



INTERIM REPORT  
2010

 富豪酒店國際控股有限公司  
**Regal Hotels**  
International Holdings Limited

(Incorporated in Bermuda with limited liability)  
(Stock Code: 78)

# Contents

---

- 2 Corporate Information
- 3 Directors' Profile
- 6 Chairman's Statement
- 10 Management Discussion and Analysis
- 13 Condensed Consolidated Financial Statements
  - 13 Condensed Consolidated Income Statement
  - 14 Condensed Consolidated Statement of Comprehensive Income
  - 15 Condensed Consolidated Statement of Financial Position
  - 17 Condensed Consolidated Statement of Changes in Equity
  - 18 Condensed Consolidated Statement of Cash Flows
  - 19 Notes to Condensed Consolidated Financial Statements
- 33 Other Information
- 44 Report on Review of Interim Financial Information

# Corporate Information

## DIRECTORS

### **Executive Directors**

Lo Yuk Sui  
(Chairman and Chief Executive Officer)  
Belinda Yeung Bik Yiu  
(Chief Operating Officer)  
Donald Fan Tung  
Jimmy Lo Chun To  
Lo Po Man  
Kenneth Ng Kwai Kai  
Allen Wan Tze Wai

### **Non-Executive Director**

Francis Choi Chee Ming, GBS, JP  
(Vice Chairman)

### **Independent Non-Executive Directors**

Alice Kan Lai Kuen  
Ng Siu Chan  
Wong Chi Keung

## 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 BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Hang Seng Bank Limited  
The Bank of East Asia, Limited  
Standard Chartered Bank (Hong Kong) Limited  
Industrial and Commercial Bank of China (Asia) Limited  
China Construction Bank Corporation,  
Hong Kong Branch  
Oversea-Chinese Banking Corporation Limited  
Bank of Communications Co., Ltd.  
Hong Kong Branch  
Deutsche Bank AG, Hong Kong Branch

## 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

Tel: 2894 7888

Fax: 2890 1697

Website: [www.regal.com.hk](http://www.regal.com.hk)

## Directors' Profile

**Mr. Lo Yuk Sui**, aged 66; *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 65; *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 Manufacturers’ 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 Investments Limited (formerly known as “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 52; *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 53; *Executive Director* — Appointed to the Board in 2002. Mr. Fan is a qualified architect. He has been with the Group since 1987 and is primarily in charge of the property investment and development businesses and the hotel project works of the Group. Mr. Fan is also an executive director of CCIHL, an executive director and the chief operating officer of PHL and a non-executive director of RPML. Mr. Fan is involved in the property development, architectural design and project management functions as well as overseeing the building construction business of the Paliburg Group.

**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 20 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, 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 36; *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 31; *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. Miss Lo 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 56; *Executive Director* — Joined the Group in 1985 and appointed to the Board in 1998. Mr. Ng is a Chartered Secretary and is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. He is also an executive director and the chief operating officer of CCIHL, an executive director of PHL and a non-executive director of Cosmopolitan International Holdings Limited, a company listed on the Stock Exchange.

**Mr. Ng Siu Chan**, aged 80; *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.

## Directors' Profile (Cont'd)

**Mr. Allen Wan Tze Wai**, aged 51; *Executive Director* — Appointed to the Board in 2010. Mr. Wan has been with the Century City Group for over 20 years and is the Group Financial Controller of the Century City Group. Mr. Wan holds a bachelor degree in commerce from the University of New South Wales in Australia. He is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Wan has about 28 years of experience in finance and accounting field.

**Mr. Wong Chi Keung**, aged 55; *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 Sinox Fund Management Limited under the SFO. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as "Yuexiu Property Company Limited"), a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, China 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 (Provisional Liquidators Appointed), Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited and TPV Technology Limited, and an independent non-executive director of ENM Holdings Limited, all of which companies are listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management.

# Chairman's Statement

Dear shareholders,

I am pleased to present the Interim Report of the Company for the six months ended 30th June, 2010.

## FINANCIAL RESULTS

For the six months ended 30th June, 2010, the Group achieved an unaudited consolidated profit attributable to shareholders of HK\$385.3 million, an increase of about 162% as compared to the profit of HK\$147.2 million recorded in the corresponding period in 2009. The increase in the profit achieved was largely attributable to the fair value gains on the financial assets and investment properties held by the Group.

## DIVIDEND

The Directors have declared the payment of an interim dividend of HK2.5 cents (2009 - HK2.0 cents) per ordinary share for the financial year ending 31st December, 2010, absorbing an amount of approximately HK\$25.1 million (2009 - HK\$20.2 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 15th October, 2010.

The Register of Ordinary Shareholders will be closed from Wednesday, 13th October, 2010 to Friday, 15th October, 2010, 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 Tuesday, 12th October, 2010. The relevant dividend warrants are expected to be despatched on or about 28th October, 2010.

## BUSINESS OVERVIEW

### HOTELS

During the period under review, total number of visitors to Hong Kong reached approximately 16.9 million, which represents an increase of 23% year-on-year and is a new record for visitor arrivals in the first half of a year. Though visitors from all major markets recorded growth, the increase in the number of travellers from China and the Asian region was most noticeable. Visitors from the Mainland alone during this period surpassed 10 million and accounted for over 62% of the total count.

Benefited by the surge in visitor arrivals, the hotel industry in Hong Kong performed rather satisfactorily in the period under review, particularly as compared with the relatively weak performance in the corresponding period last year. Due to the lack luster economic condition prevailing in the United States and Europe, businesses from the long haul markets are still being affected. This has negatively impacted on the performance of Regal Airport Hotel, as its clientele has been principally targeted towards the individual travellers and long haul markets. The Regal Airport Hotel has adjusted its business strategy to adapt to the changing demand profile, aiming to enhance its occupancy level and gross hotel revenue. Meanwhile, due to the temporary closure of some hotel rooms to accommodate the undertaking of upgrading works, the businesses at Regal Hongkong Hotel, Regal Kowloon Hotel and Regal Riverside Hotel have also been affected during the period under review. Nevertheless, the five Regal Hotels in Hong Kong have on the whole managed to achieve satisfactory performance in the first half of 2010, with aggregate net property income having increased by 17% as compared with that attained in the corresponding period last year.

## Chairman's Statement (Cont'd)

However, as the present rental package for the leasing of the five Regal Hotels in Hong Kong was fixed at the time of the separate listing of Regal Real Estate Investment Trust when the hotel market in Hong Kong was relatively buoyant, the income derived from the operation of the five hotels was still below the level of rental payable, which has affected the profit performance of the Group.

The current leases of the five hotels will last until 31st December, 2015 but the yearly rental packages are fixed only up to the end of this year. For the year 2011 and onwards, the rental package will be determined on a yearly basis by an independent property valuer to be jointly appointed by Regal REIT and the Group. In this regard, an independent property valuer has been appointed to conduct the market rental review for the year 2011 and the rental review process will be completed before 30th September, 2010.

As the lessee operator and hotel manager, the Group has procured continual upgrading of the five Regal Hotels in Hong Kong, ranging from hotel guestrooms and suites, executive floors, dining venues, ancillary facilities, to IT enabled operating systems. To supplement this product revamp programme, the Group has itself committed substantial capital and human resources to enhance its marketing platform and reservation network.

On the hotel management front, the next Regal managed hotel to come on stream will be the Regal Kangbo Hotel in Dezhou, Shandong. This 215-room five-star hotel is expected to be soft opened next month and will be the fifth hotel managed by the Group in China. The contract for the Group to provide management services to a hotel with service apartments offering a total of 282 units in Waigaoqiao Free Trade Zone in Pudong, Shanghai, will soon be concluded and the property is scheduled to be soft opened within the next quarter under the name of Regal Plaza Hotel & Residence. Meanwhile, the Group is also conducting negotiations on a number of new hotel management contracts and it is anticipated that certain of these potential contracts would be finalised shortly.

The Regal iClub Hotel in Wanchai, which is 75% owned by Regal REIT and 25% owned by Paliburg Holdings Limited, is also managed by the Group. The hotel was opened in December 2009 and has been very well received. This chic and trendy business model has proven to be popular with business travellers and could well be the prototype for further expansion in other suitable locations.

### REGAL REAL ESTATE INVESTMENT TRUST

As at the half year end date, the Group held 74.3% of the issued units of Regal REIT, which owns the five Regal Hotels in Hong Kong as well as the 75% interest in the Regal iClub Building in Wanchai.

For the six months ended 30th June, 2010, Regal REIT attained an unaudited consolidated net profit before distribution to its unitholders of approximately HK\$308.2 million, as compared to the profit of HK\$187.5 million recorded in the corresponding period in 2009. Based on the market valuations conducted as at the half year end date, there was an increase of approximately HK\$104.5 million in the fair values of Regal REIT's investment properties portfolio. This valuation increase has contributed positively to the comparatively higher profit achieved by Regal REIT for the period under review. Distributable income available for distribution to unitholders of Regal REIT for the period amounted to approximately HK\$299.6 million, as compared with HK\$280.5 million for the comparative period last year, equivalent to approximately HK\$0.093 per unit (six months ended 30th June, 2009 - HK\$0.092 per unit). Regal REIT has declared an interim distribution of HK\$0.086 per unit for the six months ended 30th June, 2010 (six months ended 30th June, 2009 - HK\$0.085 per unit).



Regal REIT is being accounted for as an associate of the Group. Total profit contribution from Regal REIT in the period under review amounted to HK\$227.9 million, which represented the dividends received from Regal REIT and the excess over the cost of acquisition by the Group of additional interests in Regal REIT during the period. Same as in prior years, supplementary information on the net assets of the Group, compiled on an adjusted basis to more fairly reflect the underlying net assets attributable to the interests held by the Group in Regal REIT, is provided in the section headed "Management Discussion and Analysis" below.

The wholly-owned Regal Portfolio Management Limited acts as the REIT Manager of Regal REIT and received fees for the period in an aggregate amount of HK\$34.3 million, a majority part of which was settled through the issue of new units by Regal REIT.

### PROPERTIES

The property market in Hong Kong during the period under review has been very active and buoyant, particularly in the residential sector. While the HKSAR Government has recently introduced measures to curb short term speculations in the presale of residential units, this should on the whole be beneficial to the development of a healthy and stable property market in the long run.

Apart from the 2 connected houses which have been contracted to be sold, the Group retains a total of 21 houses in the luxury residential development in Regalia Bay, Stanley, some of which are being held as investment properties. Based on the market valuations conducted as at the half year end date, the fair value gains attributable to those houses held as investment properties have been reflected in the interim results under review. Given the very limited supply, luxury properties in traditional high end residential areas will remain in great demand. The Group will continue to lease out some of the retained houses in Regalia Bay for rental income and will consider releasing certain houses for sale from time to time when the price offered is satisfactory.

In China, the development works at the composite development project in Chengdu, which is 50% owned by each of the Group and Cosmopolitan International Holdings Limited ("Cosmopolitan"), are progressing. The marketing programme is still under review and the launching of the units presale for the first stage of the development project has been rescheduled to the first half of 2011.

As regards the joint development project in the Central Business District in Beijing, which is owned through an associate 50% owned by each of the Group and the Paliburg group, the overall situation remains very complicated and difficult. The Group and the Paliburg group have endeavoured to take all necessary steps to safeguard the interests held in the project, but the outcome of the different circumstances relating to outstanding litigations, ownership disputes and land development rights affecting the project is still uncertain. Further information on this project is contained in the section headed "Management Discussion and Analysis" below.

## Chairman's Statement (Cont'd)

### OTHER INVESTMENTS

Apart from the portfolio of listed securities, including the shares held in China Pacific Insurance (Group) Co., Ltd. previously acquired as one of the cornerstone investors, the Group holds for strategic purpose significant investments in Cosmopolitan, comprising principally convertible bonds issued by the Cosmopolitan group. At the special general meeting held on 9th June, 2010, the independent shareholders of the Company approved the proposal for the extension of the series of convertible bonds issued by the Cosmopolitan group, which were originally due to mature on 16th May, 2010, for a term of one year. Details of the terms and the reasons for the extension were set out in the Company's circular dated 17th May, 2010 despatched to the shareholders. As the market price of the Cosmopolitan shares has increased since the last year end date and, as at 30th June, 2010, was much higher than the prevailing conversion price under the convertible bonds issued by the Cosmopolitan group, the increase in the fair values of such convertible bonds held by the Group has contributed substantially to the results of the Group for the period under review.

### OUTLOOK

Based on present forecasts, the performance of the Regal Hotels in Hong Kong in the second half of this year, which includes the traditional high season for the hotel industry, is expected to surpass that achieved in the first half. Looking further ahead on a broader scale, the further relaxation of travel restrictions on individual visitors from the Mainland, the development of Hong Kong as the Offshore Renminbi Centre and the continual integration of Hong Kong with the Pearl River Delta regions should help bring the tourist industry in Hong Kong to new heights. Although global economies could still be volatile, the Group as a whole remains confident of the prospects of the hotel industry in Hong Kong.

The retained houses at Regalia Bay represent valuable investments with strong potential for capital appreciation in the long term. Moreover, the Group's overall financial position is very strong with substantial cash resources and the Group is well-poised to capture any appropriate investment opportunities that may arise.

### LO YUK SUI

Chairman

Hong Kong  
24th August, 2010

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise the hotel operation and management businesses, the investment in Regal Real Estate Investment Trust ("Regal REIT") (the listed associate of the Company), the asset management of Regal REIT, property development and investment, including the interest in the retained houses in Regalia Bay in Stanley, and other investment businesses.

The performance of the Group's hotel, property and other investment businesses as well as that of Regal REIT during the period under review, the commentary on the local hotel industry and changes in general market conditions and the potential impact on their operating performance and future prospects are contained in the preceding Chairman's Statement.

As stated in the preceding Chairman's Statement, the annual rental packages payable by the Group with respect to the leasing of the five Regal Hotels in Hong Kong owned by Regal REIT were fixed for the period up to 31st December, 2010. For the years from 2011 to 31st December, 2015, the date when the present leases will expire, the rental packages will be based on market appraisals, subject to an aggregate minimum rental of not less than HK\$400 million per annum, to be determined annually by an independent professional valuer to be jointly appointed by the Group and Regal REIT. In this regard, an independent property valuer has been appointed to conduct the market rental review for the year 2011 and the rental review process will be completed before 30th September, 2010.

With respect to the joint development project in the Central Business District in Beijing, PRC and as previously reported in the annual report of the Company for the year ended 31st December, 2009, an associate that is 50% owned by each of the Group and the Paliburg group, which presently holds 59% shareholding interest in the Sino-foreign joint venture entities (that, in turn, own the development project), was engaged in arbitration proceedings conducted in Beijing, involving claims against the associate by the vendor for the rescission of the contracts entered into between the parties in 2005 for the purchase by the associate of 36% shareholding interest in the joint venture entities. Although the relevant court rejected the petitions made by the associate for setting aside the unfavourable arbitral awards, the associate is still resorting to other available legal means to safeguard the aforesaid 36% shareholding interest and to pursue its legal rights against the vendor. On the other hand, the joint venture entities are encountering various difficult issues including shareholders' disputes, lawsuits raised by the Chinese joint venture partner and a third party, and outstanding issues relating to the land development rights of the project. The associate and the joint venture entities are in discussions with the Chinese joint venture partner and the relevant government authorities in an attempt to resolve the abovementioned issues. The final outcome of these different situations is uncertain, but the Group will together with the Paliburg group closely monitor any new developments for any responding actions required.

## FINANCIAL REVIEW

### CAPITAL AND FUNDING

#### Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash balances are mostly placed on bank deposits and yield enhancement products are deployed from time to time as management of the Group considers to be appropriate.

## Management Discussion and Analysis (Cont'd)

### Cash Flow

During the period under review, there were net cash flows used in operating activities of HK\$377.5 million (2009 – HK\$328.8 million). Net interest payment for the period amounted to HK\$1.1 million (2009 – net receipt of HK\$2.4 million).

### Borrowings

As at 30th June, 2010, the Group had total cash and bank balances and deposits, net of bank loans, of HK\$1,198.0 million (31st December, 2009 – HK\$1,297.1 million).

As at 30th June, 2010, part of the Group's bank deposits in the amount of HK\$1,000.0 million (31st December, 2009 – HK\$1,000.0 million) were pledged to secure a bank guarantee procured by the Group pursuant to the 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\$1,024.2 million (31st December, 2009 – HK\$1,055.1 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, 2010.

Information in relation to the maturity profile of the borrowings of the Group as of 30th June, 2010 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2009 (the "2009 Annual Report"). Details of the pledge of assets and the contingent liabilities of the Group are shown in notes 13 and 14 to the condensed consolidated financial statements, respectively, which have not changed materially from that disclosed in the 2009 Annual Report.

### Share Capital

During the period under review, the Company repurchased a total of 4,466,000 ordinary shares of the Company at an aggregate purchase price of HK\$12,734,060 on The Stock Exchange of Hong Kong Limited. Out of the 4,466,000 repurchased ordinary shares, 2,440,000 repurchased ordinary shares were cancelled during the period. The remaining 2,026,000 repurchased ordinary shares, together with the other 696,000 ordinary shares repurchased by the Company after the period under review, were all subsequently cancelled before the date of this report. 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, 2010, the unaudited book net asset value of the ordinary shares of the Company was HK\$4.77 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, 2010, such interest was only stated at a value of HK\$218.7 million.

## Management Discussion and Analysis (Cont'd)

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\$2.92 as at 30th June, 2010, calculated on the basis that the deferred tax liabilities provided by Regal REIT with regard to the revaluation surplus of its investment properties are added back, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$11.52 per share.

	As at 30th June, 2010	
	HK\$'million	HK\$ per ordinary share
<b>Unaudited book net assets after non-controlling interests</b>	<b>4,802.0</b>	<b>4.77</b>
<b>Adjustment to restate the Group's interest in Regal REIT on the basis noted above</b>	<b>6,793.4</b>	
<b>Unaudited adjusted net assets after non-controlling interests</b>	<b>11,595.4</b>	<b>11.52</b>

### 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 Chairman's Statement, the Group has no immediate plans for material investments or capital assets.

### STAFF AND REMUNERATION POLICY

The Group employs approximately 1,900 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 Income Statement

		Six months ended 30th June, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2	675.4	586.8
Cost of sales		(758.5)	(711.1)
Gross loss		(83.1)	(124.3)
Other income and gain	3	18.0	22.1
Administrative expenses		(76.2)	(73.2)
Other operating expense		–	(0.8)
Fair value gains on financial assets at fair value through profit or loss, net		251.2	73.2
Fair value gains on investment properties		66.0	–
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION		175.9	(103.0)
Depreciation		(4.0)	(2.5)
OPERATING PROFIT/(LOSS)	2	171.9	(105.5)
Finance costs	5	(2.9)	(2.4)
Share of profits and losses of:			
Jointly controlled entities		(0.8)	(1.4)
Associates		222.4	260.0
PROFIT BEFORE TAX		390.6	150.7
Income tax	6	(5.3)	(3.5)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		385.3	147.2
Attributable to:			
Equity holders of the parent		385.3	147.2
Non-controlling interests		–	–
		385.3	147.2
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and Diluted		HK38.2 cents	HK14.6 cents

# Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	HK\$'million	HK\$'million
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	385.3	147.2
OTHER COMPREHENSIVE INCOME/(LOSS):		
Reclassification adjustment for loss of available-for-sale investment included in the condensed consolidated income statement	–	0.8
Exchange differences on translating foreign operations	0.8	0.9
Share of other comprehensive income of associates/jointly controlled entity	9.9	–
Share of other comprehensive income/(loss) of the listed associate	10.4	(0.6)
Other comprehensive income for the period	21.1	1.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	406.4	148.3
Attributable to:		
Equity holders of the parent	406.4	148.3
Non-controlling interests	–	–
	406.4	148.3

# Condensed Consolidated Statement of Financial Position

		30th June, 2010 (Unaudited)	31st December, 2009 (Audited)
	Notes	HK\$'million	HK\$'million
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		37.5	38.2
Investment properties		809.0	805.0
Interests in jointly controlled entities		178.5	176.6
Interests in associates	9	622.5	584.9
Financial assets at fair value through profit or loss		494.0	358.0
Other loan		13.3	13.3
Pledged bank deposits		–	1,000.0
<b>Total non-current assets</b>		<b>2,154.8</b>	<b>2,976.0</b>
<b>CURRENT ASSETS</b>			
Hotel inventories		19.1	21.2
Properties held for sale		800.3	795.6
Debtors, deposits and prepayments	10	223.0	261.7
Financial assets at fair value through profit or loss		673.9	546.1
Pledged time deposits		1,003.6	3.6
Time deposits		363.1	251.2
Cash and bank balances		201.9	358.5
<b>Total current assets</b>		<b>3,284.9</b>	<b>2,237.9</b>
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	11	(247.9)	(407.8)
Interest bearing bank borrowings		(164.8)	(69.4)
Tax payable		(17.9)	(12.8)
<b>Total current liabilities</b>		<b>(430.6)</b>	<b>(490.0)</b>



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

	30th June, 2010 (Unaudited)	31st December, 2009 (Audited)
	HK\$'million	HK\$'million
NET CURRENT ASSETS	2,854.3	1,747.9
TOTAL ASSETS LESS CURRENT LIABILITIES	5,009.1	4,723.9
NON-CURRENT LIABILITIES		
Interest bearing bank borrowings	(205.8)	(246.8)
Net assets	<u>4,803.3</u>	<u>4,477.1</u>
EQUITY		
<b>Equity attributable to equity holders of the parent</b>		
Issued capital	100.6	101.1
Reserves	4,676.3	4,306.0
Dividends	25.1	68.7
	<u>4,802.0</u>	<u>4,475.8</u>
<b>Non-controlling interests</b>	1.3	1.3
Total equity	<u><u>4,803.3</u></u>	<u><u>4,477.1</u></u>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2010

	Attributable to equity holders of the parent										Non-controlling interests (Unaudited) HK\$'m	Total equity (Unaudited) HK\$'m
	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		
At 1st January, 2010	101.1	879.2	44.4	6.5	(147.2)	-	92.2	3,430.9	68.7	4,475.8	1.3	4,477.1
Final 2009 dividend declared	-	-	-	-	-	-	-	0.1	(68.7)	(68.6)	-	(68.6)
Repurchase and cancellation of ordinary shares	(0.5)	(12.3)	-	0.5	-	-	-	(0.5)	-	(12.8)	-	(12.8)
Equity-settled share option arrangements	-	-	1.2	-	-	-	-	-	-	1.2	-	1.2
Interim 2010 dividend	-	-	-	-	-	-	-	(25.1)	25.1	-	-	-
Total comprehensive income for the period	-	-	-	-	10.4	-	10.7	385.3	-	406.4	-	406.4
At 30th June, 2010	100.6	866.9	45.6	7.0	(136.8)	-	102.9	3,790.7	25.1	4,802.0	1.3	4,803.3
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

# Condensed Consolidated Statement of Cash Flows

	Six months ended 30th June, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	HK\$'million	HK\$'million
Net cash flows used in operating activities	(377.5)	(328.8)
Net cash flows from investing activities	355.4	192.2
Net cash flows from/(used in) financing activities	(23.5)	106.8
Net decrease in cash and cash equivalents	(45.6)	(29.8)
Cash and cash equivalents at beginning of period	609.7	460.5
Effect of foreign exchange rate changes, net	0.9	–
Cash and cash equivalents at end of period	<u>565.0</u>	<u>430.7</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	201.9	188.8
Non-pledged time deposits with original maturity of less than three months when acquired	<u>363.1</u>	<u>241.9</u>
	<u>565.0</u>	<u>430.7</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, 2009, 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, 2010.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
Improvements to HKFRSs (2009)	<i>Amendments to a number of HKFRSs</i>

The adoption of these new and revised HKFRSs has had no material impact on the Group’s results of operation and financial position.

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

### 2. Operating Segment Information

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

- (a) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income through 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.

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

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

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

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

### Group

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Securities investment		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2010	2009	Six months ended 30th June, 2010	2009	Six months ended 30th June, 2010	2009	Six months ended 30th June, 2010	2009	Six months ended 30th June, 2010	2009	Six months ended 30th June, 2010	2009	Six months ended 30th June, 2010	2009
	(Unaudited) HK\$ m	(Unaudited) HK\$ m	(Unaudited) HK\$ m	(Unaudited) HK\$ m	(Unaudited) HK\$ m	(Unaudited) HK\$ m	(Unaudited) HK\$ m	(Unaudited) HK\$ m	(Unaudited) HK\$ m	(Unaudited) HK\$ m	(Unaudited) HK\$ m	(Unaudited) HK\$ m	(Unaudited) HK\$ m	(Unaudited) HK\$ m
Segment revenue:														
Sales to external customers	608.8	507.1	34.3	32.4	8.3	15.8	1.4	11.5	22.6	20.0	-	-	675.4	586.8
Intersegment sales	2.8	8.8	-	-	1.7	1.7	-	-	0.2	0.3	(4.7)	(10.8)	-	-
<b>Total</b>	<b>611.6</b>	<b>515.9</b>	<b>34.3</b>	<b>32.4</b>	<b>10.0</b>	<b>17.5</b>	<b>1.4</b>	<b>11.5</b>	<b>22.8</b>	<b>20.3</b>	<b>(4.7)</b>	<b>(10.8)</b>	<b>675.4</b>	<b>586.8</b>
Segment results before depreciation	(174.8)	(224.1)	28.9	26.8	84.8	27.4	252.1	83.7	(1.0)	(2.8)	-	-	190.0	(89.0)
Depreciation	(3.5)	(1.8)	(0.2)	(0.2)	-	(0.1)	-	-	(0.1)	(0.2)	-	-	(3.8)	(2.3)
Segment operating results	(178.3)	(225.9)	28.7	26.6	84.8	27.3	252.1	83.7	(1.1)	(3.0)	-	-	186.2	(91.3)
Interest income and unallocated non-operating and corporate gains													3.2	5.2
Unallocated non-operating and corporate expenses, net													(17.5)	(19.4)
Operating profit/(loss)													171.9	(105.5)
Finance costs													(2.9)	(2.4)
Share of profits and losses of jointly controlled entities													(0.8)	(1.4)
Associates	227.7	261.5	-	-	(0.8)	(1.4)	-	-	-	-	-	-	222.4	260.0
Profit before tax													390.6	150.7
Income Tax													(5.3)	(3.5)
Profit for the period before allocation between equity holders of the parent and non-controlling interests													385.3	147.2
Attributable to:														
Equity holders of the parent													385.3	147.2
Non-controlling interests													-	-
													385.3	147.2

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

### 3. Other Income and Gain

Other income and gain represent the following items:

	Six months ended 30th June, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	HK\$'million	HK\$'million
<u>Other income</u>		
Bank interest income	0.7	2.2
Interest income from other loan	2.2	1.6
Other interest income	–	0.1
Sundry income	0.3	1.3
	3.2	5.2
 <u>Gain</u>		
Gain on disposal of investment properties	14.8	16.9
	18.0	22.1

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

	Six months ended 30th June, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	HK\$'million	HK\$'million
Loss on disposal of available-for-sale investment	–	(0.8)
Profit on disposal of listed investments	0.2	10.7
	0.2	10.7

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

### 5. Finance Costs

	Six months ended 30th June, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans wholly repayable within five years	<u>2.9</u>	<u>2.4</u>

### 6. Income Tax

	Six months ended 30th June, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	HK\$'million	HK\$'million
Group:		
Current - Hong Kong		
Charge for the period	5.0	3.4
Current - Overseas		
Charge for the period	<u>0.3</u>	<u>0.1</u>
Total tax charge for the period	<u>5.3</u>	<u>3.5</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2009 - 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

Taxes on the profits of subsidiaries operating overseas are calculated at the rates prevailing in the respective jurisdictions in which they operate.

The Group did not share the tax charge attributable to Regal REIT during the period since the Group's share of profit of Regal REIT for the period was offset against the previously unrecognised share of loss of Regal REIT (2009 - Nil).

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 (2009 - Nil).

There was no material unprovided deferred tax in respect of the period and as at 30th June, 2010.



### 7. Dividend

The Directors have declared the payment of an interim dividend of HK2.5 cents (2009 - HK2.0 cents) per ordinary share for the financial year ending 31st December, 2010, absorbing an amount of approximately HK\$25.1 million (2009 - HK\$20.2 million).

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

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

The calculation of basic earnings per ordinary share is based on the profit for the period attributable to equity holders of the parent of HK\$385.3 million (2009 - HK\$147.2 million), and on the weighted average of 1,009.8 million (2009 - 1,011.4 million) ordinary shares of the Company in issue during the period.

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

No adjustment has been made to the basic earnings per ordinary share amount presented for the periods ended 30th June, 2009 and 30th June, 2010 in respect of a dilution as the exercise price of the share options of the Company outstanding during both periods is higher than the average market price of the Company's ordinary shares for the respective periods and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

### 9. Interests in Associates

Included in interests in associates is an amount of HK\$218.7 million (31st December, 2009 – HK\$140.0 million) representing the carrying value of the Group's interest in Regal REIT which was constituted by a trust deed (the "Trust Deed") entered into by the REIT manager, which is a wholly-owned subsidiary of the Group, and the trustee, and is regulated by, inter alia, the Code on Real Estate Investment Trusts (the "REIT Code"). Consequent upon the recent amendments to the REIT Code relating to, inter alia, appointment and removal of a reit manager, corresponding amendments have been made to the Trust Deed and the amended Trust Deed has become effective on 23rd July, 2010. The key amendments will:

1. allow the trustee to, among other reasons, remove the REIT manager by written notice if an ordinary resolution is passed to dismiss the REIT manager. Such removal right replaces the previous ability of the trustee to remove the REIT manager where holders representing at least 75% in value of the units issued and outstanding (excluding those held or deemed to be held by the REIT manager and the holders who have interest in retaining the REIT manager) deliver to the trustee a written request or a special resolution is passed, to dismiss the REIT manager;
2. require that the appointment of a new manager of Regal REIT be subject to the prior approval of the Securities and Futures Commission and, to the extent required by the REIT Code (as may be modified by any waivers or exemptions), the passing of an ordinary resolution; and

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

3. where a resolution is proposed for the removal or appointment of any person who (as the case may be) is proposed to be, or is, the manager of Regal REIT, permit all holders, including (insofar as they are holders) the outgoing REIT manager, the proposed new manager of Regal REIT and their respective associates, to vote and be counted in the quorum for the purposes of passing such resolution.

The Group is currently assessing the impact, if any, of the relevant amendments to the Trust Deed on the accounting treatment of the Group's investment in Regal REIT.

### 10. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$80.4 million (31st December, 2009 - HK\$79.6 million) representing the trade debtors of the Group. The aged analysis of such debtors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2010 (Unaudited)	31st December, 2009 (Audited)
	HK\$'million	HK\$'million
Within 3 months	74.2	74.9
Between 4 to 6 months	3.5	2.4
Between 7 to 12 months	1.4	0.7
Over 1 year	2.4	3.0
	<u>81.5</u>	<u>81.0</u>
Impairment	(1.1)	(1.4)
	<u>80.4</u>	<u>79.6</u>

#### Credit terms

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

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's trade debtors relate to a large number of diversified customers, 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\$26.8 million (31st December, 2009 - HK\$38.0 million) and HK\$2.6 million (31st December, 2009 - HK\$3.1 million), respectively, which are repayable on similar credit terms to those offered to the major customers of the Group.

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

### 11. Creditors and Accruals

Included in the balance is an amount of HK\$48.5 million (31st December, 2009 - HK\$53.0 million) representing the trade creditors of the Group. The aged analysis of such creditors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2010 (Unaudited)	31st December, 2009 (Audited)
	HK\$'million	HK\$'million
Within 3 months	48.2	52.4
Between 4 to 6 months	–	0.3
Over 1 year	0.3	0.3
	<u>48.5</u>	<u>53.0</u>

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, 2009 - HK\$6.1 million) and HK\$3.3 million (31st December, 2009 - HK\$4.5 million), respectively, which have similar credit terms to those offered by those associates and related companies to their major customers.

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

### 12. 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, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	HK\$'million	HK\$'million
A substantial shareholder:		
Management fees expenses	8.0	6.4
Wholly-owned subsidiaries of a substantial shareholder, Paliburg Holdings Limited ("PHL"):		
Development consultancy fees expenses	0.1	1.1
Service fees expenses in respect of security systems and products and other software	0.9	1.3
Repairs and maintenance fees and construction fees expenses	0.6	26.7
Associates:		
REIT manager's fees income	33.2	32.4
Lease rental expenses	394.9	378.4
Furniture, fixtures and equipment reserve contribution expenses	12.6	11.0
Other rental expenses	3.9	3.7
Advertising and promotion fees expenses (including cost reimbursements)	4.7	3.6
	<u>4.7</u>	<u>3.6</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, 2009.

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, 2010.

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.

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

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, 2010 amounted to approximately HK\$18.2 million (31st December, 2009 - HK\$24.2 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, 2010 (Unaudited)	31st December, 2009 (Audited)
	HK\$'million	HK\$'million
Due from a jointly controlled entity	366.7	366.7
Due from an associate	26.8	38.0
Due from related companies	2.6	3.1
Due to associates	(5.4)	(6.1)
Due to related companies	(3.3)	(4.5)
Loans to jointly controlled entities	1,092.1	1,091.4
Loans to/amounts due from associates	283.0	326.3
	<u>          </u>	<u>          </u>

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

	Six months ended 30th June, 2010 (Unaudited)	Six months ended 30th June, 2009 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	9.2	8.8
Equity-settled share-based payments	1.1	2.2
	<u>          </u>	<u>          </u>
Total compensation paid to key management personnel	10.3	11.0
	<u>          </u>	<u>          </u>

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

### 13. Pledge of Assets

At 30th June, 2010, part of the Group's bank deposits in the amount of HK\$1,000.0 million (31st December, 2009 - HK\$1,000.0 million) were pledged to secure a bank guarantee procured by the Group pursuant to the Lease Guarantees (note 12(a)), and certain of the Group's investment properties, properties held for sale, bank deposits and cash balances in the total amount of HK\$1,024.2 million (31st December, 2009 - HK\$1,055.1 million) were also pledged to secure other banking facilities granted to the Group.

### 14. Contingent Liabilities

Apart from the guarantees given under the Lease Agreements in respect of the minimum variable rent as disclosed in note 12(a), the Group had no other material contingent liability as at 30th June, 2010 (31st December, 2009 - Nil).

### 15. Operating Lease Arrangements

(a) As lessor

Since the completion of the Spin-off, 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, 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30th June, 2010 (Unaudited)	31st December, 2009 (Audited)
	HK\$'million	HK\$'million
Within one year	24.1	30.8
In the second to fifth years, inclusive	7.5	16.2
	<u>31.6</u>	<u>47.0</u>

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

(b) As lessee

Since the completion of the Spin-off, the Group has leased 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, 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2010 (Unaudited)	31st December, 2009 (Audited)
	HK\$'million	HK\$'million
Land and buildings:		
Within one year	395.9	789.4
In the second to fifth years, inclusive	1.6	0.6
	<u>397.5</u>	<u>790.0</u>
Other equipment:		
Within one year	0.2	0.2
In the second to fifth years, inclusive	0.5	0.6
	<u>0.7</u>	<u>0.8</u>
	<u><u>398.2</u></u>	<u><u>790.8</u></u>

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, 2010.

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

### 16. 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, 2010	Vested during the period	At 30th June, 2010		
<b>Directors</b>						
12th May, 2005	Mr. Lo Yuk Sui					
	Vested:	16,000,000	4,000,000	20,000,000	Note	7.50
	Unvested:	4,000,000***	(4,000,000)	-		
25th July, 2005	Ms. Belinda Yeung Bik Yiu					
	Vested:	2,400,000	-	2,400,000	Note	7.50
	Unvested:	600,000	-	600,000		
25th July, 2005	Mr. Donald Fan Tung					
	Vested:	1,600,000	-	1,600,000	Note	7.50
	Unvested:	400,000	-	400,000		
25th July, 2005	Mr. Jimmy Lo Chun To					
	Vested:	1,200,000	-	1,200,000	Note	7.50
	Unvested:	300,000	-	300,000		
25th July, 2005	Miss Lo Po Man					
	Vested:	2,400,000	-	2,400,000	Note	7.50
	Unvested:	600,000	-	600,000		
25th July, 2005	Mr. Kenneth Ng Kwai Kai					
	Vested:	1,600,000	-	1,600,000	Note	7.50
	Unvested:	400,000	-	400,000		
25th July, 2005	Mr. Allen Wan Tze Wai <sup>†</sup>					
	Vested:	640,000	-	640,000	Note	7.50
	Unvested:	160,000	-	160,000		
<b>Other Employees</b>						
25th July, 2005	Employees, in aggregate					
	Vested:	1,440,000	-	1,440,000	Note	7.50
	Unvested:	360,000	-	360,000		
	<b>Total:</b>					
	<b>Vested:</b>	<b>27,280,000</b>	<b>4,000,000</b>	<b>31,280,000</b>		
	<b>Unvested:</b>	<b>6,820,000</b>	<b>(4,000,000)</b>	<b>2,820,000</b>		



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

- \* 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.
- # Appointed as Director of the Company on 1st March, 2010

### 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)

# Other Information

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2010, 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, 2010)
			Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) issued	24,200	494,835,261 (Note a(i))	260,700	495,120,161
		(ii) unissued	20,000,000 (Note a(ii))	-	-	20,000,000
					Total (i) & (ii):	515,120,161 (51.09%)
	Dr. Francis Choi Chee Ming	Ordinary (issued)	50,240,000	-	-	50,240,000 (4.98%)
	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%)
	Mr. Allen Wan Tze Wai	Ordinary (i) issued	10,200	-	-	10,200
		(ii) unissued	800,000 (Note f)	-	-	800,000
					Total (i) & (ii):	810,200 (0.08%)

## Other Information (Cont'd)

	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, 2010)
				Personal interests	Corporate interests	Family/Other interests	
2.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	1,000 (Note g)	-	1,000 (100%)
3.	Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	-	2,406,682,350 (Note h)	-	2,406,682,350 (74.50%)

### 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 50.66% shareholding interests and the interests in the other 494,413,861 issued ordinary shares of the Company were held through companies wholly owned by Paliburg Holdings Limited ("PHL"), in which CCIHL held 59.09% 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 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 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

## Other Information (Cont'd)

- (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) The interests in 800,000 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 800,000 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	320,000
25th July, 2008 to 24th July, 2011	160,000
25th July, 2009 to 24th July, 2011	160,000
25th July, 2010 to 24th July, 2011	160,000

- (g) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 50.66% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.
- (h) The interests in 2,401,395,350 units of Regal REIT were held through wholly owned subsidiaries of the Company, and the interests in the other 5,287,000 units of Regal REIT were held through wholly owned subsidiaries of CCIHL. PHL, in which CCIHL held 59.09% shareholding interests, held 49.03% shareholding interests in the Company. Mr. Lo held 50.66% shareholding interests in CCIHL.

Save as disclosed herein, as at 30th June, 2010, 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.

## Other Information (Cont'd)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2010, 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, 2010
CCIHL (Note i)	494,835,261	–	494,835,261	49.08%
Century City BVI Holdings Limited (Note ii)	494,835,261	–	494,835,261	49.08%
Almighty International Limited (Note ii)	494,413,861	–	494,413,861	49.03%
PHL (Note iii)	494,413,861	–	494,413,861	49.03%
Paliburg Development BVI Holdings Limited (Note iv)	494,413,861	–	494,413,861	49.03%
Guo Yui Investments Limited (Note iv)	180,930,466	–	180,930,466	17.94%
Paliburg International Holdings Limited (Note iv)	262,943,209	–	262,943,209	26.08%
Paliburg BVI Holdings Limited (Note iv)	262,943,209	–	262,943,209	26.08%
Taylor Investments Ltd. (Note iv)	154,232,305	–	154,232,305	15.30%
Glaser Holdings Limited (Note iv)	58,682,832	–	58,682,832	5.82%

#### Notes:

- (i) The interests in these ordinary shares held by CCIHL were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) 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 59.09% 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, 2010, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

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

- (1) Mr. Lo Yuk Sui, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Ng Kwai Kai, Mr. Ng Siu Chan and Mr. Wong Chi Keung are directors of CCIHL and PHL.
- (2) Messrs. Lo Yuk Sui, Donald Fan Tung and Kenneth Ng Kwai Kai are directors of all the above-mentioned wholly owned subsidiaries of CCIHL and PHL.

### CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the annual report of the Company for the financial year ended 31st December, 2009 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	Details of changes
<i>Independent Non-Executive Directors:</i>	
Ms. Alice Kan Lai Kuen	<ul style="list-style-type: none"><li>• Retired as an independent non-executive director of Shongang Concord Technology Holdings Limited, a company listed on the Stock Exchange, with effect from 8th June, 2010.</li></ul>
Mr. Wong Chi Keung	<ul style="list-style-type: none"><li>• Elected as an independent non-executive director of ENM Holdings Limited, a company listed on the Stock Exchange, with effect from 17th June, 2010.</li></ul>

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

## Other Information (Cont'd)

### 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, 2010 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)	1,281.2
	<hr/> <hr/>

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, 2010 provided by the Group to Chest Gain in the sum of HK\$1,281.2 million represented 23.6% of the consolidated total assets of the Group of HK\$5,439.7 million (the "Regal TA"), by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2010.



### 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, 2010 are set out below:

Name of Affiliated Companies	Principal Amount of Advances (HK\$'million)	Interest Receivable (HK\$'million)	Total (HK\$'million)
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	177.5	–	177.5
Hang Fok Properties Limited	246.3	–	246.3
	<u>1,374.2</u>	<u>366.7</u>	<u>1,740.9</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.

## Other Information (Cont'd)

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, 2.95% shareholding interests in CIHL and certain convertible bonds issued by the CIHL group. The site is primarily planned for a hotel, residential and commercial composite development project. Further information relating to the progress of the development project is disclosed in the preceding Chairman's Statement. 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. Further information relating to the development project is disclosed in the section headed "Business Review" in the preceding Management Discussion and Analysis.

As at 30th June, 2010, the aggregate amount of financial assistance provided to affiliated companies by the Group in the sum of HK\$1,740.9 million represented 32.0% of the Regal TA.

## Other Information (Cont'd)

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, 2010, 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	2,889.8	659.3
Current assets	704.0	47.0
Current liabilities	(250.8)	(123.8)
Non-current liabilities	(6,930.1)	(459.8)
Net liabilities	<u>(3,587.1)</u>	<u>122.7</u>

## 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, 2010, except that:

- (1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals, due to practical necessity to cater to the Group's corporate operating structure.
- (2) The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but, during the period under review, arrangements had been put in place such that the Non-Executive Director and Independent Non-Executive Directors would retire, and were 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. Further, following the relevant amendments to the Bye-laws on 9th June, 2010, all Directors (including the Non-Executive Director and Independent Non-Executive Directors) of the Company would be subject to retirement by rotation, and eligible for re-election, 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, 2010.



# 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 13 to 32 which comprises the condensed consolidated statement of financial position of Regal Hotels International Holdings Limited as at 30th June, 2010 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  
24th August, 2010

[www.regal.com.hk](http://www.regal.com.hk)