudited)	**(Unaudited)**
	HK$'M	**HK$'M**
Other income and gains		
Bank interest income	**25.3**	27.1
Other interest income	**7.9**	47.0
Dividend income from unlisted investment	**3.9**	3.8
Gain on disposal of items of property, plant and equipment	**0.4**	4.7
Gain on disposal of subsidiaries (Note 11)	**–**	0.2
Maintenance reserves released	**19.4**	–
Others	**4.1**	0.3
	61.0	83.1

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

	Six months ended 30th June, 2018	Six months ended 30th June, 2017
	(Unaudited)	**(Unaudited)**
	HK$'M	**HK$'M**
Profit on disposal of properties	**488.9**	27.1

5. Finance costs of the Group are as follows:

	Six months ended 30th June, 2018	Six months ended 30th June, 2017
	(Unaudited)	**(Unaudited)**
	HK$'M	**HK$'M**
Interest on bank loans	**166.6**	87.5
Interest on other borrowings	**80.3**	143.7
Interest on convertible bonds	**–**	1.8
Interest on contract liabilities	**20.3**	–
Other interest	**–**	0.8
Amortisation of debt establishment costs	**21.2**	21.7
Total interest expenses on financial liabilities not at fair value through profit or loss	**288.4**	255.5
Other loan costs	**4.0**	8.4
	292.4	263.9
Less: Finance costs capitalised	**(113.0)**	(108.6)
	179.4	155.3

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

	Six months ended 30th June, 2018	Six months ended 30th June, 2017
	(Unaudited)	**(Unaudited)**
	HK$'M	**HK$'M**
Current – Hong Kong		
Charge for the period	**35.1**	42.4
Current – Overseas		
Charge for the period	**65.2**	5.1
PRC land appreciation tax	**83.6**	–
Deferred	**(50.6)**	(11.6)
Total tax charge for the period	**133.3**	35.9

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2017 – 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 (2017 – Nil).

7. Dividend:

	For year ending 31st December, 2018	**For year ended 31st December, 2017**
	HK$'M	**HK$'M**
Interim – HK0.70 cent (2017 – HK0.65 cent) per ordinary share	**22.4**	20.8

8. The calculation of the basic earnings per ordinary share for the period ended 30th June, 2018 is based on the profit for the period attributable to equity holders of the parent of HK$120.1 million (2017 – HK$105.3 million), adjusted for the share of distribution related to perpetual securities of the Regal group of HK$24.4 million (2017 – Nil), and on the weighted average of 3,203.8 million (2017 – 3,203.8 million) ordinary shares of the Company in issue during the period.

No adjustment was made to the basic earnings per ordinary share for the periods ended 30th June, 2018 and 2017 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the periods.

9. Included in debtors, deposits and prepayments is an amount of HK$130.9 million (31st December, 2017 – HK$158.7 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, 2018 (Unaudited) HK$'M	**31st December, 2017 (Audited) HK$'M**
Outstanding balances with ages:		
Within 3 months	**104.8**	134.1
4 to 6 months	**2.8**	3.5
7 to 12 months	**4.4**	7.3
Over 1 year	**22.0**	16.9
	134.0	161.8
Impairment	**(3.1)**	(3.1)
	130.9	158.7

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 applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30th June, 2018, credit losses of HK$3.1 million (31st December, 2017 – HK$3.1 million) was made against the gross amounts of trade debtors. Bad debts are written off as incurred.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group holds collateral or other credit enhancements over certain of these balances.

Also included in debtors, deposits and prepayments is an amount of HK$23.5 million (31st December, 2017 – HK$35.4 million) in relation to the prepaid commission for sales of properties which is classified as contract assets in accordance with HKFRS 15.

10. Included in creditors and accruals is an amount of HK$95.1 million (31st December, 2017 – HK$87.0 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, 2018 (Unaudited) HK$'M	**31st December, 2017 (Audited) HK$'M**
Outstanding balances with ages:		
Within 3 months	**94.7**	86.8
4 to 6 months	**–**	0.1
7 to 12 months	**0.3**	0.1
Over 1 year	**0.1**	–
	95.1	87.0

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

11. Disposal of subsidiaries

Pursuant to a deed of arrangement entered into between the Cosmopolitan group and the co-venturer, the Cosmopolitan group completed the disposal of its 60% effective equity interest in 上海禾允投資咨詢有限公司 and its wholly owned subsidiary which was engaged in the provision of logistics and related services in Shanghai, the PRC, at a total consideration of HK$71.0 million. The disposal was completed on 30th June, 2017 and the related gain on disposal of subsidiaries amounted to approximately HK$0.2 million.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2018.

REVIEW OF RESULTS

The Group's condensed consolidated financial statements for the six months ended 30th June, 2018 have not been audited, but have been reviewed by Ernst & Young, the Company's external auditors, whose review report is contained in the Company's interim report for the six months ended 30th June, 2018 to be despatched to shareholders.

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30th June, 2018, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30th June, 2018, except that:

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

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

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises the following members:

Executive Directors:
Mr. LO Yuk Sui
(Chairman and Chief Executive Officer)
Mr. Jimmy LO Chun To
(Vice Chairman)
Miss LO Po Man
(Vice Chairman)
Mr. Kenneth NG Kwai Kai
(Chief Operating Officer)
Mr. Donald FAN Tung
Mr. Kelvin LEUNG So Po

Independent Non-Executive Directors:
Mr. Anthony CHUANG
Ms. Winnie NG, JP
Mr. WONG Chi Keung

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 27th August, 2018