

# 2012

## INTERIM REPORT



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)

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# 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

Japhet Sebastian Law

Ng Siu Chan

Wong Chi Keung

## AUDIT COMMITTEE

Wong Chi Keung (Chairman)

Francis Choi Chee Ming, GBS, JP

Alice Kan Lai Kuen

Japhet Sebastian Law

Ng Siu Chan

## REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)

Lo Yuk Sui

Alice Kan Lai Kuen

Ng Siu Chan

## NOMINATION 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

## 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

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# Directors' Profile

**Mr. Lo Yuk Sui, aged 68; 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") (the ultimate listed holding company of the Company) and Paliburg Holdings Limited ("PHL") (the immediate listed holding company of the Company), and the non-executive chairman of Regal Portfolio Management Limited ("RPML"), the manager of Regal Real Estate Investment Trust (the listed subsidiary 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 67; 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. He also holds a Ph. D in Business Management from Harbin Institute of Technology, the People's Republic of China, and an Honorary Degree of Doctor of Business Administration from The Hong Kong Polytechnic University. Dr. Choi is the chairman of Early Light International (Holdings) Limited 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 Court 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, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Ms. Belinda Yeung Bik Yiu, aged 54; 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. Graduated from Barron Hilton School of Hotel Management, University of Houston, U.S.A., Ms. Yeung has devoted her career in the hospitality industry in U.S.A., Mainland China and Hong Kong – on both multi-unit corporate and single-unit hotel property management levels. As the Chief Operating Officer, she is in charge of the operations of all Regal Hotels in Hong Kong and Mainland China. In addition to her hotel management responsibilities, Ms. Yeung is also responsible for the human resources management of the Century City Group. Ms. Yeung is a member of Election Committee for the Hong Kong Chief Executive Election, Deputy Chairman of Executive Committee of the Federation of Hong Kong Hotel Owners and Chairman of the Advisory Committee of the School of Hotel & Tourism Management of The Hong Kong Polytechnic University.

**Mr. Donald Fan Tung, aged 55; 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 PHL group.

## Directors' Profile (Cont'd)

**Ms. Alice Kan Lai Kuen**, aged 58; *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 investment adviser under the Securities and Futures Ordinance of Hong Kong (the "SFO") and a responsible officer of Lotus Asset Management Limited. She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She 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 Energine International (Holdings) Limited, Shimao Property Holdings Limited, Shougang Concord International Enterprises Company Limited and Sunway International Holdings Limited, all of which are companies listed on the Stock Exchange, and an independent director of AVIC International Investments Limited, a company listed on Singapore Exchange Securities Trading Limited.

**Professor Japhet Sebastian Law**, aged 60; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director on 18th June, 2012. Professor Law obtained his Ph.D. in Mechanical/Industrial Engineering from The University of Texas at Austin in 1976. He joined The Chinese University of Hong Kong in 1986 and was a professor in the Department of Decision Sciences and Managerial Economics and the director of the Aviation Policy and Research Center until his retirement since August 2012. He was also the associate dean and subsequently the dean of the Faculty of Business Administration of The Chinese University of Hong Kong from 1993 to 2002. Prior to returning to Hong Kong, Professor Law was the director of operations research at the Cullen College of Engineering and director of graduate studies in Industrial Engineering at the University of Houston, and he was also involved with the United States Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. Professor Law has acted as a consultant for various corporations in Hong Kong and overseas. He is active in public services, having served as a member of the Provisional Regional Council of the Government of the Hong Kong Special Administrative Region and various other government advisory committees, and he is also active in serving on the boards of for-profit, non-profit, public and charitable organizations in Hong Kong and overseas. Professor Law is currently an independent non-executive director of Beijing Capital International Airport Company Limited, Binhai Investment Company Limited, Cypress Jade Agricultural Holdings Limited, Global Digital Creations Holdings Limited, Tianjin Binhai Teda Logistics (Group) Corporation Limited and Tianjin Port Development Holdings Limited, all of which are companies listed on the Stock Exchange. Professor Law has also served on various committees and boards of international organizations, including The Association to Advance Collegiate Schools of Business, Graduate Management Admission Council and Oxfam International.

**Mr. Jimmy Lo Chun To**, aged 38; *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. He joined the Century City Group in 1998. Apart from his involvement with the design of the Group's property and hotel projects, Mr. Jimmy Lo 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 33; Executive Director** — Joined the Group in 2000 and 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 is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing functions of the Group and directed 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 58; 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 82; Independent Non-Executive Director** — Invited to the Board as Independent Non-Executive Director in 2005. Mr. Ng is also an independent non-executive director of CCIHL and PHL. He is a non-executive director of Transport International Holdings Limited, which is publicly listed in Hong Kong.

**Mr. Allen Wan Tze Wai, aged 54; 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 30 years of experience in finance and accounting field.

**Mr. Wong Chi Keung, aged 57; 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 Greater China Capital 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, ENM Holdings Limited, First Natural Foods Holdings Limited, Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited, TPV Technology Limited and Zhuguang Holdings Group Company Limited, all of which are companies 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 herewith the 2012 Interim Report of the Company.

## FINANCIAL RESULTS

For the six months ended 30th June, 2012, the Group achieved an unaudited consolidated profit attributable to shareholders of HK\$380.6 million, as compared to HK\$420.9 million attained in the same period last year.

During the period under review, the core hotel business of the Group continued to enjoy healthy growth and generated increased profits. Together with the profit derived from the sale of houses in Regalia Bay, Stanley and other income recognised during the period, the Group's operating profit before depreciation and finance costs for the six months ended 30th June, 2012 amounted to HK\$674.5 million, which was substantially above the corresponding amount of HK\$66.2 million attained for the same period in 2011, particularly as the profit last year has been adversely impacted by the losses arising from the changes in the fair values of the Group's financial assets.

As the Group recorded in the six months ended 30th June, 2011 gains of over HK\$600 million from share of profits of jointly controlled entities, the overall attributable profit attained in the interim period last year was comparatively higher than that for the period under review, though it should be noted that the improved results achieved by the Group's core businesses during this current period have indeed been encouraging.

As explained previously, the five initial Regal Hotels in Hong Kong, which are leased to the Group for hotel operations and owned directly by Regal Real Estate Investment Trust, are treated by the Group in its consolidated financial statements as fixed assets and subject to depreciation charges. Accordingly, unlike Regal REIT, any appreciation in the fair values of these hotel properties would not be reflected in the consolidated financial statements of the Group. Moreover, there were total depreciation charges of approximately HK\$182.5 million provided on these hotel properties during this interim period which, though not having any impact on cash flow, have nevertheless affected the Group's overall recorded profit for the period.

## DIVIDEND

The Directors have declared the payment of an interim dividend of HK3.3 cents (2011 – HK3.0 cents) per ordinary share for the financial year ending 31st December, 2012, absorbing an amount of approximately HK\$31.8 million (2011 – HK\$30.0 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 12th October, 2012.

### BUSINESS OVERVIEW

On 20th April, 2012, the Company announced a share repurchase programme for the repurchase of up to 38,886,400 shares of the Company at a maximum price of HK\$3.80 per share, which was to be operative until 21st July, 2012. The share repurchase programme was initiated with the objective of enhancing the net asset value as well as the earnings per share of the Company, and thereby achieving for the shareholders higher returns in the long run, particularly as the shares of the Company have been trading at a deep discount to their underlying net asset value which, even based on the book values in the consolidated statement of financial position as at 31st December, 2011, amounted to HK\$11.53 per share. Shareholders could also refer to the supplementary information in the section headed "Management Discussion and Analysis" in this Interim Report, which has set out the unaudited adjusted net asset value of the shares of the Company as at 30th June, 2012, on the basis that the Group's hotel properties are to be restated in its consolidated financial statements at their market values on 30th June, 2012, would be HK\$15.93 per share.

Up to 7th May, 2012, an aggregate of 12,600,000 shares of the Company have been repurchased under the programme and, as a result, the aggregate proportionate shareholdings held by Paliburg Holdings Limited in the Company crossed over the 50% shareholding threshold. Consequently, both the Company and Regal REIT became subsidiaries of Paliburg and, in turn, Century City International Holdings Limited, the controlling shareholder of Paliburg. Pursuant to the chain principle under The Codes on Takeovers and Mergers in Hong Kong, Paliburg was thereby required to make an unconditional mandatory general cash offer for all the Regal REIT units, other than those already owned by Paliburg and parties acting in concert with it, at an offer price of HK\$1.00 per unit. Accordingly, a general offer was made by the Paliburg group in a composite offer document dated 9th July, 2012 in technical compliance with the Takeovers Code, which offer has duly closed on 30th July, 2012.

Up to the date when the share repurchase programme ended on 21st July, 2012, the Company has repurchased a total of 37,344,000 shares of the Company. The highest price paid for the repurchased shares was HK\$3.33 per share and total funds of approximately HK\$115.3 million have been utilised under the programme.

### HOTELS

#### MARKET OVERVIEW

During the first half of 2012, the pace of recovery in the global economy remained weak. The sovereign debt crisis in the Euro zone is still unresolved and continues to cast uncertainty on the international financial market. The Asian developing countries were also affected by their global counterparts and a slowdown in their GDP growth is projected.

However, benefiting from a GDP growth of 7.8% in China in the first six months of 2012, which was relatively strong as compared to other major economies in the world, and China's continuing policy to liberalise overseas travel restrictions for Mainland residents, the total number of visitors to Hong Kong hit another historical record of 22.3 million, representing a year-on-year increase of 15.5%, with China's visitors accounting for about 69.8% of the total count.

Based on the Hotel Survey published by Hong Kong Tourism Board, the average hotel room occupancy for all the surveyed hotels under different categories in Hong Kong for the period under review was 87%, as compared to 88% in the corresponding period in 2011, while the average achieved room rate attained a year-on-year increase of about 12%.

The level of room rates for the hotels in Hong Kong as a whole still lags behind those prevailing in many other major international cities in the world. As long as Hong Kong maintains its position as an international financial and tourist hub and the hotel industry in Hong Kong keeps up its quality and standards, it is expected that the level of hotel room rates can be further improved.

### HOTEL OWNERSHIP

#### REGAL REAL ESTATE INVESTMENT TRUST

The Group's hotel ownership business is undertaken through Regal REIT, which is 74.5% held by the Group. Regal REIT is managed by Regal Portfolio Management Limited as the REIT Manager, which is a wholly owned subsidiary of the Group.

For the six months ended 30th June, 2012, Regal REIT attained an unaudited consolidated profit before distribution to Unitholders of HK\$675.2 million, as compared to HK\$1,957.6 million recorded in the corresponding period last year. Based on the market valuation conducted as at 30th June, 2012, a profit of HK\$446.6 million was included in Regal REIT's results under review from the increase in the fair values of its portfolio of investment properties, whereas for the last comparative period, a gain of HK\$1,782.6 million was recorded in respect of such fair value changes. Total distributable income for the period under review amounted to approximately HK\$221.8 million, which was an increase of 18.9% over the HK\$186.5 million attained for the same period last year.

The five initial Regal Hotels owned by Regal REIT, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Riverside Hotel and Regal Oriental Hotel, are under lease to a wholly owned subsidiary of the Group at a base rent of HK\$645 million for year 2012, with equal sharing on the excess of their aggregate net property income over the annual base rent. The aggregate net property income for these five hotels for the first six months of this year amounted to HK\$406.1 million, which represented a year-on-year increase of about 13.4% and exceeded the prorated base rent by approximately HK\$83.6 million. As the latter part of the year is traditionally the higher season, the net property income excess for the second half of 2012 is anticipated to surpass that attained in the first half.

For the years 2011 to 2015, the rental packages for the five initial Regal Hotels are subject to annual rent reviews to be determined by an independent professional property valuer to be jointly appointed by the Lessors and the Lessee. The same independent professional property valuer, who determined the Market Rental Review for 2011 and 2012, was jointly appointed in June 2012 to carry out the rental review process for 2013. This rental review exercise has recently been concluded and the annual base rent for 2013 has been determined to be HK\$734 million, representing an increase of 13.8% over the annual base rent of HK\$645 million for 2012, with the variable rent similarly determined at 50% of the aggregate net property income excess.

The Regal iClub Hotel in Wanchai, the sixth Regal Hotel in Hong Kong that is owned and operated by Regal REIT under a management contract with the Group's wholly owned management subsidiary, continued to perform very satisfactorily. For the first half of 2012, the hotel recorded a high average occupancy of about 96.7%, as compared to about 93.3% for the same period last year. The average achieved room rate has also improved by about 11.2% over the same period, resulting in a year-on-year increase of about 15.2% in the Revenue per Available Room.

With the objective to maintaining the high quality and standards of the properties, the guestrooms, banqueting and other facilities in the five initial Regal Hotels are renovated and upgraded from time to time as an ongoing process. During the period under review, a total of around 300 guestrooms and suites within the portfolio are being upgraded under ongoing asset enhancement programmes.

The works for the conversion of the food and beverage areas on the 14th Floor of Regal Oriental Hotel into 27 guestrooms are underway and scheduled to be completed before the end of this year, while the conversion works on the 2nd Floor of this hotel to provide 28 additional guestrooms are planned to be commenced in the fourth quarter of this year and to be completed in the first half of 2013.

In the meantime, Regal REIT is working closely with the hotel manager in a programme to replace and upgrade a centralised property management system for all the six Regal Hotels in Hong Kong, with a view to enhancing internet connectivity and operational efficiency.

### HOTEL OPERATIONS

The results of the five Regal Hotels in Hong Kong operated by the Group under lease from Regal REIT continued to enjoy steady progress, achieving gross operating profits of approximately HK\$422.4 million for the period under review. The combined average occupancy rate for the five hotels was about 87.5%, which was in line with the industry average, with achieved average room rate improving by about 15.5% over the same comparative period. As the five hotels are well positioned to cater to different market segments, it is expected that these five hotels will continue to maintain satisfactory performance.

### HOTEL MANAGEMENT

The Group's hotel management subsidiary in China has expanded its hotel network to Shaanxi Province with the signing in May 2012 of the management agreement for a 5-star airport hotel project in Xi'an. The hotel will be adjacent to Terminal 3A in Xi'an Xianyang International Airport, the biggest transportation hub and the bridgehead in Northwest China, which will have 300 well-equipped guestrooms and ample restaurant, meeting and recreational facilities. The hotel is scheduled to open in the second quarter of 2014.

More recently in August 2012, the Group signed up another management agreement to provide hotel management services to a new 5-star hotel within a multi-complex project located at the heart of the Yantai Economic and Technological Development Area in Yantai, Shandong Province. The hotel will be named as the Regal Furao Hotel, featuring 300 well-appointed guestrooms, and is scheduled to open in the third quarter of 2015.

Apart from the six Regal Hotels in Hong Kong owned by Regal REIT, the Group is providing management services to a total of 7 operating hotel properties and 8 hotel projects under development in China, spanning across 11 cities in 8 provinces and 1 municipality. Various new management contracts are under negotiations which, when concluded, will further add to the Group's hotel network.

### PROPERTIES

Despite a relatively stagnant economy, property prices in Hong Kong have generally held firm during the period under review, due largely to the persistence of a low interest environment. The contract for the sale of the two front-row houses in Regalia Bay, Stanley was completed during the period and the profit realised has been reflected in the interim results under review. The Group still retains a total of 19 houses in Regalia Bay, three of which are presently under leases to third parties.

P&R Holdings Limited, a jointly controlled entity that is 50% owned by each of Paliburg and the Group, is undertaking four wholly owned property projects in Hong Kong and one majority-owned composite development project in Chengdu, Sichuan, China. Information regarding the updated progress of these development projects is contained in the section headed "Management Discussions and Analysis" in this Interim Report.

The Group will continue to consider expanding its portfolio of investment and development properties, whether through P&R Holdings or on its own, if suitable opportunities arise.

### OTHER INVESTMENTS

The Group maintains a substantial investment portfolio consisting primarily of listed investments, including positions in listed shares held for strategic purposes. The Group owns within the portfolio significant investments in the shares, convertible bonds and optional convertible bonds of Cosmopolitan International Holdings Limited. The optional convertible bonds will be due for subscription in November 2012 and the convertible bonds for conversion in January 2013.

### OUTLOOK

With the various stimulus plans initiated by the monetary authorities in Europe and the United States, the global economy is anticipated to stabilise in the latter part of 2012 and in 2013. The Government of Hong Kong has committed to a number of major infrastructural development projects, including the expansion of the Hong Kong International Airport, the Hongkong-Zhuhai-Macao Bridge and the Kai Tak International Cruise Terminal, which will strengthen Hong Kong's position as an international gateway city and enhance its connectivity with the cities in the fast growing Pearl River Delta. These will undoubtedly continue to boost increasing traffic of business and leisure travelers to Hong Kong in the future years.

The Directors are confident of the future prospects of the hotel business in Hong Kong and, with its solid financial strength and extensive experience, the Group will continue to seek appropriate opportunities to further expand its core business portfolio.

### LO YUK SUI

Chairman

Hong Kong  
27th August, 2012

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise hotel ownership business undertaken through Regal Real Estate Investment Trust ("Regal REIT"), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings Limited ("P&R Holdings") and 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 sections headed "Financial Results", "Business Overview" and "Outlook", respectively, in the preceding Chairman's Statement.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the sections headed "Business Overview" and "Outlook" in the preceding Chairman's Statement and in this Management Discussion and Analysis.

### Joint Venture - P&R Holdings Limited

P&R Holdings is a 50:50 owned joint venture established with Paliburg Holdings Limited ("PHL"), the immediate listed holding company of the Company, with maximum total capital commitment presently capped at HK\$3,800 million. The maximum capital commitment for each of the Company and PHL is HK\$1,900 million, which is to be contributed on a pro-rata basis in accordance with their respective shareholdings in P&R Holdings. P&R Holdings and its subsidiaries are principally engaged in property development business. Further information relating to the property development projects being carried out by the P&R Holdings group is set out below:

#### Hong Kong

##### *Nos.132-140 Bonham Strand, Sheung Wan*

This development site has a site area of approximately 5,430 square feet. It is planned for the development of a hotel with 248 guestrooms and suites with gross floor area of approximately 83,700 square feet. The foundation works have been completed. The superstructure works for this hotel development have also commenced and are expected to be completed in the fourth quarter of 2013.

##### *Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan*

This development site is constituted by two adjoining properties having an aggregate site area of approximately 3,710 square feet. The general building plans for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 59,090 square feet, have been approved. Due to some delay encountered in the foundation works for this site, the completion schedule of the hotel development originally targeted for the fourth quarter of 2014 might be deferred.



### *Nos. 14-20 Merlin Street, North Point*

The properties have an aggregate site area of approximately 5,300 square feet and the plans for their development into a hotel with about 338 guestrooms and suites, with total gross floor area of approximately 79,390 square feet, have been approved. Foundation works will be completed shortly and the superstructure works will commence later this year. This development project is scheduled for completion in the third quarter of 2014.

### *Lot No.4309 in Demarcation District No.124, Tan Kwai Tsuen Road, Yuen Long, New Territories*

This development site, acquired through a government public auction, has an area of approximately 120,470 square feet and is planned for a residential development with a total of 170 units, comprising 36 houses and 134 apartments, having an aggregate gross floor area of approximately 120,470 square feet. The building plans have been approved. Site formation and foundation works will commence in the fourth quarter of 2012.

## **Mainland China**

### *Composite development project in Xindu District, Chengdu, Sichuan*

P&R Holdings group holds 70% interest in this property project and the remaining 30% interest is held by a jointly controlled entity owned as to 50% each by the Group and Cosmopolitan International Holdings Limited group.

This project in Chengdu is a mixed use development planned to consist of hotel, commercial, office and residential components. The project has an overall total gross floor area of approximately 5,360,000 square feet and will be developed in stages. The first stage now primarily comprises a five-star hotel and three residential towers, to be constructed on two separate land parcels. The hotel will have 306 hotel rooms and extensive facilities, with total gross floor area above ground of approximately 438,000 square feet. The structural frame for the hotel development has been completed and the first phase of hotel is presently scheduled to be soft opened in the fourth quarter of 2013. The three residential towers included in the first stage will have about 340 apartment units with car parks and some ancillary commercial accommodation, commanding total gross floor area of approximately 489,000 square feet. The structural frames for this part of the development have also been completed, with overall construction works scheduled to be completed in the second quarter of 2013. Presale of the residential units is anticipated to be launched in the first quarter of 2013. Development works for the other stages are planned to be carried out progressively.

### *Regal (Chongqing) Equity Investment Fund*

P&R Holdings group also holds limited partnership interest of approximately RMB250 million in a cross-border Renminbi fund, named as Regal (Chongqing) Equity Investment Fund, the investment objective of which is principally to support the businesses undertaken by P&R Holdings group in China. A wholly owned subsidiary of Century City International Holdings Limited, the ultimate listed holding company of the Company, acts as the general partner of the fund and holds a very minor interest in the partnership.

## FINANCIAL REVIEW

### CAPITAL RESOURCES AND FUNDING

#### Funding and Treasury Policy

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

The Group's banking facilities are mostly denominated in Hong Kong dollar with interest primarily determined with reference to interbank offered rates. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Group's management from time to time. The Group had no or insignificant exchange risk and no currency hedging was considered necessary.

#### Cash Flow

During the period under review, there were net cash flows generated from operating activities of HK\$413.2 million (2011 – HK\$155.1 million). Net interest paid for the period amounted to HK\$81.0 million (2011 – HK\$84.7 million).

#### Borrowings and Gearing

As at 30th June, 2012, the Group's borrowings net of cash and bank balances and deposits amounted to HK\$4,181.7 million (31st December, 2011 – HK\$4,132.2 million).

As at 30th June, 2012, the gearing ratio of the Group is 21.2% (31st December, 2011 – 20.8%), representing the Group's borrowings net of cash and bank balances and deposits of HK\$4,181.7 million (31st December, 2011 – HK\$4,132.2 million) as compared to the total assets of the Group of HK\$19,761.8 million (31st December, 2011 – HK\$19,860.8 million).

Details of the maturity profile of the borrowings of the Group are shown in note 11 to the condensed consolidated financial statements.

#### Pledge of Assets

As at 30th June, 2012, part of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss, available-for-sale investments and held-to-maturity investments in the amount of HK\$330.5 million (31st December, 2011 – HK\$404.0 million) were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT, and certain of the Group's property, plant and equipment, investment properties, properties held for sale and held-to-maturity investments in the total amount of HK\$15,066.5 million (31st December, 2011 – HK\$15,219.6 million) were also pledged to secure other banking facilities granted to the Group.

The above details of the pledge of assets of the Group are also shown in note 13 to the condensed consolidated financial statements.

#### Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2012 are shown in note 16 to the condensed consolidated financial statements.

### Contingent Liabilities

As at 30th June, 2012, the Group had contingent liabilities not provided for in the financial statements for corporate guarantees provided in respect of attributable share of banking facilities granted to subsidiaries of a jointly controlled entity in the amount of HK\$312.5 million (31st December, 2011 – HK\$170.0 million), of which HK\$178.5 million (31st December, 2011 – HK\$90.0 million) was utilised.

Details of the contingent liabilities of the Group are also shown in note 14 to the condensed consolidated financial statements.

### Share Capital

During the period under review, the Company repurchased a total of 37,344,000 ordinary shares of the Company at aggregate purchase prices of HK\$115,259,720 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") through the implementation of an on-market programme of repurchases of up to 38,886,400 ordinary shares of the Company at a maximum price of HK\$3.80 per share (the "RH Share Repurchase Programme"). The RH Share Repurchase Programme was operative for 90 days from the business day immediately following the date of a joint announcement dated 20th April, 2012 of the Company (the "Joint Announcement"), i.e. 23rd April, 2012, until 21st July, 2012 or the date when the maximum of 38,886,400 ordinary shares were repurchased, whichever was earlier. The RH Share Repurchase Programme subsequently ended on 21st July, 2012, and a total of 37,344,000 ordinary shares were repurchased by the Company under the RH Share Repurchase Programme. All these repurchased ordinary shares were cancelled during the period under review.

The RH Share Repurchase Programme utilised the general mandates granted to the Directors of the Company to repurchase ordinary shares at the annual general meetings of the Company held on 31st May, 2011 and 30th May, 2012. The above repurchases under the RH Share Repurchase Programme were implemented with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company, and achieving better returns for shareholders in the long run.

Details of the RH Share Repurchase Programme and related matters were disclosed in the Joint Announcement and another joint announcement dated 9th May, 2012 of the Company.

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.

### ASSETS VALUE

The Group's hotel properties, which are owned by Regal REIT, were stated in these financial statements at their fair values as at 23rd July, 2010 when Regal REIT became a subsidiary of the Group, plus subsequent capital additions and less accumulated depreciation. The market valuations of these hotel properties have since appreciated substantially but have not been reflected in the Group's financial statements. For the purpose of providing supplementary information, if the Group's hotel property portfolio is restated in the consolidated financial statements at its market value as at 30th June, 2012, the unaudited adjusted net asset value of the ordinary shares of the Company would increase to HK\$15.93 per share, as follows:

	As at 30th June, 2012	
	HK\$'million	HK\$ per ordinary share
<b>Book net assets after non-controlling interests</b>	<b>11,603.4</b>	<b>12.04</b>
<b>Adjustment to restate the Group's hotel property portfolio at its market value and add back the relevant deferred tax liabilities</b>	<b>3,755.4</b>	<b>3.89</b>
<b>Unaudited adjusted net assets after non-controlling interests</b>	<b><u>15,358.8</u></b>	<b><u>15.93</u></b>

### CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Wednesday, 10th October, 2012 to Friday, 12th October, 2012, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the interim dividend declared, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Tuesday, 9th October, 2012. The relevant dividend warrants are expected to be despatched on or about 25th October, 2012.

### MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

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

### STAFF AND REMUNERATION POLICY

The Group employs approximately 1,930 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 had been granted to selected eligible persons.

# Condensed Consolidated Income Statement

		Six months ended 30th June, 2012 (Unaudited)	Six months ended 30th June, 2011 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2	1,250.0	930.4
Cost of sales		<u>(648.7)</u>	<u>(547.8)</u>
Gross profit		601.3	382.6
Other income and gains	3	9.1	58.0
Administrative expenses		<u>(87.8)</u>	<u>(72.9)</u>
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		9.2	(387.8)
Fair value gains on investment properties, net		5.5	86.3
Realisation of hedge reserve		<u>137.2</u>	<u>–</u>
OPERATING PROFIT BEFORE DEPRECIATION		674.5	66.2
Depreciation		<u>(189.4)</u>	<u>(181.4)</u>
OPERATING PROFIT/(LOSS)	2	485.1	(115.2)
Finance costs	5	<u>(65.2)</u>	<u>(95.1)</u>
Share of profits and losses of:			
Jointly controlled entities		(0.1)	653.5
Associates		<u>(1.5)</u>	<u>(1.2)</u>
PROFIT BEFORE TAX		418.3	442.0
Income tax	6	<u>(16.9)</u>	<u>(12.7)</u>
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		<u>401.4</u>	<u>429.3</u>
Attributable to:			
Equity holders of the parent		380.6	420.9
Non-controlling interests		<u>20.8</u>	<u>8.4</u>
		<u>401.4</u>	<u>429.3</u>
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		<u>HK\$0.38</u>	<u>HK\$0.42</u>

# Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2012 (Unaudited)	Six months ended 30th June, 2011 (Unaudited)
	HK\$'million	HK\$'million
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	401.4	429.3
OTHER COMPREHENSIVE INCOME/(LOSS):		
Available-for-sale investments:		
Changes in fair value	1.7	(0.1)
Cash flow hedges:		
Changes in fair value of cash flow hedges	26.1	(19.0)
Transfer from hedge reserve to income statement	(131.3)	63.8
	<u>(105.2)</u>	<u>44.8</u>
Exchange differences on translating foreign operations	(0.7)	1.2
Share of other comprehensive loss of associates/jointly controlled entities	<u>(3.9)</u>	<u>(11.0)</u>
Other comprehensive income/(loss) for the period	<u>(108.1)</u>	<u>34.9</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>293.3</u></u>	<u><u>464.2</u></u>
Attributable to:		
Equity holders of the parent	264.4	444.4
Non-controlling interests	28.9	19.8
	<u><u>293.3</u></u>	<u><u>464.2</u></u>

# Condensed Consolidated Statement of Financial Position

		30th June, 2012 (Unaudited)	31st December, 2011 (Audited)
	Notes	HK\$'million	HK\$'million
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		13,872.1	14,041.4
Investment properties		892.0	886.0
Investments in jointly controlled entities		1,662.3	1,689.6
Investments in associates		26.9	16.7
Available-for-sale investments		20.4	18.0
Financial assets at fair value through profit or loss		24.7	508.6
Other loan		18.3	17.6
<b>Total non-current assets</b>		<b>16,516.7</b>	<b>17,177.9</b>
<b>CURRENT ASSETS</b>			
Properties held for sale		786.6	914.3
Hotel inventories		25.8	26.0
Debtors, deposits and prepayments	9	364.1	208.8
Other loan		15.0	14.5
Held-to-maturity investments		147.4	45.1
Available-for-sale investment		7.8	7.7
Financial assets at fair value through profit or loss		720.5	240.5
Restricted cash		17.7	69.2
Pledged time deposits and bank balances		238.8	301.6
Time deposits		529.3	569.2
Cash and bank balances		392.1	286.0
<b>Total current assets</b>		<b>3,245.1</b>	<b>2,682.9</b>
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	10	(257.7)	(372.8)
Interest bearing bank borrowings	11	(172.7)	(4,731.1)
Derivative financial instruments		–	(32.0)
Tax payable		(25.2)	(1.4)
<b>Total current liabilities</b>		<b>(455.6)</b>	<b>(5,137.3)</b>

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

		30th June, 2012 (Unaudited)	31st December, 2011 (Audited)
	Notes	HK\$'million	HK\$'million
NET CURRENT ASSETS/(LIABILITIES)		2,789.5	(2,454.4)
TOTAL ASSETS LESS CURRENT LIABILITIES		19,306.2	14,723.5
NON-CURRENT LIABILITIES			
Interest bearing bank borrowings	11	(5,186.9)	(627.1)
Deferred tax liabilities		(1,078.9)	(1,093.3)
Total non-current liabilities		(6,265.8)	(1,720.4)
Net assets		13,040.4	13,003.1
EQUITY			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		96.4	100.1
Reserves		11,475.2	11,352.6
Dividends		31.8	90.1
		11,603.4	11,542.8
<b>Non-controlling interests</b>		1,437.0	1,460.3
Total equity		13,040.4	13,003.1

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2012

Note	Attributable to equity holders of the parent											
	Issued share capital (Unaudited) HK\$'m	Share premium account (Unaudited) HK\$'m	Capital redemption reserve (Unaudited) HK\$'m	Hedge reserve (Unaudited) HK\$'m	Capital reserve (Unaudited) HK\$'m	Available-for-sale investment revaluation reserve (Unaudited) HK\$'m	Exchange equalisation reserve (Unaudited) HK\$'m	Retained profits (Unaudited) HK\$'m	Dividend (Unaudited) HK\$'m	Total (Unaudited) HK\$'m	Non-controlling interests (Unaudited) HK\$'m	Total equity (Unaudited) HK\$'m
At 1st January, 2012	100.1	852.4	7.5	113.3	17.1	(1.8)	65.2	10,298.9	90.1	11,542.8	1,460.3	13,003.1
Profit for the period	-	-	-	-	-	-	-	380.6	-	380.6	20.8	401.4
Other comprehensive income/(loss) for the period:												
Changes in fair value of available-for-sale investments	-	-	-	-	-	1.7	-	-	-	1.7	-	1.7
Changes in fair value of cash flow hedges	-	-	-	19.5	-	-	-	-	-	19.5	6.6	26.1
Transfer from hedge reserve to income statement	-	-	-	(132.8)	-	-	-	-	-	(132.8)	1.5	(131.3)
Exchange differences on translating foreign operations	-	-	-	-	-	-	(0.7)	-	-	(0.7)	-	(0.7)
Share of comprehensive loss of associate/jointly controlled entities	-	-	-	-	-	-	(3.9)	-	-	(3.9)	-	(3.9)
Total comprehensive income/(loss) for the period	-	-	-	(113.3)	-	1.7	(4.6)	380.6	-	264.4	28.9	293.3
Final 2011 dividend declared	-	-	-	-	-	-	-	1.6	(90.1)	(88.5)	(52.2)	(140.7)
Repurchase and cancellation of ordinary shares	(3.7)	(111.6)	3.7	-	-	-	-	(3.7)	-	(115.3)	-	(115.3)
Interim 2012 dividend	-	-	-	-	-	-	-	(31.8)	31.8	-	-	-
At 30th June, 2012	96.4	740.8	11.2	-	17.1	(0.1)	60.6	10,645.6	31.8	11,603.4	1,437.0	13,040.4

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

For the six months ended 30th June, 2012

		Attributable to equity holders of the parent										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	Capital reserve (Unaudited) HK\$m	Available-for-sale investment revaluation reserve (Unaudited) HK\$m	Exchange equalisation reserve (Unaudited) HK\$m	Retained profits (Unaudited) HK\$m	Dividend (Unaudited) HK\$m		Total (Unaudited) HK\$m	
	At 1st January, 2011	100.2	854.1	45.6	7.4	33.7	14.4	-	129.9	10,265.6	85.1	11,556.0	1,546.6	13,082.6
	Profit for the period	-	-	-	-	-	-	-	-	420.9	-	420.9	8.4	429.3
	Other comprehensive income/(loss) for the period:													
	Change in fair value of available-for-sale investment	-	-	-	-	(0.1)	-	-	-	-	-	(0.1)	-	(0.1)
	Changes in fair value of cash flow hedges	-	-	-	-	(14.2)	-	-	-	-	-	(14.2)	(4.8)	(19.0)
	Transfer from hedge reserve to income statement	-	-	-	-	47.6	-	-	-	-	-	47.6	16.2	63.8
	Exchange differences on translating foreign operations	-	-	-	-	-	-	-	1.2	-	-	1.2	-	1.2
	Share of comprehensive loss of associate/jointly controlled entities	-	-	-	-	-	-	-	(11.0)	-	-	(11.0)	-	(11.0)
	Total comprehensive income/(loss) for the period	-	-	-	-	33.4	-	(0.1)	(9.8)	420.9	-	444.4	19.8	464.2
	Final 2010 dividend declared	-	-	-	-	-	-	-	-	-	(85.1)	(85.1)	(86.2)	(171.3)
	Repurchase and cancellation of ordinary shares	(0.1)	(1.7)	-	0.1	-	-	-	-	(0.1)	-	(1.8)	-	(1.8)
	Acquisition of additional interest in a listed subsidiary	-	-	-	-	0.1	2.7	-	-	-	-	2.8	(2.8)	-
	Share option lapsed	-	-	(22.5)	-	-	-	-	-	22.5	-	-	-	-
	Interim 2011 dividend	-	-	-	-	-	-	-	-	(30.0)	30.0	-	-	-
	At 30th June, 2011	100.1	852.4	23.1	7.5	67.2	17.1	(0.1)	120.1	10,678.9	30.0	11,896.3	1,477.4	13,373.7

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# Condensed Consolidated Statement of Cash Flows

	Six months ended 30th June, 2012 (Unaudited)	Six months ended 30th June, 2011 (Unaudited)
	HK\$'million	HK\$'million
Net cash flows from operating activities	413.2	155.1
Net cash flows from/(used in) investing activities	(33.0)	370.8
Net cash flows from/(used in) financing activities	(313.0)	146.5
Net increase in cash and cash equivalents	67.2	672.4
Cash and cash equivalents at beginning of period	855.2	686.6
Effect of foreign exchange rate changes, net	(1.0)	1.3
Cash and cash equivalents at end of period	921.4	1,360.3
Analysis of balances of cash and cash equivalents		
Cash and bank balances	392.1	175.7
Non-pledged time deposits with original maturity of less than three months when acquired	529.3	1,184.6
	921.4	1,360.3

# Notes to Condensed Consolidated Financial Statements

## 1. Accounting Policies

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2011, 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, 2012.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>

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

## 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 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 sale of food products.

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

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





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

### 3. Other Income and Gains

Other income and gains represent the following items:

	Six months ended 30th June, 2012 (Unaudited)	Six months ended 30th June, 2011 (Unaudited)
	HK\$'million	HK\$'million
<u>Other income</u>		
Bank interest income	2.9	1.7
Other interest income	3.2	6.8
Sundry income	3.0	0.2
Reversal of impairment of other loan	–	29.5
	<b>9.1</b>	<b>38.2</b>
<u>Gains</u>		
Gain on disposal of investment properties	–	16.1
Fair value gain on derivative financial instruments	–	3.7
	–	19.8
	<b>9.1</b>	<b>58.0</b>

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

	Six months ended 30th June, 2012 (Unaudited)	Six months ended 30th June, 2011 (Unaudited)
	HK\$'million	HK\$'million
Profit/(loss) on disposal of listed investments	4.0	(1.1)
Profit on disposal of properties	142.8	15.3
	<b>146.8</b>	<b>14.2</b>

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

### 5. Finance Costs

	Six months ended 30th June, 2012 (Unaudited)	Six months ended 30th June, 2011 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans wholly repayable within five years	46.3	24.4
Fair value changes on derivative financial instruments		
- cash flow hedge (transfer from hedge reserve)	5.9	63.8
Amortisation of debt establishment costs	11.4	6.6
Other loan costs	1.6	0.3
	<u>65.2</u>	<u>95.1</u>

### 6. Income Tax

	Six months ended 30th June, 2012 (Unaudited)	Six months ended 30th June, 2011 (Unaudited)
	HK\$'million	HK\$'million
Group:		
Current - Hong Kong		
Charge for the period	32.2	18.9
Current - Overseas		
Overprovision in prior years	(0.9)	(0.1)
Deferred	(14.4)	(6.1)
Total tax charge for the period	<u>16.9</u>	<u>12.7</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2011 - 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.

No provision for tax is required for the jointly controlled entities and associates as no assessable profits were earned by the jointly controlled entities and associates during the period (2011 - Nil).

### 7. Dividend

The Directors have declared the payment of an interim dividend of HK3.3 cents (2011 - HK3.0 cents) per ordinary share for the financial year ending 31st December, 2012, absorbing an amount of approximately HK\$31.8 million (2011 - HK\$30.0 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\$380.6 million (2011 - HK\$420.9 million), and on the weighted average of 992.5 million (2011 - 1,001.4 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 period ended 30th June, 2012 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the period.

No adjustment had been made to the basic earnings per ordinary share amount presented for the prior period ended 30th June, 2011 in respect of a dilution as the exercise price of the share options of the Company outstanding during the prior period was higher than the average market price of the Company's ordinary shares for that period and, accordingly, the share options had no dilutive effect on the basic earnings per ordinary share.

### 9. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$119.8 million (31st December, 2011 - HK\$131.5 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, 2012 (Unaudited)	31st December, 2011 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	99.8	117.2
Between 4 to 6 months	12.4	8.2
Between 7 to 12 months	3.2	3.0
Over 1 year	5.7	4.4
	<u>121.1</u>	<u>132.8</u>
Impairment	(1.3)	(1.3)
	<u>119.8</u>	<u>131.5</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 is 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 the fact that the Group's trade debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade debtors balance.

Included in the Group's debtors, deposits and prepayments are amounts due from fellow subsidiaries/related companies of HK\$2.5 million (31st December, 2011 - HK\$2.2 million). These balances are unsecured, non-interest bearing and repayable either on similar credit terms to those offered to the major customers of the Group or on demand.

### 10. Creditors and Accruals

Included in the balance is an amount of HK\$51.1 million (31st December, 2011 - HK\$75.9 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:

	<b>30th June, 2012 (Unaudited)</b>	<b>31st December, 2011 (Audited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Outstanding balances with ages:		
Within 3 months	50.4	75.3
Between 4 to 6 months	–	0.3
Between 7 to 12 months	0.4	–
Over 1 year	0.3	0.3
	<b>51.1</b>	<b>75.9</b>
	<b>51.1</b>	<b>75.9</b>

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 an associate and fellow subsidiaries/related companies of HK\$2.0 million (31st December, 2011 - HK\$3.0 million) and HK\$2.9 million (31st December, 2011 - HK\$3.4 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment.

## 11. Interest Bearing Bank Borrowings

	30th June, 2012 (Unaudited)		31st December, 2011 (Audited)	
	Maturity	HK\$'million	Maturity	HK\$'million
<b>Current</b>				
Bank loans – secured	2012	172.7	2012	4,731.1
<b>Non-current</b>				
Bank loans – secured	2013-2015	5,186.9	2013-2014	627.1
		<u>5,359.6</u>		<u>5,358.2</u>

	30th June, 2012 (Unaudited)	31st December, 2011 (Audited)
	HK\$'million	HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year or on demand	172.7	4,731.1
In the second year	423.2	423.6
In the third to fifth years, inclusive	4,763.7	203.5
	<u>5,359.6</u>	<u>5,358.2</u>

Included in the bank loans under current liabilities as at 31st December, 2011 was a facility aggregating HK\$4.5 billion granted to the Regal REIT group (the "Initial Facility"). The Initial Facility bore interest at a floating interest rate of 3-month Hong Kong Interbank Offered Rate ("HIBOR") plus 0.6% per annum. The Regal REIT group had entered into interest rate swap arrangements to hedge against the interest rate exposure for the Initial Facility for a notional amount of HK\$4.35 billion.

In addition, on 28th January, 2011, the Regal REIT group entered into a loan agreement for loan facilities aggregating HK\$280.0 million for a term of three years, comprised of a term loan of HK\$220.0 million and a revolving credit facility of HK\$60.0 million (the "Previous iClub Facilities"). The Previous iClub Facilities bore interest at rates ranging from 215 to 230 basis points above HIBOR per annum.

On 24th February, 2012, the Regal REIT group entered into a loan agreement for a new term loan facility of HK\$340.0 million for a term of three years (the "New iClub Facility"), to replace the Previous iClub Facilities. The New iClub Facility also bears HIBOR-based interest.

On 7th March, 2012, the Regal REIT group entered into an agreement in respect of a new facility of HK\$4.5 billion (the "New Term Loan Facility") for a term of three years. The principal amount of the New Term Loan Facility was fully drawn down on 30th March, 2012 to repay the Initial Facility which expired on the same date. The New Term Loan Facility also bears HIBOR-based interest.

Subsequent to the end of the reporting period, the Regal REIT group entered into a new hedging arrangement with a banking corporation for a notional principal amount of HK\$1.4 billion, effective from 30th July, 2012 to the expiry date of the New Term Loan Facility, pursuant to which the Regal REIT group receives floating rate interest of 1-month HIBOR and pays interest quarterly at a fixed rate of 0.483% per annum.

As at the end of the reporting period, the New iClub Facility had an outstanding amount of HK\$338.2 million, a portion of HK\$18.0 million is repayable quarterly and a final repayment portion of HK\$320.2 million is due on 24th February, 2015.

The Regal REIT group's interest-bearing bank borrowings are guaranteed by Regal REIT and secured by, amongst others:

- (i) legal charges and debentures over the corresponding properties;
- (ii) an assignment of rental income and all other proceeds arising from and all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, relating to the relevant properties;
- (iii) charges over the relevant rental account, sale proceeds account and other control accounts, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant Regal REIT group companies; and
- (v) an equitable charge over the shares in the relevant Regal REIT group companies.

The Group's other bank borrowings are secured by a pledge of the Group's certain assets as further detailed in note 13 to the condensed consolidated financial statements.

## 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, 2012 (Unaudited)	Six months ended 30th June, 2011 (Unaudited)
	HK\$'million	HK\$'million
A fellow subsidiary/a wholly-owned subsidiary of a substantial shareholder, Century City International Holdings Limited: Management fees expenses	9.9	8.2
Fellow subsidiaries/wholly-owned subsidiaries of a substantial shareholder, Paliburg Holdings Limited: Development consultancy fees expenses	2.8	–
Service fees expenses in respect of security systems and products and other software	0.8	1.4
Repairs and maintenance fees and construction fees expenses	4.5	1.5
An associate: Advertising and promotion fees expenses (including cost reimbursements)	3.6	4.2

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, 2011.

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

(b) Outstanding balances with related parties:

	<b>30th June, 2012 (Unaudited)</b>	<b>31st December, 2011 (Audited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Due from fellow subsidiaries/related companies	2.5	2.2
Due to an associate	(2.0)	(3.0)
Due to fellow subsidiaries/related companies	(2.9)	(3.4)
Loans to jointly controlled entities	1,042.4	1,065.9
Amounts due from associates	<u>296.1</u>	<u>284.3</u>

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

	<b>Six months ended 30th June, 2012 (Unaudited)</b>	<b>Six months ended 30th June, 2011 (Unaudited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Short term employee benefits	9.8	9.1
Staff retirement scheme contributions	<u>0.6</u>	<u>0.6</u>
Total compensation paid to key management personnel	<u>10.4</u>	<u>9.7</u>



## 13. Pledge of Assets

As at 30th June, 2012, part of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss, available-for-sale investments and held-to-maturity investments in the amount of HK\$330.5 million (31st December, 2011 – HK\$404.0 million) were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT, and certain of the Group's property, plant and equipment, investment properties, properties held for sale and held-to-maturity investments in the total amount of HK\$15,066.5 million (31st December, 2011 – HK\$15,219.6 million) were also pledged to secure other banking facilities granted to the Group.

## 14. Contingent Liabilities

As at 30th June, 2012, the Group had contingent liabilities not provided for in the financial statements for corporate guarantees provided in respect of attributable share of banking facilities granted to subsidiaries of a jointly controlled entity in the amount of HK\$312.5 million (31st December, 2011 - HK\$170.0 million), of which HK\$178.5 million (31st December, 2011 - HK\$90.0 million) was utilised.

## 15. Operating Lease Arrangements

(a) As lessor

The Group leases certain retail space and areas of its hotel properties under operating lease arrangements, with leases negotiated for terms ranging from 1 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 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.

At 30th June, 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30th June, 2012 (Unaudited)	31st December, 2011 (Audited)
	HK\$'million	HK\$'million
Within one year	30.6	32.6
In the second to fifth years, inclusive	13.7	16.8
	<u>44.3</u>	<u>49.4</u>

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

(b) As lessee

The Group leases certain office and shop units and office equipment under operating lease arrangements. Leases for properties are negotiated for terms from 1 to 12 years. Leases for office equipment in respect of the Group are negotiated for a term of 5 years.

At 30th June, 2012, the Group had total future minimum leases payments under non-cancellable operating leases falling due as follows:

	30th June, 2012 (Unaudited)	31st December, 2011 (Audited)
	HK\$'million	HK\$'million
Land and buildings:		
Within one year	11.3	10.0
In the second to fifth years, inclusive	28.4	28.2
After five years	28.7	31.8
	<u>68.4</u>	<u>70.0</u>
Other equipment:		
Within one year	0.3	0.3
In the second to fifth years, inclusive	0.5	0.7
	<u>0.8</u>	<u>1.0</u>
	<u>69.2</u>	<u>71.0</u>

## 16. Commitments

In addition to the operating lease commitments detailed in note 15(b) above, the Group had the following capital commitments in respect of its hotel buildings at the end of the reporting period:

	<b>30th June, 2012 (Unaudited)</b>	<b>31st December, 2011 (Audited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Authorised, but not contracted for	<b>21.0</b>	37.3

At 30th June, 2012, the Group's share of the maximum capital commitment to P&R Holdings Limited ("P&R Holdings") in respect of its property development projects amounted to HK\$1,900.0 million (31st December, 2011 - HK\$1,900.0 million), of which HK\$934.7 million (31st December, 2011 - HK\$970.0 million) has been contributed as shareholder's loan and HK\$312.5 million (31st December, 2011 - HK\$170.0 million) has been provided as guarantees, on a several basis, for banking facilities granted to subsidiaries of P&R Holdings.

At the end of the reporting period, the Group's share of the P&R Holdings group's own capital commitments in respect of property development projects, was as follows:

	<b>30th June, 2012 (Unaudited)</b>	<b>31st December, 2011 (Audited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Contracted, but not provided for	<b>341.6</b>	307.1
Authorised, but not contracted for	<b>235.1</b>	302.2
	<b>576.7</b>	609.3

### 17. 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.

All the outstanding share options previously granted by the Company under the Share Option Scheme lapsed on their expiry in 2011. There were no share options granted or remained outstanding under the Share Option Scheme during the reporting period.

### 18. Approval of the Unaudited Condensed Consolidated Interim Financial Statements

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 27th August, 2012.

# Other Information

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2012, 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:

The Company/ Name of Associated Corporation	Name of Director	Class of shares held	Personal interests	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2012)
				Corporate interests	Family/Other interests		
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) issued	24,200	494,835,261 (Note c)	260,700	495,120,161	
		(ii) underlying	–	3,434,000 (Note d)	–	3,434,000	
					Total (i) & (ii):	498,554,161 (51.71%)	
	Dr. Francis Choi Chee Ming	Ordinary (issued)	50,240,000	–	–	50,240,000 (5.21%)	
	Miss Lo Po Man	Ordinary (issued)	300,000	–	269,169 (Note e)	569,169 (0.06%)	
	Mr. Allen Wan Tze Wai	Ordinary (issued)	10,200	–	–	10,200 (0.00%)	
2. Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	63,603,396	1,769,164,691 (Note a)	380,683	1,833,148,770 (56.83%)	
	Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)	
	Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.003%)	

	The Company/ 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, 2012)
				Personal interests	Corporate interests	Family/Other interests	
2.	CCIHL	Mr. Ng Siu Chan	Ordinary (issued)	–	–	3,521,973	3,521,973 (0.11%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	24,000	–	–	24,000 (0.001%)
		Ms. Belinda Yeung Bik Yiu	Ordinary (issued)	200	–	–	200 (0.000%)
3.	Paliburg Holdings Limited ("PHL")	Mr. Lo Yuk Sui	Ordinary (issued)	82,014,014	739,970,803 (Note b)	15,000	821,999,817 (73.18%)
		Mr. Donald Fan Tung	Ordinary (issued)	556	–	–	556 (0.000%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
		Mr. Ng Siu Chan	Ordinary (issued)	–	–	80,474	80,474 (0.007%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	558,200	–	–	558,200 (0.05%)
4.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note f)	–	1,000 (100%)
5.	Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	–	2,433,549,739 (Note g)	–	2,433,549,739 (74.71%)

## Other Information (Cont'd)

### Notes:

- (a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo") and a company, namely Master City Limited, 99.9% owned by Mr. Lo.
- (b) The interests in 693,234,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 56.82% shareholding interests.

The interests in 16,271,685 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 30,464,571 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

- (c) The interests in 421,400 issued ordinary shares of the Company were held through companies wholly owned by CCIHL in which Mr. Lo held 56.82% shareholding interests, and the interests in the other 494,413,861 issued ordinary shares of the Company were held through companies wholly owned by PHL, in which CCIHL held 61.72% shareholding interests.
- (d) These derivative interests in underlying 3,434,000 ordinary shares of the Company were held by a wholly owned subsidiary of PHL through an equity derivative contract on ordinary shares of the Company, which will be settled in cash only. The effective date and valuation date of the equity derivative contract are 21st June, 2012 and 21st June, 2013, respectively.
- (e) The interests in 269,169 issued ordinary shares of the Company were held by Miss Lo Po Man as the beneficiary of a trust.
- (f) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 56.82% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.
- (g) The interests in 2,428,262,739 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 61.72% shareholding interests, held 51.64% shareholding interests in the Company. Mr. Lo held 56.82% shareholding interests in CCIHL.

Save as disclosed herein, as at 30th June, 2012, 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 of the Company named as "The Regal Hotels International Holdings Limited Share Option Scheme" (the "Share Option Scheme"), and no option granted to such persons under the Share Option Scheme has been cancelled and lapsed:

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

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2012, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares held	Total number of ordinary shares (issued and underlying) held	Approximate percentage of issued ordinary shares as at 30th June, 2012
CCIHL (Note i)	494,835,261	3,434,000	498,269,261	51.68%
Century City BVI Holdings Limited ("CCBVI") (Note ii)	494,835,261	3,434,000	498,269,261	51.68%
PHL (Note iii)	494,413,861	3,434,000	497,847,861	51.64%
Paliburg Development BVI Holdings Limited (Note iv)	494,413,861	3,434,000	497,847,861	51.64%
Guo Yui Investments Limited (Note iv)	180,930,466	–	180,930,466	18.77%
Paliburg BVI Holdings Limited (Note iv)	230,870,324	–	230,870,324	23.95%
Taylor Investments Ltd. (Note iv)	154,232,305	–	154,232,305	16.00%
Glaser Holdings Limited (Note iv)	58,682,832	–	58,682,832	6.09%

### 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) CCBVI is a wholly owned subsidiary of CCIHL and its 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 61.72% 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, 2012, 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) Mr. Lo Yuk Sui, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man and Mr. 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, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the annual report of the Company for the financial year ended 31st December, 2011 is set out below:

Name of Director	Details of changes
<i>Independent Non-Executive Directors:</i>	
Professor Japhet Sebastian Law ("Prof. Law") (Note)	<ul style="list-style-type: none"> <li>• Appointed as an independent non-executive director of Tianjin Binhai Teda Logistics (Group) Corporation Limited, a company listed on the Stock Exchange, with effect from 13th August, 2012.</li> <li>• Retired from The Chinese University of Hong Kong with effect from 1st August, 2012.</li> </ul>
Mr. Wong Chi Keung	<ul style="list-style-type: none"> <li>• Appointed as an independent non-executive director of Zhuguang Holdings Group Company Limited, a company listed on the Stock Exchange, with effect from 5th June, 2012.</li> </ul>

Note: The change in information of Prof. Law disclosed above occurred after the announcement of the Company dated 18th June, 2012 relating to the appointment of Prof. Law as an Independent Non-Executive Director on 18th June, 2012, which was made pursuant to Rule 13.51(2) of the Listing Rules.

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".

## DISCLOSURE PURSUANT TO RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Rule 13.22 of Chapter 13 of the Listing Rules relating to the information required to be disclosed under Rule 13.16:



### 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 by the Group as at 30th June, 2012 are set out below:

Name of Affiliated Companies		Principal Amount of Advances (HK\$'million)	Interest Receivable (HK\$'million)	Guarantee given for Banking Facilities	
				(i) Principal Amount of Banking Facilities (HK\$'million)	(ii) Amount of Banking Facilities Drawdown (HK\$'million)
8D International (BVI) Limited	(A)	0.5	–	Nil	Nil
8D Matrix Limited	(B)	3.5	–	Nil	Nil
Bright Future (HK) Limited	(C)	5.6	–	Nil	Nil
Faith Crown Holdings Limited	(D)	107.7	–	Nil	Nil
Hang Fok Properties Limited	(E)	285.8	–	Nil	Nil
P&R Holdings Limited	(F)	934.7	–	(G)(i) 312.5	(G)(ii) 178.5
				Total: (A) to (G)(i)	<u>1,650.3</u>
				(A) to (F) & (G)(ii)	<u>1,516.3</u>

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 terms of repayment.

8D Matrix Limited ("8D Matrix") is a 30% owned associate of the Company, which is involved in advertising and promotion 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). 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 terms of repayment.

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

Faith Crown Holdings Limited ("Faith Crown"), a 50% owned jointly controlled entity of the Company, presently holds 30% effective interests in a site in Xindu District, Chengdu, PRC, which was previously acquired at a public land auction, (the "Chengdu Project"), following the completion of an unconditional sale and purchase agreement dated 30th June, 2011 in respect of the transfer of 70% effective interests in the Chengdu Project to P&R Holdings Limited ("P&R Holdings") on 14th July, 2011. The remaining 50% shareholding interest in Faith Crown is indirectly held by Cosmopolitan International Holdings Limited ("Cosmopolitan"), 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, 2.83% shareholding interests in Cosmopolitan and certain convertible bonds issued by the Cosmopolitan group. The Chengdu Project is a mixed use development planned to consist of hotel, commercial, office and residential components. Further information relating to the Chengdu Project is disclosed in the section headed "Business Review" in the preceding Management Discussion and Analysis ("MD&A"). The advances to Faith Crown are 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 terms of repayment.

Hang Fok Properties Limited ("Hang Fok"), a 50% owned associate of the Company, holds certain shareholding interests in two investee companies (the "Investee Companies"), which were established as Sino-foreign cooperative joint ventures in the PRC and principally engaged in the development project of a property complex at Chao Yang Men Wai Da Jie in the Central Business District of Beijing, PRC. The remaining 50% shareholding interest in Hang Fok is indirectly held by PHL. 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. Additional information relating to the investment in Hang Fok was disclosed in the annual report of the Company for the year ended 31st December, 2011.

P&R Holdings, a 50% owned jointly controlled entity of the Company, principally engages in the development of real estate projects for sale and/or leasing. The remaining 50% shareholding interest in P&R Holdings is indirectly held by PHL, the immediate listed holding company of the Company. P&R Holdings holds interests in a number of property development projects in Hong Kong and Mainland China (including the Chengdu Project). Information relating to the investment of P&R Holdings in such property development projects are disclosed in the section headed "Business Review" in the preceding MD&A. The maximum total capital commitment to P&R Holdings is HK\$3,800 million, which is to be contributed on a pro-rata basis in accordance with the respective shareholdings of the Company and PHL in P&R Holdings, and the maximum capital commitment for each of the Company and PHL is HK\$1,900 million. The advances to P&R Holdings were provided by a wholly owned subsidiary of the Company in the form of shareholders' loan in proportion to its shareholding interest in P&R Holdings. The advances to P&R Holdings are unsecured, interest-free and have no fixed terms of repayment. The guarantees were provided by the Company each on a several basis in proportion to its shareholding interests in P&R Holdings and were given in respect of the respective bank loan facilities of, in aggregate, HK\$625.0 million made available to two wholly owned subsidiaries of P&R Holdings for financing their two hotel development projects at Sheung Wan, Hong Kong.

Calculated on the basis shown above, as at 30th June, 2012, the aggregate amount of financial assistance provided to and bank guarantees given for affiliated companies by the Group in the respective sums of (a) HK\$1,650.3 million (based on the total available amount of the banking facilities) and (b) HK\$1,516.3 million (based on the total amount of banking facilities drawdown) represented (a) 8.4% and (b) 7.7% of the consolidated total assets of the Group of HK\$19,761.8 million, calculated by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2012.

## Other Information (Cont'd)

Save as disclosed above, there were no other financial assistance provided to or guarantees given for affiliated companies by the Group as at 30th June, 2012, which were discloseable pursuant to Rule 13.16 of Chapter 13 of the Listing Rules.

A combined statement of financial position of the abovenamed affiliated companies and the Group's attributable interest in these affiliated companies are presented below:

	<b>Combined statement of financial position (HK\$'million)</b>	<b>The Group's attributable interest (HK\$'million)</b>
Non-current assets	4,888.2	2,443.7
Current assets	301.2	148.5
Current liabilities	(249.5)	(124.4)
Non-current liabilities	(3,869.1)	(1,931.9)
	<hr/>	<hr/>
	1,070.8	535.9
Non-controlling interests	(369.1)	(184.5)
	<hr/>	<hr/>
Net assets after non-controlling interests	<u>701.7</u>	<u>351.4</u>

## CORPORATE GOVERNANCE

### Code of Corporate Governance Practices/Corporate Governance Code

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices (effective until 31st March, 2012) and the Corporate Governance Code (effective from 1st April, 2012) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30th June, 2012, 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 in accordance with the provisions of the Bye-laws of the Company, all Directors (including the Non-Executive Director and the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.
- (3) The Non-Executive Director of the Company was unable to attend the Annual General Meeting of the Company held in May 2012 due to other engagement.

### 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 Model Code and the Regal Code during the six months ended 30th June, 2012.

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

During the six months ended 30th June, 2012, the Company repurchased a total of 37,344,000 ordinary shares of the Company at aggregate purchase prices of HK\$115,259,720 on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
April 2012	3,778,000	3.230	3.170	12,101,600
May 2012	17,760,000	3.330	2.820	56,223,180
June 2012	15,806,000	3.130	2.820	46,934,940
Total	<u>37,344,000</u>			115,259,720
			Total expenses on shares repurchased	353,095
			Dividends received before cancellation	<u>(354,979)</u>
			Total	<u>115,257,836</u>

As disclosed in the sub-section headed "Share Capital" under "Capital Resources and Funding" of "Financial Review" in the preceding MD&A, all of the above repurchases of ordinary shares were made under the RH Share Repurchase Programme (as referred to in the preceding MD&A). All the repurchased ordinary shares were cancelled during the period. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled.

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

## REVIEW OF RESULTS

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

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

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

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

Professor Japhet Sebastian Law (*Independent Non-Executive Director*)

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

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group, auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30th June, 2012, in conjunction with the external auditors. The review report of the external auditors is set out on page 48 of this report.

# Report on Review of Interim Financial Information



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

## Introduction

We have reviewed the interim financial information of Regal Hotels International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 16 to 37 which comprises the condensed consolidated statement of financial position as at 30th June, 2012 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 of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope Of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the 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*

22nd Floor  
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27th August, 2012

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