

# INTERIM REPORT 2009





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## CORPORATE INFORMATION

### DIRECTORS

Lo Yuk Sui  
(Chairman and Chief Executive Officer)  
Francis Choi Chee Ming, GBS, 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, GBS, 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 Fulcrum Group (Bermuda) Limited  
Rosebank Centre, 11 Bermudiana Road,  
Pembroke HM08, Bermuda

### BRANCH REGISTRAR IN HONG KONG

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716, 17th Floor,  
Hopewell Centre,  
183 Queen's Road East,  
Wan Chai,  
Hong Kong

### REGISTERED OFFICE

Rosebank Centre, 11 Bermudiana Road,  
Pembroke, Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street,  
Causeway Bay,  
Hong Kong

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## DIRECTORS' PROFILE

**Mr. Lo Yuk Sui**, aged 65; *Chairman and Chief Executive Officer* — Chairman and Managing Director since 1989 when the Company was established in Bermuda as the holding company of the Group. Mr. Lo has been the Managing Director and the Chairman of the predecessor listed company of the Group since 1984 and 1987 respectively. Mr. Lo was designated as the Chief Executive Officer of the Company in 2007. He is also the chairman and chief executive officer of Century City International Holdings Limited ("CCIHL") and Paliburg Holdings Limited ("PHL"), of which the Company is the listed associate, and the non-executive chairman of Regal Portfolio Management Limited ("RPML"), the manager of Regal Real Estate Investment Trust (the listed associate of the Company). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

**Dr. Francis Choi Chee Ming**, *GBS, JP*, aged 64; *Vice Chairman and Non-Executive Director* — Invited to the Board as Non-Executive Director and elected Vice Chairman in 2004. Dr. Choi holds a master degree in business administration from the Newport University in the United States of America and a bachelor degree in business administration from the Sussex College of Technology in the United Kingdom. He also holds a Ph. D in Business Management from Harbin Institute of Technology, the People's Republic of China. Dr. Choi is the chairman of Early Light International (Holdings) Ltd. and has extensive business interests in the manufacturing industry and the property sector. He is the Honorary President of the Toys Manufacturer's Association of Hong Kong, Honorary President of the Hong Kong Young Industrialists Council and the Council Member of the Hong Kong Polytechnic University. He is also a Member of National Committee of the Chinese People's Political Consultative Conference. Dr. Choi is also the vice chairman and non-executive director of Town Health International Holdings Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Ms. Belinda Yeung Bik Yiu**, aged 51; *Executive Director and Chief Operating Officer* — Appointed to the Board in 2002 and designated as the Chief Operating Officer in 2007. Ms. Yeung joined the Group in 1987. Having obtained her hotel management university degree in U.S.A., Ms. Yeung has acquired extensive hotel management experience in U.S.A., Mainland China as well as in Hong Kong — in both multi-unit corporate and single-unit hotel management levels. As the Chief Operating Officer in charge of the hotel operation and management functions of the Group, Ms. Yeung is responsible for overseeing the hotel business operations of the Group. On top of her hotel management responsibilities, Ms. Yeung is also in charge of the human resources management of the Century City Group.

**Mr. Donald Fan Tung**, aged 52; *Executive Director* — Appointed to the Board in 2002. Mr. Fan has been with the Group since 1987. He is primarily in charge of the property investment and development businesses and the hotel project works of the Group. Mr. Fan is also an executive director of CCIHL, an executive director and the chief operating officer of PHL and a non-executive director of RPML. Mr. Fan is involved in the property development, architectural design and project management functions as well as overseeing the building construction business of the Paliburg Group. He is a qualified architect.

**Ms. Alice Kan Lai Kuen**, aged 55; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. Ms. Kan is a shareholder and the managing director of Asia Investment Management Limited providing corporate advisory and investment management services and Asia Investment Research Limited involving in research work in Hong Kong and China based companies. She is a licensed person under the Securities and Futures Ordinance of Hong Kong (the “SFO”) to carry out certain regulated activities. She has over 18 years of experience in corporate finance and is well experienced in both the equity and debt markets. She formerly held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is an independent non-executive director of China Engin International (Holdings) Limited, Shougang Concord International Enterprises Company Limited, Shougang Concord Technology Holdings Limited, G-Vision International (Holdings) Limited, Shimao Property Holdings Limited and Sunway International Holdings Limited, all of which are companies listed on the Stock Exchange.

**Mr. Jimmy Lo Chun To**, aged 35; *Executive Director* — Appointed to the Board in 1999. He is also an executive director of CCIHL and PHL and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, U.S.A. with a degree in architecture. Apart from his involvement with the design of the Group’s property and hotel projects, he undertakes responsibilities in the business development function of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

**Miss Lo Po Man**, aged 30; *Executive Director* — Appointed to the Board in 2004. Miss Lo graduated from Duke University, North Carolina, U.S.A. with a bachelor degree in psychology. She is also an executive director of CCIHL and PHL. Miss Lo joined the Group in 2000 and has been involved in the marketing and sales functions of the Group. She is an executive director of the estate agency business of the Group and has undertaken an active role in directing the marketing campaign of the Group’s luxury residential development, Regalia Bay in Stanley, Hong Kong. She also undertakes responsibilities in the business development function of the Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

**Mr. Kenneth Ng Kwai Kai, aged 55; Executive Director** — Joined the Group in 1985 and appointed to the Board in 1998. Mr. Ng is a Chartered Secretary and is in charge of the corporate finance, company secretarial and administrative functions of the Group. He is also an executive director and the chief operating officer of CCIHL, an executive director of PHL and a non-executive director of Cosmopolitan International Holdings Limited, a company listed on the Stock Exchange.

**Mr. Ng Siu Chan, aged 79; Independent Non-Executive Director** — Invited to the Board as Independent Non-Executive Director in 2005. Mr. Ng is also an independent non-executive director of CCIHL and PHL. He is a non-executive director of Transport International Holdings Limited, which is publicly listed in Hong Kong.

**Mr. Wong Chi Keung, aged 54; Independent Non-Executive Director** — Invited to the Board as Independent Non-Executive Director in 2004. Mr. Wong is also an independent non-executive director of CCIHL and PHL. He holds a master's degree in business administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management, advising on securities and advising on corporate finance for Legend Capital Partners, Inc. under the SFO. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited, a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, First Natural Foods Holdings Limited (Provisional Liquidators Appointed), FU JI Food and Catering Services Holdings Limited, Golden Eagle Retail Group Limited, PacMOS Technologies Holdings Limited and TPV Technology Limited, all of which companies are listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management.

### **Change in Information of Directors**

The change in the information of the Directors of the Company since the publication of the 2008 Annual Report of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") is set out below:

Mr. Wong Chi Keung, an Independent Non-Executive Director, resigned as an independent non-executive director of Great Wall Motor Company Limited, a company listed on the Stock Exchange, on 5th June, 2009.

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

## FINANCIAL RESULTS

For the six months ended 30th June, 2009, the Group achieved an unaudited consolidated profit attributable to shareholders of HK\$147.2 million, which is lower than the comparative profit of HK\$600.1 million in 2008. However, it should be noted that the profit attained in the corresponding period last year included fair value gains of approximately HK\$358.5 million arising from reclassification of the retained houses in Regalia Bay, Stanley to investment properties.

Due to the slowdown in world-wide economies caused by the global financial crisis and, more recently, the deterrent impact on travelling caused by the H1N1 pandemic, the hotel industry in Hong Kong on the whole has been operating under a difficult environment, particularly in the second quarter of this year. These have had a significant adverse effect on the overall business operations of the Group, as the lessee of the five Regal Hotels in Hong Kong, during the period under review.

For the purpose of reference and ease of comparison, supplementary information on the net assets of the Group, compiled on an adjusted basis to reflect more fairly the underlying net assets attributable to the interests held by the Group in Regal Real Estate Investment Trust, is provided in the section headed "Management Discussion and Analysis" below.

## REVIEW OF OPERATIONS

### HOTELS

#### Hong Kong

During the initial few months, hotels in Hong Kong were still able to perform relatively better than those in other major cities around the world, mainly benefiting from the continued strong influx of visitors from Mainland China. Since early May, the H1N1 pandemic has severely affected travelling to Hong Kong from all key source markets, including those from United States, Europe, Japan and Mainland China. For the whole of the period under review, there were a total number of 13.7 million visitors to Hong Kong which represented a negative growth of about 3.4% compared on a year-on-year basis, and Mainland China was the only market which still recorded an overall increase.

In the first half of 2009, the average hotel room occupancy rate for all hotels in different categories published by the Hong Kong Tourism Board was 74%, a negative growth of about 10.8%, while the average achieved room rate decreased by about 17.1%, resulting in an overall reduction in RevPAR (Revenue per Available Room) of about 26.2%, as compared with the corresponding period in 2008. The performance of the five Regal Hotels in Hong Kong has likewise been adversely affected under pressure from this very competitive market and, at the operating level, the hotels recorded a drop in RevPAR of about 22.9% from that attained in the comparative period last year.



To maintain the competitiveness of the Regal Hotels as well as to strengthen its overall network and in preparation for further expansion, the Group, as the operator of the hotel business and the owner of the Regal brand, has continued to sponsor extensive marketing program to promote market awareness, brand recognition and client affiliation.

The second stage of the Asset Enhancement Program at the Regal Riverside Hotel was duly completed in June 2009. Accordingly, the remaining number of approximately 155.7 million units held by the Group in Regal REIT, which were previously subject to the distribution waiver pending completion of this final phase of the Asset Enhancement Program, are now entitled to all future distributions of Regal REIT.

### **The People's Republic of China**

It has been the stated objective of the Group as a whole to expand its hotel portfolio in Mainland China, through hotel ownership and/or hotel management.

In January 2009, the Group announced that it has secured a management contract for the management of a new 350-room five star luxury hotel in Chengdu, the capital city of Sichuan Province. The hotel is now named as the Regal Master Hotel and scheduled for opening in the fourth quarter of this year.

Recently in August 2009, the Group entered into a hotel management agreement with Bosideng Holdings Limited for the Group to manage a five-star luxury hotel being developed by Bosideng in Dezhou, Shandong Province. This 215-room hotel will be named as the Regal Kangbo Hotel and, with its 100-meter height, will pose as the highest building as well as the first five-star international hotel in Dezhou. The hotel is presently scheduled to be opened in the third quarter of 2010.

The Regal Jinfeng Hotel, a 380-room four star business hotel located in Pudong, Shanghai, being another new addition to the hotel network in China under the management of the Group, is now preparing for soft opening later this month.

Together with the two existing managed hotels in Shanghai, there will be altogether four Regal managed hotels under operation in the Mainland by the end of this year. In pursuit of its stated objective, the Group is currently engaged in active discussions on a number of new hotel projects in different cities in China.

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

The Group holds approximately 74.0% of the issued units of Regal REIT, which owns the five Regal Hotels in Hong Kong. Regal REIT is being accounted for as an associate of the Group and the share of its profits attributable to the Group is based on the cash distributions received from Regal REIT during the relevant periods.

For the six months ended 30th June, 2009, Regal REIT attained an unaudited consolidated profit of approximately HK\$187.5 million. The profit attained in the period under review was comparatively lower than the profit of HK\$278.3 million recorded in the corresponding period in 2008, primarily due to the fact that while there is a deferred tax charge of approximately HK\$51.9 million incurred in the period under review, a net deferred tax credit of approximately HK\$53.9 million was recorded in the last corresponding period.



After adjusting for the non-cash items, the distributable income available for distribution to holders of the units for the period amounted to approximately HK\$280.5 million, which was equivalent to approximately HK\$0.092 per each unit entitled to the distribution (6 months ended 30th June, 2008 – HK\$247.4 million, equivalent to approximately HK\$0.083 per unit). Regal REIT has recently declared a distribution of HK\$0.085 per unit for the six months ended 30th June, 2009, which represents a distribution of approximately 92.4% of the available distributable income and an increase of about 2.4% over the HK\$0.083 per unit distributed for the comparative period in 2008.

With the completion of the second stage of the Asset Enhancement Program at Regal Riverside Hotel in June 2009, the hotel has added 280 new Regal iClub rooms to its room inventory, now boasting a total of 1,138 available rooms. In early July this year, the renovation and upgrade of one additional floor with 51 guest rooms in Regal Kowloon Hotel to club floor standard was also completed. Other notable capital additions projects that were completed during the period under review included the renovation of the new Chinese restaurant, Regal Court, in Regal Kowloon Hotel and the coffee shop, Café Neo, in Regal Oriental Hotel.

## **REGAL PORTFOLIO MANAGEMENT LIMITED**

Regal Portfolio Management Limited is a wholly-owned subsidiary of the Group and acts as the REIT Manager providing asset management services to Regal REIT. REIT Manager's fees received for the period amounted to approximately HK\$32.4 million, a major part of which was in the form of new units issued by Regal REIT.

## **PROPERTIES**

### **Hong Kong**

#### **Regalia Bay, Stanley**

Despite the general economic slowdown, the property market in Hong Kong rebounded substantially in the first half of the year, particularly in the luxury residential sector, which was largely attributable to the immensely increased market liquidity and the low interest rate environment. The Group sold three of its allocated house units during the period under review at satisfactory price levels and the profits derived have been reflected in the interim financial results.

Since the half year end date, the Group has further disposed of four additional house units at increasingly higher prices and the profits derived will be accounted for in the second half of the year. At present, the Group still owns a total of 24 allocated house units, of which 10 houses are under lease for rental income.

## **The People's Republic of China**

### **Development Project in the Central Business District of Beijing**


This development project is held through a Sino-foreign joint venture entity that is 59%-owned by Hang Fok Properties Limited, an associate that is in turn 50% each held by the Group and Paliburg Holdings Limited, the effective controlling shareholder of the Company. The joint venture entity is now in the course of finalising with the Beijing Municipal Bureau of Land and Resources the terms of the contract for the grant of the primary development rights for the Phase II land. In the meantime, Hang Fok is engaged in arbitration disputes over certain claims made by the vendor under the contracts entered into between the parties in 2005 with respect to the purchase by Hang Fok of the additional 36% interests in the joint venture entities, which Hang Fok and its legal advisers consider to be without merit. Pending the satisfactory resolution of the arbitration disputes by Hang Fok and the settlement of the differences with the local partner over the detailed terms of the joint venture, it is intended that the development work for this joint venture project is to be proceeded with in the not too distant future.

### **Development Project in Xindu District, Chengdu, Sichuan Province**

This development project is 50% beneficially owned by each of the Group and Cosmopolitan International Holdings Limited. 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 a maximum gross floor area of about 180,000 square meters above ground together with a maximum of about 50,000 square meters of commercial and auxiliary services and car parking areas below ground. The other parcel is designated for residential development with a permitted maximum gross floor area of about 315,000 square meters. The Planning Permits for Construction Land for the proposed development have been obtained and detailed planning work is in progress. The project is anticipated to be completed in phases within the next few years.

## **OTHER INVESTMENTS**

Cosmopolitan is a listed company in Hong Kong principally engaged in property development and investment businesses in China and Hong Kong. The Group presently holds substantial interests in the convertible bonds issued by Cosmopolitan group and, in addition, certain of the issued ordinary shares of Cosmopolitan. Assuming that all the outstanding convertible bonds and options on convertible bonds granted by the Cosmopolitan group, including those held by the Group, are fully converted and/or exercised and converted, the Group can come to own up to approximately 32.8% of the enlarged share capital of Cosmopolitan.



With a view to diversifying its investment and income base, the Group undertakes, as part of its ordinary business, other investments in securities and financial instruments. These investment activities are conducted at all times with a cautious and prudent approach and the Group has no exposure to any highly leveraged or speculative investment products. Benefitting from the sharp rebound in the securities market during the first half year, these investment businesses have contributed significant profits, including the fair value gains on the convertible bonds held in Cosmopolitan group by the Group, during the period under review.

The Group may further expand from time to time its portfolio of other investments as and when the market circumstances are considered to be favourable and appropriate.

## OUTLOOK

Due to the uncertainty over the timing of a general economic revival and the continuing concern over the impact of the H1N1 pandemic, business conditions for the travel industry in Hong Kong in the remaining part of 2009 will continue to be challenging. However, recently there are some signs of a stabilising U.S. economy and when the measures to fight the spread of the H1N1 pandemic in Mainland China are easing gradually, there could be pent-up demand from both business and leisure travellers to Hong Kong and the hotel market in Hong Kong should be able to recover steadily in pace with the overall revival in the global economies.

As regards the Group's property business, it is expected that the luxury residential properties in Hong Kong will remain in strong demand, as the supply will be relatively limited. The Group may further dispose of some of the remaining house units in Regalia Bay if the offered prices are considered satisfactory, which could generate significant profits as well as cash resources to fund future business development.

The Group as a whole is devoted to expand its hotel network in China and is planning to increase its hotel portfolio to more than 20 owned and/or managed hotels in the first and second tier cities of China within the next few years.

While the global economic environment may still be volatile, the Group is nonetheless maintaining a sound financial position and is well-prepared for market changes. Overall, the Directors are optimistic that the Group will be able to sustain further continuing growth.

By Order of the Board

**LO YUK SUI**

Chairman

Hong Kong, 8th September, 2009

## INTERIM DIVIDEND

The Directors have declared the payment of an interim dividend of HK2.0 cents (2008 - HK3.0 cents, as adjusted for the 10-into-1 share consolidation implemented in October 2008) per ordinary share for the financial year ending 31st December, 2009, absorbing an amount of approximately HK\$20.2 million (2008 - HK\$30.8 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 15th October, 2009.

The Register of Ordinary Shareholders will be closed from Tuesday, 13th October, 2009 to Thursday, 15th October, 2009, 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, 12th October, 2009. The relevant dividend warrants are expected to be despatched on or about 28th October, 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating Highlights

The Group's significant investments and principal business activities mainly 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 owns the five Regal Hotels in Hong Kong), the asset management of Regal REIT, the interest in the remaining houses in Regalia Bay in Stanley and other investment businesses. The performance of the Group's hotel operations, its property and other investment businesses as well as that of Regal REIT during the period under review, the commentary on the local hotel industry and changes in general market conditions and the potential impact on their operating performance and future prospects 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, there was a net cash outflow on operating activities of HK\$328.8 million (2008 - net cash inflow of HK\$59.7 million). Net interest receipt for the period amounted to HK\$2.4 million (2008 - HK\$24.2 million).

Aggregate depreciation provided for the period under review amounted to HK\$2.5 million (2008 - HK\$1.8 million).

During the period under review, the Company repurchased a total of 3,172,000 ordinary shares of the Company at an aggregate purchase price of HK\$6,117,840 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). All the 3,172,000 repurchased ordinary shares, together with 654,000 ordinary shares repurchased in 2008 but not cancelled during that year, in aggregate 3,826,000 repurchased ordinary shares, were cancelled during the period. 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.

### Asset Value

Based on the condensed consolidated statement of financial position as at 30th June, 2009, the unaudited book net asset value of the ordinary shares of the Company was HK\$4.18 per share. Such book net asset value has been significantly affected by the elimination of the unrealised gain on the disposal of the subsidiaries owning the hotel properties to Regal REIT in 2007 against the Group's interest held in Regal REIT as well as the sharing of the fair value loss on the hotel properties held by Regal REIT for the year ended 31st December, 2008. The interest held by the Group in Regal REIT represented one of the Group's most significant investments but, as at 30th June, 2009, such interest was only stated at a value of HK\$118.6 million.

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 adjusted 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 unaudited adjusted net asset value per unit of Regal REIT of HK\$2.849 as at 30th June, 2009, calculated on the basis that the deferred tax liabilities provided by Regal REIT with regard to the revaluation surplus of its hotel properties are added back, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$10.72 per share.

	<b>As at 30th June, 2009</b>	
	<b>HK\$'million</b>	<b>HK\$ per ordinary share</b>
<b>Unaudited book net assets after minority interests</b>	<b>4,228.9</b>	<b>4.18</b>
<b>Adjustment to restate the Group's interest in Regal REIT on the basis noted above</b>	<b>6,603.0</b>	
	<hr/>	
<b>Unaudited adjusted net assets after minority interests</b>	<b>10,831.9</b>	<b>10.72</b>
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## **Borrowings**

As at 30th June, 2009, the Group had total cash and bank balances and deposits, net of long term bank loans, of HK\$1,010.6 million (31st December, 2008 - HK\$1,200.3 million).

As at 30th June, 2009, part of the Group's bank deposits in the amount of HK\$1,000.0 million (31st December, 2008 - HK\$1,000.0 million) was 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, and certain of the Group's investment properties, properties held for sale, bank deposits and cash balances in the total amount of HK\$740.2 million (31st December, 2008 - HK\$512.5 million) were also pledged to secure other banking facilities granted to the Group. 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 HK\$101.6 million has been paid by the Group up to 30th June, 2009.

Information in relation to the maturity profile of the borrowings of the Group as of 30th June, 2009 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2008. Details of the pledge of assets and the contingent liabilities of the Group are shown in notes 12 and 13 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 1,820 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, 2009 (Unaudited)	Six months ended 30th June, 2008 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2	586.8	750.6
Cost of sales		(711.1)	(746.5)
Gross profit/(loss)		(124.3)	4.1
Other income and gains	3	22.1	27.8
Administrative expenses		(73.2)	(80.4)
Other operating expense		(0.8)	–
Fair value gains on financial assets at fair value through profit or loss, net		73.2	36.6
Fair value gains upon reclassification of properties held for sale to investment properties		–	358.5
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION		(103.0)	346.6
Depreciation		(2.5)	(1.8)
OPERATING PROFIT/(LOSS)	2	(105.5)	344.8
Finance costs	5	(2.4)	(5.8)
Share of profits and losses of:			
Jointly controlled entities		(1.4)	(1.8)
Associates		260.0	263.5
PROFIT BEFORE TAX		150.7	600.7
Tax	6	(3.5)	(0.6)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND MINORITY INTERESTS		147.2	600.1
Attributable to:			
Equity holders of the parent		147.2	600.1
Minority interests		–	–
		147.2	600.1
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	7		(Restated)
Basic		HK14.6 cents	HK57.8 cents
Diluted		N/A	HK57.8 cents
DIVIDEND PER ORDINARY SHARE	8	HK2.0 cents	(Restated) HK3.0 cents

### Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2009 (Unaudited)	Six months ended 30th June, 2008 (Unaudited)
	HK\$'million	HK\$'million
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND MINORITY INTERESTS	147.2	600.1
OTHER COMPREHENSIVE INCOME/(LOSS):		
Reclassification adjustment for fair value loss of available-for-sale investment included in the income statement	0.8	–
Exchange differences on translating foreign operations	0.9	5.0
Share of other comprehensive income of associates/jointly controlled entity	–	38.0
Share of other comprehensive loss of the listed associate	(0.6)	(21.5)
Other comprehensive income for the period	1.1	21.5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>148.3</u>	<u>621.6</u>
Attributable to:		
Equity holders of the parent	148.3	621.6
Minority interests	–	–
	<u>148.3</u>	<u>621.6</u>



## Condensed Consolidated Statement of Financial Position

		30th June, 2009 (Unaudited)	31st December, 2008 (Audited)
	Notes	HK\$'million	HK\$'million
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		40.0	16.8
Investment properties		708.0	855.0
Interests in jointly controlled entities		176.8	203.8
Interests in associates		635.5	517.4
Financial assets at fair value through profit or loss		224.0	423.0
Available-for-sale investment		–	3.1
Other loan		36.1	36.1
Pledged bank deposits		1,000.0	1,000.0
Total non-current assets		<u>2,820.4</u>	<u>3,055.2</u>
<b>CURRENT ASSETS</b>			
Hotel and other inventories		21.1	22.7
Properties held for sale		965.8	963.5
Debtors, deposits and prepayments	9	356.4	217.1
Financial assets at fair value through profit or loss		352.7	108.1
Pledged time deposits		11.8	8.3
Time deposits		241.9	153.3
Cash and bank balances		188.8	307.2
Total current assets		<u>2,138.5</u>	<u>1,780.2</u>
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	10	(293.6)	(427.2)
Tax payable		(3.2)	(3.5)
Total current liabilities		<u>(296.8)</u>	<u>(430.7)</u>

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

	30th June, 2009 (Unaudited)	31st December, 2008 (Audited)
	HK\$'million	HK\$'million
NET CURRENT ASSETS	<u>1,841.7</u>	<u>1,349.5</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>4,662.1</u>	<u>4,404.7</u>
NON-CURRENT LIABILITIES		
Interest bearing bank borrowings	<u>(431.9)</u>	<u>(268.5)</u>
Net assets	<u><u>4,230.2</u></u>	<u><u>4,136.2</u></u>
EQUITY		
<b>Equity attributable to equity holders of the parent</b>		
Issued capital	101.1	101.4
Reserves	4,107.6	3,983.0
Dividends	<u>20.2</u>	<u>50.5</u>
	<u>4,228.9</u>	<u>4,134.9</u>
<b>Minority interests</b>	<u>1.3</u>	<u>1.3</u>
Total equity	<u><u>4,230.2</u></u>	<u><u>4,136.2</u></u>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2009

	Attributable to equity holders of the parent											
	Issued share capital (Unaudited) HK\$'m	Share premium account (Unaudited) HK\$'m	Share option reserve (Unaudited) HK\$'m	Capital redemption reserve (Unaudited) HK\$'m	Hedge reserve (Unaudited) HK\$'m	Investment revaluation reserve (Unaudited) HK\$'m	Exchange equalisation reserve (Unaudited) HK\$'m	Retained profits (Unaudited) HK\$'m	Dividends (Unaudited) HK\$'m	Total (Unaudited) HK\$'m	Minority interests (Unaudited) HK\$'m	Total equity (Unaudited) HK\$'m
At 1st January, 2009	101.4	885.1	40.7	6.2	(127.2)	(0.8)	90.0	3,089.0	50.5	4,134.9	1.3	4,136.2
Final 2008 dividend declared	-	-	-	-	-	-	-	(0.1)	(50.5)	(50.6)	-	(50.6)
Repurchase and cancellation of ordinary shares	(0.3)	(5.9)	-	0.3	-	-	-	(0.3)	-	(6.2)	-	(6.2)
Equity-settled share option arrangements	-	-	2.5	-	-	-	-	-	-	2.5	-	2.5
Interim 2009 dividend	-	-	-	-	-	-	-	(20.2)	20.2	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	-	(0.6)	0.8	0.9	147.2	-	148.3	-	148.3
At 30th June, 2009	101.1	879.2	43.2	6.5	(127.8)	-	90.9	3,215.6	20.2	4,228.9	1.3	4,230.2
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
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	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	-	(21.5)	-	43.0	600.1	-	621.6	-	621.6
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

### Condensed Consolidated Statement of Cash Flows

	Six months ended 30th June, 2009 (Unaudited)	Six months ended 30th June, 2008 (Unaudited)
	HK\$'million	HK\$'million
Net cash inflow/(outflow) from operating activities	(328.8)	59.7
Net cash inflow from investing activities	192.2	85.0
Net cash inflow/(outflow) from financing activities	106.8	(225.0)
Net decrease in cash and cash equivalents	(29.8)	(80.3)
Cash and cash equivalents at beginning of period	460.5	567.5
Effect of foreign exchange rate changes, net	–	1.4
Cash and cash equivalents at end of period	<u>430.7</u>	<u>488.6</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	188.8	142.9
Non-pledged time deposits with original maturity of less than three months when acquired	<u>241.9</u>	<u>345.7</u>
	<u>430.7</u>	<u>488.6</u>

## Notes to Condensed Consolidated Financial Statements

### 1. Accounting Policies

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standards 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 interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2008, 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, 2009.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements</i> - <i>Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment - Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures</i> - <i>Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement - Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
Improvements to HKFRSs (2008)	

Except for HKFRS 8 and HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no impact on the Group's results of operation and financial position. The principal effects of adopting HKFRS 8 and HKAS 1 (Revised) are as follows:

#### HKFRS 8 *Operating Segments*

This standard, which replaced HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 *Segment Reporting*.

## **HKAS 1 (Revised) *Presentation of Financial Statements***

This revised standard introduces changes in the presentation and disclosures of financial statements, which require owner and non-owner changes in equity to be separately presented. The statement of changes in equity will only include details of transactions with owner and all non-owner changes in equity will be presented in a single line. In addition, this standard also introduces the statement of comprehensive income, with all items of income and expense recognised in income statement, together with all other items of income and expense recognised directly in equity, to be presented either in one single statement, or in two linked statements. The Group has elected to present in two 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 operating segments represents a strategic business unit, the operating results of which are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Summary details of the operating segments are as follows:

- (a) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income through the Group's investment in Regal Real Estate Investment Trust ("Regal REIT");
- (b) the asset management segment engages in the provision of asset management services to Regal REIT;
- (c) the property development and investment segment includes investments in properties for sale and for rental income, and the provision of property agency and management services;
- (d) the securities investment segment engages in securities trading and investment businesses; and
- (e) the others segment mainly comprises travel agency services and bakery 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 represent the following items:

	Six months ended 30th June, 2009 (Unaudited)	Six months ended 30th June, 2008 (Unaudited)
	HK\$'million	HK\$'million
<u>Other income</u>		
Bank interest income	2.2	13.2
Interest income from other loan	1.6	–
Other interest income	0.1	12.6
Dividend income from listed investments	–	0.8
Others	1.3	1.1
	<u>5.2</u>	<u>27.7</u>
<u>Gains</u>		
Fair value gain on derivative financial instrument	–	0.1
Gain on disposal of investment properties	16.9	–
	<u>16.9</u>	<u>0.1</u>
	<u>22.1</u>	<u>27.8</u>

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

	Six months ended 30th June, 2009 (Unaudited)	Six months ended 30th June, 2008 (Unaudited)
	HK\$'million	HK\$'million
Loss on disposal of available-for-sale investment	(0.8)	–
Profit on disposal of listed investments	10.7	0.1
	<u>9.9</u>	<u>0.1</u>



## 5. Finance Costs

	Six months ended 30th June, 2009 (Unaudited)	Six months ended 30th June, 2008 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans wholly repayable within five years	2.4	2.0
Dividends on convertible preference shares	–	3.8
Total finance costs	<u>2.4</u>	<u>5.8</u>

## 6. Tax

	Six months ended 30th June, 2009 (Unaudited)	Six months ended 30th June, 2008 (Unaudited)
	HK\$'million	HK\$'million
Current - Hong Kong	3.4	0.3
Current - Overseas	0.1	0.3
Tax charge for the period	<u>3.5</u>	<u>0.6</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2008 - 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, based on existing legislation, practices and interpretations thereof.

The Group did not share the tax charge attributable to Regal REIT during the period since the Group has discontinued the recognition of its share of results of Regal REIT. In the prior period, the share of tax charge attributable to Regal REIT amounting to HK\$38.4 million was included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

No provision for tax is required for the jointly controlled entities and other associates as no assessable profits were earned by the jointly controlled entities and other associates during the period (2008 - Nil).

There was no material unprovided deferred tax in respect of the period and as at 30th June, 2009.

## 7. 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\$147.2 million (2008 - HK\$600.1 million), and on the weighted average of 1,011.4 million (2008 - 1,037.6 million, as adjusted for the effect of the consolidation of ordinary shares of the Company on the basis that every ten then existing issued and unissued ordinary shares of HK\$0.01 each were consolidated into one ordinary share of HK\$0.10 effective from 23rd October, 2008 (the "Share Consolidation")) ordinary shares of the Company in issue during the period.

### (b) Diluted earnings per ordinary share

No diluted earnings per ordinary share is presented for the period ended 30th June, 2009 since 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, 2008 was based on the adjusted profit for that 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 1,045.2 million (as adjusted for the Share Consolidation) ordinary shares of the Company that would have been in issue during that period assuming 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.

## 8. Dividend

The Directors have declared the payment of an interim dividend of HK2.0 cents (2008 - HK3.0 cents, as adjusted for the Share Consolidation) per ordinary share for the financial year ending 31st December, 2009, absorbing an amount of approximately HK\$20.2 million (2008 - HK\$30.8 million).

## 9. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$61.7 million (31st December, 2008 - HK\$106.9 million) representing the trade debtors of the Group. The aged analysis of such debtors, based on the invoice date, is as follows:

	30th June, 2009 (Unaudited)	31st December, 2008 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	54.5	90.6
Between 4 to 6 months	2.7	12.2
Between 7 to 12 months	2.7	2.5
Over 1 year	3.1	2.7
	<hr/>	<hr/>
	63.0	108.0
Impairment	(1.3)	(1.1)
	<hr/>	<hr/>
	61.7	106.9
	<hr/> <hr/>	<hr/> <hr/>

### 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\$25.7 million (31st December, 2008 - HK\$28.1 million) and HK\$2.1 million (31st December, 2008 - HK\$2.3 million), respectively, which are repayable on similar credit terms to those offered to the major customers of the Group.

## 10. Creditors and Accruals

Included in the balance is an amount of HK\$31.7 million (31st December, 2008 - HK\$60.1 million) representing the trade creditors of the Group. The aged analysis of such creditors, based on the invoice date, is as follows:

	30th June, 2009 (Unaudited)	31st December, 2008 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	31.2	58.7
Between 4 to 6 months	0.2	1.0
Over 1 year	0.3	0.4
	<hr/>	<hr/>
	31.7	60.1
	<hr/> <hr/>	<hr/> <hr/>

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\$7.6 million (31st December, 2008 - HK\$8.9 million) and HK\$3.6 million (31st December, 2008 - HK\$13.1 million), respectively, which have similar credit terms to those offered by those associates and related companies to their major customers.

## 11. Related Party Transactions

### (a) Transactions with related parties

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

	Six months ended 30th June, 2009 (Unaudited)	Six months ended 30th June, 2008 (Unaudited)
	HK\$'million	HK\$'million
A substantial shareholder:		
Management fees expenses	6.4	6.3
Wholly-owned subsidiaries of a substantial shareholder, Paliburg Holdings Limited ("PHL"):		
Development consultancy fees expenses	1.1	3.4
Service fees expenses in respect of security systems and products and other software	1.3	3.8
Repairs and maintenance fees and construction fees expenses	26.7	38.2
Associates:		
REIT manager's fees income	32.4	37.6
Lease rental expenses	378.4	350.0
Furniture, fixtures and equipment reserve contribution expenses	11.0	13.8
Other rental expenses	3.7	2.3
Advertising and promotion fees expenses (including cost reimbursements)	3.6	3.4
	<u>3.6</u>	<u>3.4</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, 2008.

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 period from 30th March, 2007 to 31st December, 2010 in the amount of HK\$220.0 million, of which HK\$101.6 million has been paid by the Group up to 30th June, 2009.

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 completed on 30th March, 2007 (the "Spin-off"), 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, 2009 amounted to approximately HK\$40.2 million (31st December, 2008 - HK\$103.2 million) and has been fully provided for in the condensed consolidated 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, 2009 (Unaudited)	31st December, 2008 (Audited)
	HK\$'million	HK\$'million
Due from a jointly controlled entity	366.7	366.7
Due from an associate	25.7	28.1
Due from related companies	2.1	2.3
Due to an associate	(7.6)	(8.9)
Due to related companies	(3.6)	(13.1)
Loans to jointly controlled entities	1,091.0	1,116.6
Loans to/amounts due from associates	276.1	275.1
	<u>          </u>	<u>          </u>

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

	Six months ended 30th June, 2009 (Unaudited)	Six months ended 30th June, 2008 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	8.8	9.0
Equity-settled share-based payments	2.2	3.5
	<u>          </u>	<u>          </u>
Total compensation paid to key management personnel	11.0	12.5
	<u>          </u>	<u>          </u>

## 12. Pledge of Assets

At 30th June, 2009, part of the Group's bank deposits in the amount of HK\$1,000.0 million (31st December, 2008 - HK\$1,000.0 million) was pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees (note 11(a)), and certain of the Group's investment properties, properties held for sale, bank deposits and cash balances in the total amount of HK\$740.2 million (31st December, 2008 - HK\$512.5 million) were also pledged to secure other banking facilities granted to the Group.

## 13. Contingent Liabilities

Apart from the guarantees given under the Lease Agreements in respect of the minimum variable rent as disclosed in note 11(a), the Group had no other contingent liability as at 30th June, 2009 (31st December, 2008 - Nil).

## 14. 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 1.25 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 also leases certain of 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, 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30th June, 2009 (Unaudited)</b>	<b>31st December, 2008 (Audited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Within one year	<b>32.3</b>	40.0
In the second to fifth years, inclusive	<b>15.5</b>	15.5
	<b>47.8</b>	55.5

### (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 5 years.

At 30th June, 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30th June, 2009 (Unaudited)</b>	<b>31st December, 2008 (Audited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Land and buildings:		
Within one year	<b>778.4</b>	763.0
In the second to fifth years, inclusive	<b>393.6</b>	786.2
	<b>1,172.0</b>	1,549.2
Other equipment:		
Within one year	<b>0.2</b>	0.1
In the second to fifth years, inclusive	<b>0.6</b>	0.2
	<b>0.8</b>	0.3
	<b>1,172.8</b>	1,549.5

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 period from 30th March, 2007 to 31st December, 2010 in the amount of HK\$220.0 million, of which HK\$101.6 million has been paid by the Group up to 30th June, 2009.



## 15. 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	Adjusted exercise price of share options* HK\$
		At 1st January, 2009	Vested during the period	At 30th June, 2009		
<b>Directors</b>						
12th May, 2005	Mr. Lo Yuk Sui					
	Vested:	12,000,000	4,000,000	16,000,000	Note	7.50
	Unvested:	8,000,000***	(4,000,000)	4,000,000		
25th July, 2005	Ms. Belinda Yeung Bik Yiu					
	Vested:	1,800,000	–	1,800,000	Note	7.50
	Unvested:	1,200,000	–	1,200,000		
25th July, 2005	Mr. Donald Fan Tung					
	Vested:	1,200,000	–	1,200,000	Note	7.50
	Unvested:	800,000	–	800,000		
25th July, 2005	Mr. Jimmy Lo Chun To					
	Vested:	900,000	–	900,000	Note	7.50
	Unvested:	600,000	–	600,000		
25th July, 2005	Miss Lo Po Man					
	Vested:	1,800,000	–	1,800,000	Note	7.50
	Unvested:	1,200,000	–	1,200,000		
25th July, 2005	Mr. Kenneth Ng Kwai Kai					
	Vested:	1,200,000	–	1,200,000	Note	7.50
	Unvested:	800,000	–	800,000		
<b>Other Employees</b>						
25th July, 2005	Employees, in aggregate					
	Vested:	2,100,000	–	2,100,000	Note	7.50
	Unvested:	1,400,000	–	1,400,000		
	<b>Total:</b>					
	<b>Vested:</b>	<b>21,000,000</b>	<b>4,000,000</b>	<b>25,000,000</b>		
	<b>Unvested:</b>	<b>14,000,000</b>	<b>(4,000,000)</b>	<b>10,000,000</b>		

\* 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:

<b>On completion of continuous service of</b>	<b>Percentage vesting</b>	<b>Cumulative percentage exercisable</b>
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)

**16. Comparative Amounts**

As further explained in note 2 to the financial statements, certain comparative amounts have been revised to conform with the current period's presentation.

## OTHER INFORMATION

### Directors' Interests in Share Capital

As at 30th June, 2009, 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, 2009)
			Personal interests	Corporate interests	Family/ Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) issued	24,200	477,507,262 (Note a(i))	260,700	477,792,162
		(ii) unissued	20,000,000 (Note a(ii))	-	-	20,000,000
					Total (i) & (ii):	497,792,162 (49.25%)
	Dr. Francis Choi Chee Ming	Ordinary (issued)	50,240,000	-	-	50,240,000 (4.97%)
	Ms. Belinda Yeung Bik Yiu	Ordinary (unissued)	3,000,000 (Note b)	-	-	3,000,000 (0.30%)
	Mr. Donald Fan Tung	Ordinary (unissued)	2,000,000 (Note c)	-	-	2,000,000 (0.20%)
	Mr. Jimmy Lo Chun To	Ordinary (unissued)	1,500,000 (Note d)	-	-	1,500,000 (0.15%)
	Miss Lo Po Man	Ordinary (i) issued	300,000	-	269,169 (Note e)	569,169
		(ii) unissued	3,000,000 (Note b)	-	-	3,000,000
					Total (i) & (ii):	3,569,169 (0.35%)
Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	2,000,000 (Note c)	-	-	2,000,000 (0.20%)	

	Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2009)
				Personal interests	Corporate interests	Family/ Other 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)	-	2,364,578,094 (Note g)	-	2,364,578,094 (74.16%)

**Notes:**

- (a) (i) The interests in 421,400 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 51.86% shareholding interests and the interests in the other 477,085,862 issued ordinary shares of the Company were held through companies wholly owned by Paliburg Holdings Limited ("PHL"), in which CCIHL held 57.66% shareholding interests.
- (ii) 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 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 20,000,000 new ordinary shares of the Company at an adjusted exercise price of HK\$7.50 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:

<u>Exercise period</u>	<u>Number of ordinary shares of the Company under vested options</u>
12th May, 2007 to 11th May, 2011	8,000,000
12th May, 2008 to 11th May, 2011	4,000,000
12th May, 2009 to 11th May, 2011	4,000,000
12th May, 2010 to 11th May, 2011	4,000,000

- (b) The interests in 3,000,000 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 3,000,000 new ordinary shares of the Company at an adjusted exercise price of HK\$7.50 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	1,200,000
25th July, 2008 to 24th July, 2011	600,000
25th July, 2009 to 24th July, 2011	600,000
25th July, 2010 to 24th July, 2011	600,000

- (c) The interests in 2,000,000 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 2,000,000 new ordinary shares of the Company at an adjusted exercise price of HK\$7.50 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	800,000
25th July, 2008 to 24th July, 2011	400,000
25th July, 2009 to 24th July, 2011	400,000
25th July, 2010 to 24th July, 2011	400,000

- (d) The interests in 1,500,000 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 1,500,000 new ordinary shares of the Company at an adjusted exercise price of HK\$7.50 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	600,000
25th July, 2008 to 24th July, 2011	300,000
25th July, 2009 to 24th July, 2011	300,000
25th July, 2010 to 24th July, 2011	300,000

- (e) The interests in 269,169 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 51.86% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.
- (g) The interests in 2,359,291,094 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 57.66% shareholding interests, held 47.20% shareholding interests in the Company. Mr. Lo held 51.86% shareholding interests in CCIHL.

Save as disclosed herein, as at 30th June, 2009, 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, 2009, 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 issued ordinary shares as at 30th June, 2009
CCIHL (Note i)	477,507,262	—	477,507,262	47.24%
Century City BVI Holdings Limited (Note ii)	477,507,262	—	477,507,262	47.24%
Almighty International Limited (Note ii)	477,085,862	—	477,085,862	47.20%
PHL (Note iii)	477,085,862	—	477,085,862	47.20%
Paliburg Development BVI Holdings Limited (Note iv)	477,085,862	—	477,085,862	47.20%
Guo Yui Investments Limited (Note iv)	163,602,466	—	163,602,466	16.19%
Paliburg International Holdings Limited (Note iv)	262,943,209	—	262,943,209	26.01%
Paliburg BVI Holdings Limited (Note iv)	262,943,209	—	262,943,209	26.01%
Taylor Investments Ltd. (Note iv)	154,232,305	—	154,232,305	15.26%
Glaser Holdings Limited (Note iv)	58,682,832	—	58,682,832	5.81%

### 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 57.66% 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, 2009, 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 not a connected person (as defined in the Listing Rules) of the Company, by the Company and its subsidiaries (the "Group") as at 30th June, 2009 are set out below:

<b>Advances</b>	<b>Group (HK\$'million)</b>
(A) Principal Amount of Advances	914.5
(B) Interest Receivable	366.7
	<hr/>
Total: (A)+(B)	<u>1,281.2</u>

The above advances to Chest Gain in an aggregate sum of HK\$1,281.2 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, 2009 provided by the Group to Chest Gain in the sum of HK\$1,281.2 million represented 25.8% of the consolidated total assets of the Group of HK\$4,958.9 million (the "Regal TA"), by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2009.



*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, 2009 are set out below:

<b>Name of Affiliated Companies</b>	<b>Principal Amount of Advances (HK\$'million)</b>	<b>Interest Receivable (HK\$'million)</b>	<b>Total (HK\$'million)</b>
Chest Gain	914.5	366.7	1,281.2
8D International (BVI) Limited	29.0	–	29.0
8D Matrix Limited	1.3	–	1.3
Bright Future (HK) Limited	5.6	–	5.6
Faith Crown Holdings Limited	176.5	–	176.5
Hang Fok Properties Limited	239.4	–	239.4
	<u>1,366.3</u>	<u>366.7</u>	<u>1,733.0</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 ("Mr. Lo") through his associates (as defined in the Listing Rules). The advances were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D-BVI, for the purpose of financing the working capital of 8D-BVI. The advances are unsecured, interest-free and have no fixed 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 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 independent third parties respectively, which are not connected persons (as defined in the Listing Rules) of the Company. 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.

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, 2.96% 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 a maximum gross floor area of about 180,000 square meters above ground together with about 50,000 square meters of commercial and auxiliary services and car parking areas below ground, while the other parcel is designated for residential development with a permitted maximum 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.

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 an independent third party, which is not a connected person (as defined in the Listing Rules) of the Company. 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.

Calculated on the basis shown above, as at 30th June, 2009, the aggregate amount of financial assistance provided to affiliated companies by the Group in the sum of HK\$1,733.0 million represented 34.9% 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, 2009, 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:

	<b>Combined balance sheet (HK\$'million)</b>	<b>The Group's attributable interest (HK\$'million)</b>
Non-current assets	3,104.1	762.1
Current assets	1,314.9	56.8
Current liabilities	(266.4)	(124.0)
Non-current liabilities	(7,609.2)	(452.7)
	<hr/>	<hr/>
Net liabilities	(3,456.6)	242.2
	<hr/> <hr/>	<hr/> <hr/>

## **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, 2009, 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, 2009.

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

During the six months ended 30th June, 2009, the Company repurchased a total of 3,172,000 ordinary shares of the Company at an aggregate purchase price of HK\$6,117,840 on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2009	1,796,000	2.250	1.740	3,547,420
February 2009	1,376,000	2.000	1.750	2,570,420
Total	<u>3,172,000</u>			6,117,840
		Total expenses on shares repurchased		<u>20,598</u>
				<u>6,138,438</u>

All the 3,172,000 repurchased ordinary shares, together with 654,000 ordinary shares repurchased in 2008 but not cancelled during that year, in aggregate 3,826,000 repurchased ordinary shares, were cancelled during the period. 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, 2009, in conjunction with the external auditors. The review report of the external auditors is set out on page 44 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 14 to 33 which comprises the condensed consolidated statement of financial position of Regal Hotels International Holdings Limited as at 30th June, 2009 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The Directors 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  
8th September, 2009

