



INTERIM REPORT 2008 中期報告

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CONTENTS

2	Corporate Information	42	公司資料
3	Financial Results, Review of Operations and Outlook	43	財務業績、業務回顧及展望
9	Interim Dividend	49	中期股息
9	Management Discussion and Analysis	49	管理層之討論及分析
12	Condensed Consolidated Financial Statements	52	簡明綜合財務報表
12	Condensed Consolidated Income Statement	52	簡明綜合收益表
13	Condensed Consolidated Balance Sheet	53	簡明綜合資產負債表
15	Condensed Consolidated Statement of Changes in Equity	55	簡明綜合資本變動表
16	Condensed Consolidated Cash Flow Statement	56	簡明綜合現金流量表
17	Notes to Condensed Consolidated Financial Statements	57	簡明綜合財務報表附註
30	Other Information	70	其他資料
41	Report on Review of Interim Financial Information	80	中期財務資料審閱報告

目錄

CORPORATE INFORMATION

DIRECTORS

Lo Yuk Sui
(Chairman and Chief Executive Officer)
Francis Choi Chee Ming, JP
(Vice Chairman)*
Belinda Yeung Bik Yiu
(Chief Operating Officer)
Donald Fan Tung
Alice Kan Lai Kuen#
Jimmy Lo Chun To
Lo Po Man
Kenneth Ng Kwai Kai
Ng Siu Chan#
Wong Chi Keung#

* *Non-Executive Director*

Independent Non-Executive Director

AUDIT COMMITTEE

Wong Chi Keung (Chairman)
Francis Choi Chee Ming, JP
Alice Kan Lai Kuen
Ng Siu Chan

REMUNERATION COMMITTEE

Lo Yuk Sui (Chairman)
Alice Kan Lai Kuen
Ng Siu Chan
Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

AUDITORS

Ernst & Young

PRINCIPAL REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road,
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BRANCH REGISTRAR IN HONG KONG

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REGISTERED OFFICE

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FINANCIAL RESULTS

For the six months ended 30th June, 2008, the Group achieved an unaudited consolidated profit attributable to ordinary shareholders of HK\$600.1 million. In the comparative period in 2007, the Group recorded a profit of HK\$2,496.2 million which included a one-off gain of HK\$2,320.4 million attributable to the disposal by the Group of the five hotel properties in Hong Kong to Regal Real Estate Investment Trust in conjunction with its separate listing in March 2007.

As noted earlier, the holding and operating structure of the hotel business of the Group has changed after the spin-off of Regal REIT. The Group now primarily focuses on hotel operation and management businesses while Regal REIT is principally engaged in asset ownership. The income from hotel ownership is attributed to the Group through the interest held in Regal REIT and reflected in the Group's financial results under the share of profit of associates.

REVIEW OF OPERATIONS

HOTELS

Hong Kong

During the period under review, the global economy as a whole has been adversely impacted by the financial turmoil that started off with the sub-prime loan crisis in the United States. The economy in Mainland China, to which the economy of Hong Kong is closely linked, has however continued to grow, although at a much more controlled pace. Hong Kong has also continued to benefit from its position as a favoured travel and tourism destination as well as being the gateway to Mainland China. In the first half of 2008, total visitor arrivals to Hong Kong surpassed 14 million and recorded an overall growth of 8.9% over the same period in 2007. Considering that the tourism business in Hong Kong during this period has been affected by the slow-down in the economies of most major overseas markets, the catastrophes that occurred in China and the tightened visa restrictions imposed by the Chinese Government, the growth achieved in the visitor arrivals can be viewed as satisfactory.

Regarding the hotel industry in Hong Kong, the average hotel room occupancy rate for all hotels in different categories published by Tourism Research Hong Kong Tourism Board for this six-month period was 83%, the same level as that in the comparative period in 2007, while the average achieved hotel room rate has increased by 4.8%. The hotel room occupancy rate recorded was comparatively flat primarily due to an expanded supply of new hotel rooms in Hong Kong during the period.

The five Regal Hotels in Hong Kong, which are now owned by Regal REIT and operated and managed by the Group, have on the whole performed better than the industry average in relative terms in the six months under review and attained an increase of 9.7% in average room rate and 7.8% in RevPAR (Revenue per Available Room). These improvements reflect the successful execution of the internal growth strategy through pro-active asset management and the on-going efforts to reposition the hotels to capture higher yielding hotel market segments.

In the early part of 2008, Regal REIT commenced a HK\$85 million capital additions programme with the objective to enhance the competitiveness of the hotels. The projects under the programme included the conversion of available space in three of the hotels into conference and meeting areas, targeting towards the MICE (meetings, incentives, conventions and exhibitions) market which can, in turn, help generate additional room occupancy and higher room rates. Also included in the programme are the addition of three specialty restaurants at Regal Riverside Hotel in Shatin with direct street access and the upgrading of the façade of Regal Oriental Hotel in Kowloon City to give the property a new and fresh look.

The first phase of the Asset Enhancement Programme, undertaken to be completed by the Group at its own costs in conjunction with the disposal of the hotel properties to Regal REIT, has been completed. Accordingly, a total of approximately 217.5 million units of Regal REIT held by the Group, which were previously subject to the distribution waiver pending completion of the relevant parts of the Asset Enhancement Programme, are now entitled to distributions by Regal REIT. The remaining part of the Asset Enhancement Programme relates to the construction, fitting out and decoration of three additional stories on top of the existing structure at Regal Riverside Hotel, comprising 274 additional hotel rooms. Construction works are well in progress, but due to the introduction of value enhancing design changes to the room configurations and specifications as agreed with the REIT Manager as well as interruptions to the construction schedule caused by the Olympic Equestrian Events street improvement work programme, it is expected that the completion date would be delayed and extended from the original target date of 31st December, 2008 to around mid-2009.

The People's Republic of China

Apart from the two managed hotels in Puxi, Shanghai, the Group is providing pre-opening consultancy services to a 380-room four star business hotel in Pudong, which will be managed by the Group and named as Regal Jinfeng Hotel, scheduled to be opened in the first quarter of 2009.

In February this year, the Group entered into a Strategic Alliance Pact with Jinling Hotels & Resorts, one of the leading hotel management companies in China that presently manages 64 hotels in various cities in China. First of its kind in China, the strategic partnership between the Group and Jinling is aimed to create a multi-faceted co-operation that spans across sales and marketing, food and beverage, customer resources, human resources and training, corporate cultural exchange as well as promoting business development for both parties in China and overseas.

In recognition of its achievement in the hotel industry, the Group was awarded "The Best Local Hotel Management Group of China of the 3rd Starlight Award of China Hotel 2007". Adopting a flexible and multi-directional approach, the Group will continue to actively seek expansion opportunities in the Mainland.

REGAL REAL ESTATE INVESTMENT TRUST

For the six months ended 30th June, 2008, Regal REIT attained an unaudited consolidated profit of HK\$278.3 million. Distributable income available for distribution to unitholders of Regal REIT amounted to HK\$247.4 million and, based on a policy of distributing 100% of the distributable income, a distribution of HK\$0.083 per unit will be paid to unitholders for the period ended 30th June, 2008.

With respect to the planned business expansion of Regal REIT, the REIT Manager has during the past year been actively reviewing numerous acquisition proposals for hotel properties in Mainland China and has been engaged in a number of serious negotiations on certain of those proposals. However, due to the high expectations on selling prices on the part of the owners as prompted by the Olympic fervor and having considered the tightening monetary market and the austerity measures introduced by the Chinese Government, management of the REIT Manager has remained disciplined in adhering to prudent assessment criteria and hence the planned expansion programme has been delayed.

There has been a large increase in the number of hotels completed in Mainland China and especially in Beijing over the past period leading to the opening of the Beijing Olympic Games in August. As the Olympic Games are now over, there will inevitably be a temporary over-supply of hotel rooms in the short term, particularly in Beijing.

However, looking into the medium to long term, the holding of the 2008 Olympic Games will definitely have a positive impact on China and the benefits to its economy should gradually become more evident, with particular stimulus to the tourism sector.

With the benefit of hindsight, the delay in the implementation of the expansion plans for the acquisition of hotel properties has apparently proven to have been a correct strategy. The REIT Manager has in the recent months received an increasing number of proposals offering hotels and mixed-use properties in different regions at more reasonable prices, which it is actively reviewing. Nevertheless, in view of the continuing tightening of the monetary markets globally and the austerity measures being imposed in China, it is anticipated that even more attractive acquisition opportunities may become available.

While Regal REIT will continue to focus primarily on hotels and hospitality-related properties in Greater China, approval has been obtained from its unitholders in May 2008 to expand its investment scope, in order to provide flexibility to Regal REIT on asset types as well as geographical locations for future property acquisitions.

REGAL PORTFOLIO MANAGEMENT LIMITED

As part of its principal businesses, the Group is providing through Regal Portfolio Management Limited, a wholly-owned subsidiary of the Group, asset management services to Regal REIT. REIT Manager's fees received for the period amounted to HK\$37.6 million, a major part of which was settled in the form of units of Regal REIT.

PROPERTIES

Hong Kong

Regalia Bay, Stanley

Over the past few months, the property market in Hong Kong has been relatively quiet due to the slow-down in the overall global economy and the depressed state of the local stock market. Though property prices in Hong Kong have remained relatively stable, transacted volume has contracted substantially as compared with the year before. The Group is retaining beneficial ownership interest in 31 remaining houses in Regalia Bay, 16 of which are presently under leases. The Group is confident of the prospects of the property market in Hong Kong and, in particular, the luxury residential segment on account of the limited supply. While certain houses are intended to be retained for rental income, the Group will continue to sell some of the remaining houses if the offered prices are considered to be satisfactory.

During the period, 15 houses that are beneficially owned by the Group and under leases to third party tenants were reclassified from properties held for sale to investment properties. Based on independent professional valuations obtained, there is a fair value gain of HK\$358.5 million arising from such reclassification which has been incorporated in the unaudited financial statements presented for this interim period. The other 16 remaining houses continue to be held as properties for sale and accounted for at carrying costs which are well below their market valuations.

The People's Republic of China

Development Project in the Central Business District of Beijing

This development project is situated in a very prominent location within the Central Business District of Beijing. The project is held through a Sino-foreign joint venture entity that is 59% owned by an associate which, in turn, is 50% each held by the Group and Paliburg Holdings Limited. The Sino-foreign joint venture entity beneficially owns the Phase I land, which is a vacant and leveled site, and is now actively working to secure the primary development rights for the Phase II land site comprised within the overall project.

Development Projects in Chengdu, Sichuan Province

Development Project in Xindu District

This development project is operated through a joint venture that is 50% owned by each of the Group and Cosmopolitan International Holdings Limited. The site was acquired at a public land auction held in October 2007 and the land transfer consideration of RMB213.1 million has been fully settled in July 2008.

The project site is composed of two separate land parcels. One of the parcels is planned to be developed into a hotel and commercial complex with aggregate gross floor area of about 180,000 square meters above ground together with about 50,000 square meters of commercial, auxiliary services and car park areas below ground. The other parcel is planned for residential development with aggregate gross floor area of about 315,000 square meters. The Planning Permits for Construction Land for the proposed development have been obtained and detail planning works are in progress.

Development Project in Gaoxin District

In November last year, the Group entered into an agreement with an independent third party for the proposed establishment of a joint venture for the development of a site located in South Gaoxin District, planned for hotel and commercial uses.

As the parties have not been able to come to agreement with respect to the detailed terms and arrangements pertaining to the proposed joint venture, the Group has now decided that it would not further pursue on this proposed project.

OTHER INVESTMENTS

In February 2008, the Group completed the subscription agreement for the subscription of zero coupon guaranteed convertible bonds due 2013 in a principal amount of HK\$100 million issued by the Cosmopolitan group and was granted an option to subscribe on same terms for an additional principal amount of HK\$100 million of such convertible bonds. In April 2008, the Group purchased from an independent third party certain zero coupon guaranteed convertible bonds due 2010 issued by Cosmopolitan group in a principal amount of approximately HK\$39 million at a consideration of HK\$76 million. Details of this transaction were contained in an announcement issued by the Company dated 6th May, 2008.

Based on the interests held by the Group in the ordinary shares and convertible bonds of Cosmopolitan, the Group can hold up to approximately 26.5% of Cosmopolitan on a fully-diluted basis, assuming all the outstanding convertible bonds, and options on shares and convertible bonds granted by the Cosmopolitan group are fully converted and exercised.

Apart from the joint venture with the Group on the development project in Xindu District in Chengdu referred to above, the Cosmopolitan group is engaged in a number of other major property projects in Mainland China. In May 2008, it completed the acquisition of a 60% equity interest in a joint venture company which is undertaking a large scale re-forestation and landscaping project in Urumqi City in Xinjiang. Under the re-forestation scheme, the joint venture company is entitled to be granted, in return for the ecological improvement works performed, land use rights for 30% of the land involved for development use, free of any payment of land premium. Furthermore, it has also entered into a letter of intent in May 2008 for a cultural-themed multi-use real estate development project in Taiyuan City in Shanxi Province and, more recently, a co-operative letter of intent with respect to primary development works for a composite development project in the Dalian High-Tech Industrial Zone in Dalian City, Liaoning Province.

The Group is positive on the long-term prospects on the real estate market in the PRC and believes that the strategic investments made in the Cosmopolitan group will enable the Group to share in its growth potential. On the other hand, this will also create a platform for future business collaboration between the two groups on the development projects undertaken by Cosmopolitan group, which can in turn facilitate the future business expansion of the Group.

OUTLOOK

The holding of the Olympic Equestrian Events in Hong Kong has generated positive impact to the local hotel business and the Regal Riverside Hotel in Shatin particularly benefited. Given that the second half of the year is usually the busier time for the hotel industry in Hong Kong, it is anticipated that there will be continued improvement in the performance of the Regal Hotels in Hong Kong.

While the outlook of the global economy in the near term might be uncertain, economic growth in the Mainland and Hong Kong is expected to sustain, albeit at a slower pace, which will continue to benefit the local tourism and hotel businesses. The Group as a whole has strong financial resources and management expertise, and is in a ready position to take advantage of the investment opportunities that may become available amid a period of increasing economic volatility.

By Order of the Board

LO YUK SUI

Chairman

Hong Kong, 10th September, 2008

INTERIM DIVIDEND

The Directors have declared the payment of an interim dividend of HK0.3 cent per ordinary share for the financial year ending 31st December, 2008 (2007 - HK0.3 cent), absorbing an amount of approximately HK\$30.8 million (2007 - HK\$32.0 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 10th October, 2008.

The Register of Ordinary Shareholders will be closed from Wednesday, 8th October, 2008 to Friday, 10th October, 2008, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the interim dividend, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Monday, 6th October, 2008. The relevant dividend warrants are expected to be despatched on or about 22nd October, 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Highlights

The Group's significant investments principally comprise its interests in the operation and management of the five Regal Hotels in Hong Kong, the investment in Regal Real Estate Investment Trust ("Regal REIT") (which directly owns the five Regal Hotels in Hong Kong), the asset management of Regal REIT, the interest in the remaining unsold houses in Regalia Bay in Stanley and other investment businesses. The performance of the Group's hotel operations during the period under review, their future prospects, the commentary on the local hotel industry and changes in general market conditions and their potential impact on the operating performance, the progress and prospects on the Regalia Bay properties as well as the performance of Regal REIT are contained in the sections headed "Financial Results", "Review of Operations" and "Outlook" above, respectively.

Cash Flow and Capital Structure

During the period under review, net cash inflow from operating activities totalled HK\$59.7 million (2007 - HK\$4.5 million). Net interest receipt for the period amounted to HK\$24.2 million (2007 - net interest payment of HK\$36.7 million).

Aggregate depreciation and amortisation provided for the period under review amounted to HK\$1.8 million (2007 - HK\$37.6 million which primarily represented the depreciation on the hotel buildings and related fixed assets and amortisation of the prepaid land lease payments charged to the income statement for the period before the effective sale of the five hotel properties in Hong Kong to Regal REIT on 30th March, 2007).

During the period under review, the Company has repurchased a total of 199,264,000 ordinary shares of the Company at an aggregate purchase price of HK\$103,904,360 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 176,062,000 repurchased ordinary shares, together with 31,130,000 ordinary shares repurchased in 2007 but not cancelled during that year, in aggregate 207,192,000 repurchased ordinary shares, were cancelled during the period, and the remaining 23,202,000 repurchased ordinary shares were cancelled subsequent to the period end date. Further details of the repurchase by the Company of its ordinary shares during the period are disclosed under the sub-section headed "Purchase, Sale or Redemption of the Company's Listed Securities" under the section headed "Other Information" below.

From the date of the last annual general meeting of the Company held on 5th June, 2008, at which the existing share repurchase mandate was granted to the Directors, and up to the date of this report, the Company has repurchased a total of 75,558,000 ordinary shares on the Stock Exchange and all of such repurchased ordinary shares have subsequently been cancelled.

Asset Value

Based on the condensed consolidated balance sheet as at 30th June, 2008, the unaudited book net asset value of the ordinary shares of the Company was HK\$0.55 per share. Such book net asset value has been significantly affected by the elimination of the unrealised gain on the disposal of subsidiaries owning the hotel properties to Regal REIT in 2007 against the Group's interest retained in Regal REIT.

In order to more fairly reflect the underlying net asset value of the Group, management of the Group considers it appropriate to also present, for the purposes of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on an adjusted basis to reflect the share of the underlying net assets of Regal REIT attributable to the Group. Accordingly, on the basis that the interest of the Group held in Regal REIT were to be stated based on the published net asset value per unit of Regal REIT of HK\$3.488 as at 30th June, 2008, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$1.23 per share.

Borrowings

As at 30th June, 2008, the Group had no outstanding bank loan and had total cash and bank balances, net of other borrowings, of HK\$1,326.2 million (as at 31st December, 2007, the Group had total cash and bank balances, net of a short term bank loan and other borrowings, of HK\$1,411.5 million).

As at 30th June, 2008, part of the Group's bank deposits and certain other financial assets at fair value through profit or loss in the total amount of HK\$1,001.6 million (31st December, 2007 - HK\$1,000.8 million) were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. Under the lease agreements in connection with the leasing of the hotel properties from Regal REIT, the Group has also guaranteed a total minimum variable rent payable for the period from 30th March, 2007 to 31st December, 2010 in the amount of HK\$220.0 million, of which variable rent of HK\$101.6 million has been paid for the year ended 31st December, 2007.

Details of the Group's pledge of assets and contingent liability are shown in notes 15 and 16 to the condensed consolidated financial statements, respectively.

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.

Save as otherwise disclosed in the sections headed "Review of Operations" and "Outlook" above, the Group has no immediate plans for material investments or capital assets.

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 yield enhancement products are deployed from time to time as management of the Group considers to be appropriate.

Remuneration Policy

The Group employs approximately 1,910 staff in Hong Kong. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

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

With a view to providing long term incentives, the Company maintains a share option scheme named as "The Regal Hotels International Holdings Limited Share Option Scheme", under which share options have been granted to selected eligible persons.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Income Statement

		Six months ended 30th June, 2008 (Unaudited)	Six months ended 30th June, 2007 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2	750.8	622.0
Cost of sales		(746.7)	(532.8)
Gross profit		4.1	89.2
Other income and gains	3	64.4	203.9
Administrative expenses		(80.4)	(68.5)
Gain on disposal of subsidiaries	4	–	2,320.4
Fair value gain upon reclassification of properties held for sale to investment properties		358.5	–
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION		346.6	2,545.0
Depreciation and amortisation		(1.8)	(37.6)
OPERATING PROFIT	2	344.8	2,507.4
Finance costs	6	(5.8)	(80.3)
Share of profits and losses of:			
Jointly controlled entities		(1.8)	1.9
Associates		263.5	79.3
PROFIT BEFORE TAX		600.7	2,508.3
Tax	7	(0.6)	(12.1)
PROFIT FOR THE PERIOD		600.1	2,496.2
Attributable to:			
Equity holders of the parent		600.1	2,496.2
Minority interests		–	–
		600.1	2,496.2
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic		HK5.8 cents	HK26.3 cents
Diluted		HK5.8 cents	HK23.4 cents
DIVIDEND PER ORDINARY SHARE	9	HK0.3 cent	HK0.3 cent

Condensed Consolidated Balance Sheet

		30th June, 2008 (Unaudited)	31st December, 2007 (Audited)
	Notes	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment		12.0	11.1
Investment properties		1,176.0	–
Interests in jointly controlled entities		163.1	112.1
Interests in associates		1,462.2	1,277.3
Available-for-sale investment		3.9	–
Financial assets at fair value through profit or loss	10	617.5	380.7
Other loan		36.1	36.1
Pledged bank deposits		970.0	970.0
Deposit for acquisition of land		–	134.4
Total non-current assets		4,440.8	2,921.7
CURRENT ASSETS			
Hotel and other inventories		18.8	17.0
Properties held for sale		959.6	1,771.3
Debtors, deposits and prepayments	11	195.4	551.0
Financial assets at fair value through profit or loss	10	186.7	229.8
Pledged time deposit		–	24.0
Time deposits		345.7	489.6
Cash and bank balances		142.9	77.9
Total current assets		1,849.1	3,160.6
CURRENT LIABILITIES			
Creditors and accruals	12	(454.3)	(646.8)
Derivative financial instrument		–	(0.1)
Interest bearing bank borrowings	13	–	(21.4)
Convertible preference shares	13	(132.4)	(128.6)
Tax payable		(3.8)	(3.7)
Total current liabilities		(590.5)	(800.6)

Condensed Consolidated Balance Sheet (Cont'd)

	30th June, 2008 (Unaudited)	31st December, 2007 (Audited)
	HK\$'million	HK\$'million
NET CURRENT ASSETS	1,258.6	2,360.0
Net assets	<u>5,699.4</u>	<u>5,281.7</u>
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	102.9	104.9
Reserves	5,564.4	5,071.7
Dividends	30.8	103.8
	<u>5,698.1</u>	<u>5,280.4</u>
Minority interests	1.3	1.3
Total equity	<u>5,699.4</u>	<u>5,281.7</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2008

	Attributable to equity holders of the parent											
	Issued share capital (Unaudited) HK\$ million	Share premium account (Unaudited) HK\$ million	Equity component of convertible bonds (Unaudited) HK\$ million	Share option reserve (Unaudited) HK\$ million	Capital redemption reserve (Unaudited) HK\$ million	Hedge reserve (Unaudited) HK\$ million	Exchange equalisation reserve (Unaudited) HK\$ million	Retained profits (Unaudited) HK\$ million	Dividends (Unaudited) HK\$ million	Total (Unaudited) HK\$ million	Minority interests (Unaudited) HK\$ million	Total equity (Unaudited) HK\$ million
At 1st January, 2008	104.9	1,023.4	-	32.3	2.7	(17.5)	48.9	3,981.9	103.8	5,280.4	1.3	5,281.7
Share of the listed associate	-	-	-	-	-	(21.5)	-	-	-	(21.5)	-	(21.5)
Exchange realignment	-	-	-	-	-	-	43.0	-	-	43.0	-	43.0
Total income and expense recognised directly in equity	-	-	-	-	-	(21.5)	43.0	-	-	21.5	-	21.5
Profit for the period	-	-	-	-	-	-	-	600.1	-	600.1	-	600.1
Total income and expense for the period	-	-	-	-	-	(21.5)	43.0	600.1	-	621.6	-	621.6
Final 2007 dividend declared	-	-	-	-	-	-	-	0.5	(103.8)	(103.3)	-	(103.3)
Repurchase and cancellation of ordinary shares	(2.0)	(102.6)	-	-	2.0	-	-	(2.0)	-	(104.6)	-	(104.6)
Equity-settled share option arrangements	-	-	-	4.0	-	-	-	-	-	4.0	-	4.0
Interim 2008 dividend	-	-	-	-	-	-	-	(30.8)	30.8	-	-	-
At 30th June, 2008	102.9	920.8	-	36.3	4.7	(39.0)	91.9	4,549.7	30.8	5,698.1	1.3	5,699.4
1st January, 2007	91.4	750.8	13.6	20.7	0.9	-	10.2	1,183.8	146.5	2,217.9	1.3	2,219.2
Exchange realignment and income recognised directly in equity	-	-	-	-	-	-	0.9	-	-	0.9	-	0.9
Profit for the period	-	-	-	-	-	-	-	2,496.2	-	2,496.2	-	2,496.2
Final 2006 dividend declared	-	-	-	-	-	-	-	(21.6)	(146.5)	(168.1)	-	(168.1)
Issue of new shares upon exercise of warrants	0.7	16.8	-	-	-	-	-	-	-	17.5	-	17.5
Issue of new shares upon conversion of convertible bonds	13.0	323.1	(13.6)	-	-	-	-	-	-	322.5	-	322.5
Share of Regal REIT's reserve	-	-	-	-	-	20.1	-	-	-	20.1	-	20.1
Equity-settled share option arrangements	-	-	-	7.3	-	-	-	-	-	7.3	-	7.3
Interim 2007 dividend	-	-	-	-	-	-	-	(32.0)	32.0	-	-	-
At 30th June, 2007	105.1	1,090.7	-	28.0	0.9	20.1	11.1	3,626.4	32.0	4,914.3	1.3	4,915.6

Condensed Consolidated Cash Flow Statement

	Six months ended 30th June, 2008 (Unaudited)	Six months ended 30th June, 2007 (Unaudited)
	HK\$'million	HK\$'million
Net cash inflow from operating activities	59.7	4.5
Net cash inflow from investing activities	85.0	5,274.8
Net cash outflow from financing activities	(225.0)	(4,361.5)
Net increase/(decrease) in cash and cash equivalents	(80.3)	917.8
Cash and cash equivalents at beginning of period	567.5	222.7
Effect of foreign exchange rate changes, net	1.4	–
Cash and cash equivalents at end of period	<u>488.6</u>	<u>1,140.5</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	142.9	50.2
Non-pledged time deposits with original maturity of less than three months when acquired	345.7	1,090.3
	<u>488.6</u>	<u>1,140.5</u>

Notes to Condensed Consolidated Financial Statements

1. Accounting Policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31st December, 2007, except for the adoption of the following new and revised interpretations issued by the Hong Kong Institute of Certified Public Accountants for the first time for the current period’s condensed consolidated interim financial statements.

HK(IFRIC)-Int 11	<i>HKFRS 2 – Group and Treasury Share Transactions</i>
HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	<i>HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

The adoption of the above interpretations has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated interim financial statements.

2. Segment Information

The Group’s operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group’s business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the hotel ownership/operation* and management segment engages in hotel operations and the provision of hotel management services;
- (b) the asset management segment engages in the provision of asset management services to Regal Real Estate Investment Trust (“Regal REIT”);
- (c) the property development and investment segment includes investments in properties for sale and for rental income, and the provision of property agency and management services; and
- (d) the others segment mainly comprises the Group’s securities trading, other investment business, health products operations and bakery operations.

* The Group owned and operated its hotels in Hong Kong until the disposal of the hotel properties to Regal REIT for a separate listing on 30th March, 2007 and thereafter leased the hotel properties from Regal REIT for hotel operations.

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.

3. Other Income and Gains

Other income and gains are analysed as follows:

	Six months ended 30th June, 2008 (Unaudited)	Six months ended 30th June, 2007 (Unaudited)
	HK\$'million	HK\$'million
<u>Other income</u>		
Bank interest income	13.2	26.9
Other interest income	12.6	0.8
Dividend income from listed investments	0.8	0.1
Net settlement amount received for the claim in connection with the agreement for the sale and purchase of the Group's hotel property in Canada in 2002	–	4.4
Others	1.1	0.1
	<u>27.7</u>	<u>32.3</u>
<u>Gains</u>		
Fair value gains on financial assets at fair value through profit or loss, net	36.6	171.2
Fair value gain on derivative financial instrument	0.1	0.4
	<u>36.7</u>	<u>171.6</u>
	<u>64.4</u>	<u>203.9</u>

4. Gain on disposal of subsidiaries

In the prior period, the gain arose from the completion of the spin-off of Regal REIT (the "Spin-off") during that period, which comprised the global offering and separate listing of the units in Regal REIT on The Stock Exchange of Hong Kong Limited, and all the incidental arrangements which primarily involved the disposal of the Group's subsidiaries owning the five hotel properties in Hong Kong to Regal REIT, a real estate investment trust constituted by a trust deed between Regal Portfolio Management Limited, a wholly-owned subsidiary of the Group, as the manager of Regal REIT and DB Trustees (Hong Kong) Limited as the trustee of Regal REIT. The Group retained 70.5% interest in Regal REIT and effectively disposed of 29.5% of its interest in the hotel properties upon the completion of the Spin-off (after accounting for the exercise of the over allotment option of the units in Regal REIT pursuant to the global offering).

5. An analysis of gain on sale of investments of the Group is as follows:

	Six months ended 30th June, 2008 (Unaudited)	Six months ended 30th June, 2007 (Unaudited)
	HK\$'million	HK\$'million
Gain on sale of financial assets at fair value through profit or loss	0.1	0.7

6. Finance Costs

	Six months ended 30th June, 2008 (Unaudited)	Six months ended 30th June, 2007 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans wholly repayable within five years	2.0	76.5
Dividends on convertible preference shares (classified as financial liabilities)	3.8	3.8
Total finance costs	5.8	80.3

7. Tax

	Six months ended 30th June, 2008 (Unaudited)	Six months ended 30th June, 2007 (Unaudited)
	HK\$'million	HK\$'million
Current - Hong Kong	0.3	1.0
Current - Overseas	0.3	0.2
Deferred tax	-	10.9
Tax charge for the period	0.6	12.1

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2007 - 17.5%) 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, based on existing legislation, practices and interpretations thereof.

No provision for tax is required for the jointly controlled entities as no assessable profits were earned by the jointly controlled entities during the period (2007 - Nil).

The share of tax credit attributable to associates amounting to HK\$38.4 million (2007 - tax charge of HK\$6.3 million) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

There was no material unprovided deferred tax in respect of the period and as at the balance sheet date.

Deferred tax charge in the prior period had been calculated by applying the rate that was expected to apply in the period when the asset was realised.

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

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the period attributable to equity holders of the parent of HK\$600.1 million (2007 - HK\$2,496.2 million), and on the weighted average of 10,375.5 million (2007 - 9,475.6 million) ordinary shares of the Company in issue during the period.

(b) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2008 is based on the adjusted profit for the period attributable to equity holders of the parent of HK\$603.8 million as adjusted for the interest savings and fair value gain on the derivative component of the convertible preference shares arising from the conversion of the convertible preference shares into ordinary shares of the Company, and on the adjusted weighted average of 10,451.5 million ordinary shares of the Company that would have been in issue during the period assuming all outstanding convertible preference shares of the Company were converted into ordinary shares of the Company at the beginning of the period. The exercise price of the share options of the Company outstanding during the period is higher than the average market price of the Company's ordinary shares and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2007 was based on the adjusted profit for that period attributable to equity holders of the parent of HK\$2,500.0 million as adjusted for the interest savings and fair value gain on the derivative component of the convertible preference shares arising from the conversion of the convertible preference shares into ordinary shares of the Company, and on the adjusted weighted average of 10,681.2 million ordinary shares of the Company that would have been in issue during that period assuming all outstanding convertible bonds (including optional convertible bonds) of the Group were converted into, and the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for, and all outstanding convertible preference shares of the Company were converted into ordinary shares of the Company at the beginning of that period. The exercise price of the share options of the Company outstanding during that period was higher than the average market price of the Company's ordinary shares and, accordingly, they had no dilutive effect on the basic earnings per ordinary share.

9. Dividend

The Directors have declared the payment of an interim dividend of HK0.3 cent per ordinary share for the financial year ending 31st December, 2008 (2007 - HK0.3 cent), absorbing an amount of approximately HK\$30.8 million (2007 - HK\$32.0 million).

10. Financial Assets at Fair Value through Profit or Loss

At the date of approval of these financial statements, the fair values of the financial assets at fair value through profit or loss included under non-current assets and current assets were approximately HK\$463.8 million and HK\$145.0 million respectively.

11. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$90.4 million (31st December, 2007 - HK\$447.9 million) representing the trade debtors of the Group. The aged analysis of such debtors, based on the invoice date, is as follows:

	30th June, 2008 (Unaudited)	31st December, 2007 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	85.7	440.0
Between 4 to 6 months	2.0	3.5
Between 7 to 12 months	0.8	2.6
Over 1 year	3.1	3.0
	<hr/>	<hr/>
	91.6	449.1
Impairment	(1.2)	(1.2)
	<hr/>	<hr/>
	<u>90.4</u>	<u>447.9</u>

Credit terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amount less impairment which are made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's trade debtors relate to a large number of diversified customers (except for sale proceeds receivable from disposal of properties held for sale), there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

Included in the Group's debtors, deposits and prepayments are amounts due from an associate and related companies of HK\$35.3 million (31st December, 2007 - HK\$29.2 million) and HK\$3.1 million (31st December, 2007 - HK\$2.6 million) respectively, which are repayable on similar credit terms to those offered to the major customers of the Group or otherwise in accordance with the agreed terms in the relevant agreements.

12. Creditors and Accruals

Included in the balance is an amount of HK\$50.5 million (31st December, 2007 - HK\$87.8 million) representing the trade creditors of the Group. The aged analysis of such creditors, based on the invoice date, is as follows:

	30th June, 2008 (Unaudited)	31st December, 2007 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	48.6	84.1
Between 4 to 6 months	0.3	1.4
Between 7 to 12 months	1.1	0.4
Over 1 year	0.5	1.9
	50.5	87.8
	50.5	87.8

The trade creditors are non-interest bearing and are normally settled on 30 to 60-day terms.

Included in creditors and accruals are amounts due to associates and related companies of HK\$5.4 million (31st December, 2007 - HK\$94.1 million) and HK\$21.1 million (31st December, 2007 - HK\$16.8 million) respectively, which have similar credit terms to those offered by those associates and related companies to their major customers or otherwise in accordance with the agreed terms in the relevant agreements.

13. Interest bearing bank and other borrowings

	Effective interest rate p.a. (%)	Maturity	30th June, 2008 (Unaudited)	31st December, 2007 (Audited)
			HK\$'million	HK\$'million
Current				
Bank loan - secured	6.57-7.72	2008	-	21.4
Convertible preference shares	5.75	2008	132.4	128.6
			132.4	150.0
			132.4	150.0

The interest bearing bank borrowing at 31st December, 2007 was denominated in Renminbi and was fully repaid during the period.

14. Related Party Transactions

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in these condensed consolidated financial statements, the Group had the following material related party transactions during the period:

	Six months ended 30th June, 2008 (Unaudited)	Six months ended 30th June, 2007 (Unaudited)
	HK\$'million	HK\$'million
A substantial shareholder:		
Management fees	6.3	5.7
Wholly-owned subsidiaries of a substantial shareholder, Paliburg Holdings Limited ("PHL"):		
Development consultancy fees	3.4	3.7
Service fees in respect of security systems and products and other software	3.8	0.1
Repairs and maintenance fees and construction fees	38.2	69.2
Associates:		
REIT manager's fees	37.6	17.4
Lease rental	350.0	174.8
Furniture, fixtures and equipment reserve contribution	13.8	6.9
Other rental expenses	2.3	–
Advertising and promotion fees (including cost reimbursements)	3.4	5.9
Hotel room revenue	–	12.3
A jointly controlled entity:		
Rental expenses in respect of land and buildings	–	1.4
	<u> </u>	<u> </u>

The nature and terms of the related party transactions set out above were already disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2007.

In addition, the Group has guaranteed the total minimum variable rent payable under the lease agreements signed between Regal REIT and the Group (the "Lease Agreements") for the years up to 2010 in the amount of HK\$220.0 million. Up to 30th June, 2008, variable rent of HK\$101.6 million (30th June, 2007 - HK\$13.9 million) has been paid by the Group.

The Company has also guaranteed the lessee's obligations under the Lease Agreements under separate guarantees (the "Lease Guarantees"). In this connection, the Company has undertaken to maintain a minimum consolidated tangible net worth (as defined in the Lease Guarantees) of HK\$4 billion and procure an unconditional and irrevocable bank guarantee in the amount of HK\$1 billion in favour of the lessors and the trustee of Regal REIT.

Pursuant to the sale and purchase agreement signed in connection with the Spin-off of Regal REIT, the Group has undertaken to complete and bear the cost of the asset enhancement programme (the "AEP") for certain hotel properties disposed of to Regal REIT. The total estimated cost of the AEP, including the land premium payable, amounted to approximately HK\$534.7 million of which the outstanding balance as at 30th June, 2008 amounted to approximately HK\$163.3 million and has been fully provided for in the condensed consolidated interim financial statements.

Under a deed of trade mark licence, the Group has granted to Regal REIT a non-exclusive and non-transferable licence at nil consideration to use its registered trade marks or service marks for the purpose of describing the ownership of the hotels disposed of by the Group to Regal REIT and/or use in connection with the business of these hotels.

(b) Outstanding balances with related parties

	30th June, 2008 (Unaudited)	31st December, 2007 (Audited)
	HK\$'million	HK\$'million
Due from jointly controlled entities	367.8	366.7
Due from associates	35.3	29.2
Due from related companies	3.1	2.6
Due to associates	(5.4)	(94.1)
Due to related companies	(21.1)	(16.8)
Loans to jointly controlled entities	1,071.2	1,022.5
Loans and advances to associates	274.7	270.2
	<u>274.7</u>	<u>270.2</u>

(c) Compensation of key management personnel of the Group

	Six months ended 30th June, 2008 (Unaudited)	Six months ended 30th June, 2007 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	9.0	14.7
Share-based payments	3.5	7.3
	<u>12.5</u>	<u>22.0</u>
Total compensation paid to key management personnel	<u>12.5</u>	<u>22.0</u>

15. Pledge of Assets

As at 30th June, 2008, the Group's bank deposits and certain other financial assets at fair value through profit or loss in the total amount of HK\$1,001.6 million (31st December, 2007 - HK\$1,000.8 million) were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees.

As at 31st December, 2007, certain time deposit in the amount of HK\$24.0 million was also pledged to secure a short term bank loan of the Group.

16. Contingent Liability

Apart from the guarantees given under the Lease Agreements in respect of the minimum variable rent as disclosed in note 14, the Group had no other contingent liability as at 30th June, 2008 (31st December, 2007 - Nil).

17. Operating Lease Arrangements

(a) As lessor

Since the completion of the Spin-off of Regal REIT on 30th March, 2007, the Group has effectively subleased certain retail space and areas of its leased hotel properties under operating lease arrangements, with leases negotiated for terms ranging from 3 months to 3 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms of 2 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 30th June, 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30th June, 2008 (Unaudited)	31st December, 2007 (Audited)
	HK\$'million	HK\$'million
Within one year	46.4	49.7
In the second to fifth years, inclusive	18.2	25.1
	64.6	74.8
	64.6	74.8

(b) As lessee

Since the completion of the Spin-off of Regal REIT on 30th March, 2007, the Group has started to lease certain hotel properties from Regal REIT under the Lease Agreements, the term of which runs from 30th March, 2007 to 31st December, 2015. The rental package for the years up to 2010 comprises a cash base rent which is a pre-determined escalating annual amount payable monthly and a variable rent calculated as a percentage of the net property income of the hotel properties in excess of the cash base rent on an annual basis, as stipulated in the Lease Agreements. For the years from 2011 to 2015, the rental package is to be determined subject to annual rent reviews by an independent property valuer.

The Group also leases certain office and shop units and office equipment under operating lease arrangements. Leases for properties are negotiated for terms from 1 to 3 years. Lease for office equipment in respect of the Group is negotiated for a term of 3 to 5 years.

At 30th June, 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2008 (Unaudited)	31st December, 2007 (Audited)
	HK\$'million	HK\$'million
Land and buildings:		
Within one year	730.3	705.5
In the second to fifth years, inclusive	1,158.7	1,535.9
	1,889.0	2,241.4
Other equipment:		
Within one year	0.1	0.1
In the second to fifth years, inclusive	0.1	0.1
	0.2	0.2
	1,889.2	2,241.6

The lease payments set out above exclude the lease rental payable by the Group under the Lease Agreements for the years from 2011 to 2015, which is to be determined subject to annual rent reviews by an independent property valuer and a minimum annual lease rental of HK\$400.0 million.

In addition, the Group has guaranteed the total minimum variable rent payable under the Lease Agreements for the years up to 2010 in the amount of HK\$220.0 million. Up to 30th June, 2008, variable rent of HK\$101.6 million (31st December, 2007 - HK\$101.6 million) has been paid by the Group.

18. Commitments

As at 30th June, 2008, apart from the operating lease commitment as detailed in note 17 above, the Group had commitment in respect of investment in a jointly controlled entity, which was contracted but not provided for, amounting to approximately HK\$120.6 million (31st December, 2007 - Nil).

As at 31st December, 2007, the Group had capital commitments in respect of land, which was contracted but not provided for, amounted to HK\$91.0 million.

19. Share Options

The Company operates a share option scheme named as “The Regal Hotels International Holdings Limited Share Option Scheme” (the “Share Option Scheme”). The Share Option Scheme was adopted by the Company’s shareholders on 16th June, 2005 and became effective on 21st July, 2005. Share options granted under the Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

During the period, movements in share options granted by the Company pursuant to the Share Option Scheme are as follows:

Offer date**	Name or category of participant	Number of ordinary shares under share options*			Vesting/ Exercise periods of share options	Exercise price of share options* HK\$
		At 1st January, 2008	Vested during the period	At 30th June, 2008		
Directors						
12th May, 2005	Mr. Lo Yuk Sui					
	Vested:	80,000,000	40,000,000	120,000,000	Note	0.75
	Unvested:	120,000,000***	(40,000,000)	80,000,000		
25th July, 2005	Ms. Belinda Yeung Bik Yiu					
	Vested:	12,000,000	—	12,000,000	Note	0.75
	Unvested:	18,000,000	—	18,000,000		
25th July, 2005	Mr. Donald Fan Tung					
	Vested:	8,000,000	—	8,000,000	Note	0.75
	Unvested:	12,000,000	—	12,000,000		
25th July, 2005	Mr. Jimmy Lo Chun To					
	Vested:	6,000,000	—	6,000,000	Note	0.75
	Unvested:	9,000,000	—	9,000,000		
25th July, 2005	Miss Lo Po Man					
	Vested:	12,000,000	—	12,000,000	Note	0.75
	Unvested:	18,000,000	—	18,000,000		
25th July, 2005	Mr. Kenneth Ng Kwai Kai					
	Vested:	8,000,000	—	8,000,000	Note	0.75
	Unvested:	12,000,000	—	12,000,000		
Other Employees						
25th July, 2005	Employees, in aggregate					
	Vested:	14,000,000	—	14,000,000	Note	0.75
	Unvested:	21,000,000	—	21,000,000		
	Total:					
	Vested:	140,000,000	40,000,000	180,000,000		
	Unvested:	210,000,000	(40,000,000)	170,000,000		

- * Subject to adjustment in the case of rights or bonus issues, or other relevant changes in the Company's share capital.
- ** Offer date is the date on which the grant of share options is offered by the Company, and it is deemed the date of grant of the share options unless the grant of share options is declined or lapsed.
- *** In excess of the individual maximum limit of 1% of the ordinary shares in issue as of the offer date.

Note:

Vesting/Exercise periods of share options:

On completion of continuous service of	Percentage vesting	Cumulative percentage exercisable
2 years after offer date	40% of options granted	40% (exercisable until 6 years after offer date)
3 years after offer date	A further 20% of options granted	60% (exercisable until 6 years after offer date)
4 years after offer date	A further 20% of options granted	80% (exercisable until 6 years after offer date)
5 years after offer date	The final 20% of options granted	100% (exercisable until 6 years after offer date)

OTHER INFORMATION

Directors' Interests in Share Capital

As at 30th June, 2008, 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 of Hong Kong Limited (the "Listing Rules"), were as follows:

	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2008)
			Personal interests	Corporate interests	Family/ other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) issued	242,000	4,768,492,636 (Note a(i))	2,607,000	4,771,341,636
		(ii) unissued	200,000,000 (Note a(iii))	15,608,427 (Note a(ii))	-	215,608,427
					Total (i) & (ii):	4,986,950,063 (48.34%)
		Preference (issued)	-	3,440 (Note a(ii))	-	3,440 (20.54%)
	Dr. Francis Choi Chee Ming	Ordinary (issued)	502,400,000	-	-	502,400,000 (4.87%)
	Ms. Belinda Yeung Bik Yiu	Ordinary (unissued)	30,000,000 (Note b)	-	-	30,000,000 (0.29%)
	Mr. Donald Fan Tung	Ordinary (unissued)	20,000,000 (Note c)	-	-	20,000,000 (0.19%)
	Mr. Jimmy Lo Chun To	Ordinary (unissued)	15,000,000 (Note d)	-	-	15,000,000 (0.15%)
	Miss Lo Po Man	Ordinary (i) issued	3,000,000	-	2,691,690 (Note e)	5,691,690
		(ii) unissued	30,000,000 (Note b)	-	-	30,000,000
				Total (i) & (ii):	35,691,690 (0.35%)	
Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	20,000,000 (Note c)	-	-	20,000,000 (0.19%)	

Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Family/ other interests	Total (Approximate percentage of the issued shares as at 30th June, 2008)
			Personal interests	Corporate interests			
2. 8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	1,000 (Note f)	-	1,000 (100%)	
3. Regal Real Estate Investment Trust	Mr. Lo Yuk Sui	Units (issued)	-	2,283,459,289 (Note g)	-	2,283,459,289 (72.81%)	

Notes:

(a) (i) The interests in 4,214,000 issued ordinary shares of the Company were held through companies wholly owned by Century City International Holdings Limited ("CCIHL"), in which Mr. Lo Yuk Sui ("Mr. Lo") held 53.65% shareholding interests and the interests in the other 4,764,278,636 issued ordinary shares of the Company were held through companies wholly owned by Paliburg Holdings Limited ("PHL"), in which CCIHL held 54.44% shareholding interests.

(ii) The interests in 15,608,427 unissued ordinary shares of the Company were held through companies wholly owned by PHL, in which CCIHL held 54.44% shareholding interests. Mr. Lo held 53.65% shareholding interests in CCIHL.

The interests in 15,608,427 unissued ordinary shares of the Company related to the interests in 3,440 convertible cumulative preference shares of the Company carrying rights to convert into 15,608,427 new ordinary shares of the Company, based on the conversion price of HK\$1.7037 per ordinary share and on a reference amount of US\$1,000 per preference share at the fixed exchange rate of HK\$7.730255 to US\$1.00, during the period from 5th December, 1993 to 5th December, 2008.

(iii) The interests in 200,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the share option scheme of the Company named as "The Regal Hotels International Holdings Limited Share Option Scheme" (the "Share Option Scheme"), entitling the holder thereof to subscribe for a total of 200,000,000 new ordinary shares of the Company at an exercise price of HK\$0.75 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
12th May, 2007 to 11th May, 2011	80,000,000
12th May, 2008 to 11th May, 2011	40,000,000
12th May, 2009 to 11th May, 2011	40,000,000
12th May, 2010 to 11th May, 2011	40,000,000

- (b) The interests in 30,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Share Option Scheme, entitling the holder thereof to subscribe for a total of 30,000,000 new ordinary shares of the Company at an exercise price of HK\$0.75 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of the Company under vested options</u>
25th July, 2007 to 24th July, 2011	12,000,000
25th July, 2008 to 24th July, 2011	6,000,000
25th July, 2009 to 24th July, 2011	6,000,000
25th July, 2010 to 24th July, 2011	6,000,000

- (c) The interests in 20,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Share Option Scheme, entitling the holder thereof to subscribe for a total of 20,000,000 new ordinary shares of the Company at an exercise price of HK\$0.75 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of the Company under vested options</u>
25th July, 2007 to 24th July, 2011	8,000,000
25th July, 2008 to 24th July, 2011	4,000,000
25th July, 2009 to 24th July, 2011	4,000,000
25th July, 2010 to 24th July, 2011	4,000,000

- (d) The interests in 15,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Share Option Scheme, entitling the holder thereof to subscribe for a total of 15,000,000 new ordinary shares of the Company at an exercise price of HK\$0.75 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of the Company under vested options</u>
25th July, 2007 to 24th July, 2011	6,000,000
25th July, 2008 to 24th July, 2011	3,000,000
25th July, 2009 to 24th July, 2011	3,000,000
25th July, 2010 to 24th July, 2011	3,000,000

- (e) The interests in 2,691,690 issued ordinary shares of the Company were held by Miss Lo Po Man as the beneficiary of a trust.
- (f) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 53.65% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.
- (g) The interests in 2,278,172,289 units of Regal Real Estate Investment Trust were held through wholly owned subsidiaries of the Company, and the interests in the other 5,287,000 units of Regal Real Estate Investment Trust were held through wholly owned subsidiaries of CCIHL. PHL, in which CCIHL held 54.44% shareholding interests, held 46.18% shareholding interests in the Company. Mr. Lo held 53.65% shareholding interests in CCIHL.

Save as disclosed herein, as at 30th June, 2008, 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.

During the period, no right has been granted to, or exercised by, the following persons, to subscribe for shares in or debentures of the Company under the Share Option Scheme, and no option granted to such persons under the Share Option Scheme has been cancelled and lapsed:

- (i) any Directors, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) any participant under the Share Option Scheme with options granted in excess of the individual limit;
- (iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;
- (iv) any supplier of goods or services; and
- (v) any other participants under the Share Option Scheme.

Substantial Shareholders' Interests in Share Capital

As at 30th June, 2008, 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 (unissued) held	Total number of ordinary shares (issued and unissued) held	Approximate percentage of the issued ordinary shares as at 30th June, 2008
CCIHL (Note i)	4,768,492,636	15,608,427	4,784,101,063	46.37%
Century City BVI Holdings Limited (Note ii)	4,768,492,636	15,608,427	4,784,101,063	46.37%
Almighty International Limited (Note ii)	4,764,278,636	15,608,427	4,779,887,063	46.33%
PHL (Note iii)	4,764,278,636	15,608,427	4,779,887,063	46.33%
Paliburg Development BVI Holdings Limited (Note iv)	4,764,278,636	15,608,427	4,779,887,063	46.33%
Guo Yui Investments Limited (Note iv)	1,629,444,666	-	1,629,444,666	15.79%
Paliburg International Holdings Limited (Note iv)	2,629,432,101	-	2,629,432,101	25.49%
Paliburg BVI Holdings Limited (Note iv)	2,629,432,101	-	2,629,432,101	25.49%
Taylor Investments Ltd. (Note iv)	1,542,323,056	-	1,542,323,056	14.95%
Glaser Holdings Limited (Note iv)	586,828,314	-	586,828,314	5.69%

Notes:

- (i) The interests in ordinary shares held by CCIHL were included in the corporate interests of Mr. Lo Yuk Sui in the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) 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.
- (iii) PHL is a listed subsidiary of CCIHL, which held 54.44% shareholding interests in PHL, and PHL's interests in the ordinary shares of the Company were included in the interests held by CCIHL.
- (iv) These companies are wholly owned subsidiaries of PHL and their interests in the ordinary shares of the Company were included in the interests held by PHL.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 30th June, 2008, 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.

Disclosure pursuant to Rules 13.13 and 13.16 of Chapter 13 of the Listing Rules

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Rules 13.13 and 13.16 of Chapter 13 of the Listing Rules:

Advances to an Entity (Rule 13.13 of Chapter 13)

Details of the advances made to Chest Gain Development Limited ("Chest Gain"), a jointly controlled entity owned as to 70% by the Company and 30% by China Overseas Land & Investment Limited, which is a company listed in Hong Kong and is independent of, and not connected with the Company, the directors, chief executive and substantial shareholders of the Company and any of its subsidiaries or any of their respective associates (as defined in the Listing Rules), by the Company and its subsidiaries (the "Group") as at 30th June, 2008 are set out below:

Advances	Group (HK\$'million)
(A) Principal Amount of Advances	942.9
(B) Interest Receivable	366.7
Total: (A)+(B)	<u>1,309.6</u>

The above advances to Chest Gain in an aggregate sum of HK\$1,309.6 million represent contributions of funds to Chest Gain provided in the form of shareholders' loans. The advances are unsecured and have no fixed term of repayment, interest bearing at prime rate per annum. The provision of financial assistance to Chest Gain is for the purpose of facilitating Chest Gain in the development of the "Regalia Bay" luxury residential project at Rural Building Lot No.1138, Wong Ma Kok Road, Stanley, Hong Kong (the "Regalia Bay Development"). The site for the Regalia Bay Development was acquired by Chest Gain at the government land auction held on 3rd June, 1997.

Calculated on the basis shown above, the aggregate of advances as at 30th June, 2008 provided by the Group to Chest Gain in the sum of HK\$1,309.6 million represented 20.8% of the consolidated total assets of the Group of HK\$6,289.9 million (the "Regal TA"), by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2008.

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

Details of the financial assistance provided to affiliated companies (including Chest Gain) by the Group as at 30th June, 2008 are set out below:

Name of Affiliated Companies	Principal Amount of Advances (HK\$'million)	Interest Receivable (HK\$'million)	Total (HK\$'million)
Chest Gain	942.9	366.7	1,309.6
8D International (BVI) Limited	29.0	–	29.0
8D Matrix Limited	1.3	–	1.3
Bright Future (HK) Limited	5.6	–	5.6
Hang Fok Properties Limited	238.1	–	238.1
Faith Crown Holdings Limited	128.3	1.1	129.4
	<u>1,345.2</u>	<u>367.8</u>	<u>1,713.0</u>

Relevant details in respect of the financial assistance provided to Chest Gain are disclosed above under Rule 13.13 of Chapter 13 of the Listing Rules.

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

8D Matrix Limited (“8D Matrix”) is a 30% owned associate of the Company (the Company also holds an additional 6% attributable interest through its holding in 8D-BVI), which is involved in promotions businesses. The remaining shareholding interests in 8D Matrix are owned as to 10% indirectly by CCIHL and 60% indirectly by Mr. Lo Yuk Sui through his associates (as defined in the Listing Rules), including 8D-BVI. The advances were provided by the Group in the form of shareholder’s loans in proportion to the Company’s shareholding interest in 8D Matrix, for the purpose of financing the working capital of 8D Matrix. The advances are unsecured, interest-free and have no fixed term of repayment.

Bright Future (HK) Limited ("Bright Future"), a 50% owned associate of the Company, owns a 90% effective equity interest in a foreign enterprise engaged in the operation of a hotel in Qinghai in the People's Republic of China (the "PRC"). The remaining 50% shareholding interest in Bright Future and the remaining 10% equity interest in the aforesaid foreign enterprise are owned by third parties respectively, which are independent of, and not connected with the Company, the directors, chief executive and substantial shareholders of the Company and any of its subsidiaries or any of their respective associates (as defined in the Listing Rules). The advances to Bright Future were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in Bright Future, for the purpose of funding the working capital requirements of Bright Future. The advances to Bright Future are unsecured, interest-free and have no fixed term of repayment.

Hang Fok Properties Limited ("Hang Fok"), a 50% owned associate of the Company, holds a 59% shareholding interest in each of the two investee companies, namely Beijing Century City Real Estate Development Co., Ltd. and Beijing Jianye Real Estate Developing Co., Ltd. (both of which are Sino-foreign cooperative joint ventures incorporated in the PRC) (the "Investee Companies"). The Investee Companies are principally engaged in the development of a property project at Chao Yang Men Wai Da Jie in the Central Business District of Beijing, the PRC, planned to comprise office, residential, hotel, commercial and carparking accommodations with a total permissible gross floor area of about 4,630,000 square feet. One of the Investee Companies has been granted by the relevant authority in the PRC the Land Grant Contracts in respect of certain portions of the original development site encompassing office, commercial and residential uses. The remaining 50% shareholding interest in Hang Fok is owned by an indirect wholly owned subsidiary of PHL. The remaining 41% equity interests in the Investee Companies are owned by a third party, which is independent of, and not connected with the Company, the directors, chief executive and substantial shareholders of the Company and any of its subsidiaries or any of their respective associates (as defined in the Listing Rules). The advances to Hang Fok were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in Hang Fok, for the purpose of funding the working capital requirements of Hang Fok and its investment in the Investee Companies. The advances to Hang Fok are unsecured, interest-free and have no fixed term of repayment.

Faith Crown Holdings Limited ("Faith Crown"), which was previously a wholly owned subsidiary of the Company and became a 50% owned jointly controlled entity of the Company in February 2008, holds, through its wholly owned subsidiaries, interests in a site in Xindu District, Chengdu, the PRC acquired at a public land auction. The remaining 50% shareholding interest in Faith Crown is indirectly held by Cosmopolitan International Holdings Limited ("CIHL"), which is a company listed in Hong Kong and is not a connected person (as defined in the Listing Rules) of the Company. The Company holds, through its wholly owned subsidiaries, 3.5% shareholding interests in CIHL and certain convertible bonds issued by the CIHL group. The site is composed of two separate land parcels, one of which is planned to be developed into a hotel and commercial complex with aggregate

gross floor area of about 180,000 square meters above ground together with about 50,000 square meters of commercial, auxiliary services and car park areas below ground, while the other parcel is planned for residential development with aggregate gross floor area of about 315,000 square meters. The advances to Faith Crown were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interests in Faith Crown. The advances to Faith Crown are unsecured, interest-free and have no fixed term of repayment. Interest receivable in the sum of HK\$1.1 million relates to a previous shareholder's loan, the principal of which was repaid during the period.

Calculated on the basis shown above, as at 30th June, 2008, the aggregate amount of financial assistance provided to affiliated companies by the Group in the sum of HK\$1,713.0 million represented 27.2% of the Regal TA.

Save as disclosed above, there were no other financial assistance provided to and guarantees given for affiliated companies by the Group as at 30th June, 2008, which were discloseable pursuant to Rule 13.16 of Chapter 13 of the Listing Rules.

A combined balance sheet of the abovenamed affiliated companies and the Group's attributable interest in these affiliated companies are presented below:

	Combined balance sheet (HK\$'million)	The Group's attributable interest (HK\$'million)
Non-current assets	2,714.0	761.7
Current assets	2,362.1	199.5
Current liabilities	(350.6)	(194.2)
Non-current liabilities	(7,673.8)	(1,793.3)
	<hr/>	<hr/>
Net liabilities	(2,948.3)	(1,026.3)
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Corporate Governance

Code of Corporate Governance Practices

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six months ended 30th June, 2008, except that:

- (1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals due to practical necessity to cater to the Group's corporate operating structure.
- (2) The Non-Executive Director and the Independent Non-Executive Directors of the Company were not appointed for specific terms, but arrangements have been put in place such that the Non-Executive Director and the Independent Non-Executive Directors would retire, and are subject to re-election, either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the "Code for Securities Transactions by Directors of Regal Hotels International Holdings Limited" (the "Regal Code"), on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard under the Model Code and the Regal Code during the six months ended 30th June, 2008.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30th June, 2008, the Company has repurchased a total of 199,264,000 ordinary shares of the Company at an aggregate purchase price of HK\$103,904,360 on the Stock Exchange. Details of the repurchases of such ordinary shares are as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2008	106,872,000	0.640	0.510	63,925,280
February 2008	6,120,000	0.570	0.540	3,325,500
April 2008	47,082,000	0.475	0.425	21,283,480
May 2008	2,898,000	0.440	0.430	1,253,140
June 2008	36,292,000	0.425	0.365	14,116,960
Total	<u>199,264,000</u>			<u>103,904,360</u>
		Total expenses on shares repurchased		<u>642,522</u>
				<u>104,546,882</u>

Out of the 199,264,000 repurchased ordinary shares, 176,062,000 repurchased ordinary shares, together with 31,130,000 ordinary shares repurchased in 2007 but not cancelled during that year, in aggregate 207,192,000 repurchased ordinary shares, were cancelled during the period, and the remaining 23,202,000 repurchased ordinary shares were cancelled subsequent to the period end date. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

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

Review of Results

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

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

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

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

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

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group, auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30th June, 2008, in conjunction with the external auditors. The review report of the external auditors is set out on page 41 of this report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the interim financial information set out on pages 12 to 29 which comprises the condensed consolidated balance sheet of Regal Hotels International Holdings Limited as at 30th June, 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The Directors 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 the interim financial information.

Scope of Review

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

Conclusion

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

Ernst & Young
Certified Public Accountants

18th Floor,
Two International Finance Centre
8 Finance Street, Central
Hong Kong
10th September, 2008



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