



2011 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

Ng Siu Chan

Wong Chi Keung

AUDIT COMMITTEE

Wong Chi Keung (Chairman)

Francis Choi Chee Ming, GBS, JP

Alice Kan Lai Kuen

Ng Siu Chan

REMUNERATION COMMITTEE

Lo Yuk Sui (Chairman)

Alice Kan Lai Kuen

Ng Siu Chan

Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

The Bank of East Asia, Limited

Standard Chartered Bank (Hong Kong) Limited

Industrial and Commercial Bank of China (Asia) Limited

China Construction Bank Corporation,

Hong Kong Branch

Oversea-Chinese Banking Corporation Limited

Bank of Communications Co., Ltd.

Hong Kong Branch

Deutsche Bank AG, Hong Kong Branch

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre, 11 Bermudiana Road,

Pembroke HM08, Bermuda

BRANCH REGISTRAR IN HONG KONG

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183 Queen's Road East,

Wan Chai,

Hong Kong

REGISTERED OFFICE

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Directors' Profile

Mr. Lo Yuk Sui, aged 67; *Chairman and Chief Executive Officer* — Chairman and Managing Director since 1989 when the Company was established in Bermuda as the holding company of the Group. Mr. Lo has been the Managing Director and the Chairman of the predecessor listed company of the Group since 1984 and 1987 respectively. Mr. Lo was designated as the Chief Executive Officer of the Company in 2007. He is also the chairman and chief executive officer of Century City International Holdings Limited (“CCIHL”) and Paliburg Holdings Limited (“PHL”), of which the Company is the listed associate, and the non-executive chairman of Regal Portfolio Management Limited (“RPML”), the manager of Regal Real Estate Investment Trust (the listed 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 66; *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) Ltd. and has extensive business interests in the manufacturing industry and the property sector. He is the Honorary President of the Toys Manufacturers’ Association of Hong Kong, Honorary President of the Hong Kong Young Industrialists Council and the 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 53; *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.

Directors' Profile (Cont'd)

Mr. Donald Fan Tung, aged 54; *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. Mr. Fan was recently appointed as a non-executive director of KH Investment Holdings Limited (“KH Investment”), a company listed on the Growth Enterprise Market of the Stock Exchange, in September 2011 following the mandatory conditional cash offers for the securities of KH Investment made by the CCIHL group becoming unconditional.

Ms. Alice Kan Lai Kuen, aged 57; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. Ms. Kan is a shareholder and the managing director of Asia Investment Management Limited providing corporate advisory and investment management services and Asia Investment Research Limited involving in research work in Hong Kong and China based companies. She is a licensed person under the Securities and Futures Ordinance of Hong Kong (the “SFO”) to carry out certain regulated activities. She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She formerly held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is an independent non-executive director of China Energine International (Holdings) Limited, Shougang Concord International Enterprises Company Limited, Shimao Property Holdings Limited and Sunway International Holdings Limited, all of which are companies listed on the Stock Exchange.

Mr. Jimmy Lo Chun To, aged 37; *Executive Director* — Appointed to the Board in 1999. He is also an executive director of CCIHL and PHL and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, U.S.A. with a degree in architecture. Apart from his involvement with the design of the Group’s property and hotel projects, he undertakes responsibilities in the business development function of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Miss Lo Po Man, aged 32; *Executive Director* — Appointed to the Board in 2004. Miss Lo graduated from Duke University, North Carolina, U.S.A. with a bachelor degree in psychology. She is also an executive director of CCIHL and PHL. Miss Lo joined the Group in 2000 and has been involved in the marketing and sales functions of the Group. Miss Lo is an executive director of the estate agency business of the Group and has undertaken an active role in directing the marketing campaign of the Group’s luxury residential development, Regalia Bay in Stanley, Hong Kong. She also undertakes responsibilities in the business development function of the Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Kenneth Ng Kwai Kai, aged 57; *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. Mr. Ng 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. He was also recently appointed as an executive director of KH Investment in September 2011.

Mr. Ng Siu Chan, aged 81; *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 53; *Executive Director* — Appointed to the Board in 2010. Mr. Wan has been with the Century City Group for over 20 years and is the Group Financial Controller of the Century City Group. Mr. Wan holds a bachelor degree in commerce from the University of New South Wales in Australia. He is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Wan has about 28 years of experience in finance and accounting field.

Mr. Wong Chi Keung, aged 56; *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 (Provisional Liquidators Appointed), Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited and TPV Technology 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 Interim Report of the Company for 2011.

FINANCIAL RESULTS

For the six months ended 30th June, 2011, the Group achieved an unaudited consolidated profit attributable to shareholders of HK\$420.9 million, representing an increase of approximately 7.2% over the profit of HK\$392.7 million (as restated) recorded for the comparative period in 2010.

During the period under review, there were very positive improvements in the results of the Group's hotel operations in Hong Kong. In addition, there were gains from share of profits of jointly controlled entities of over HK\$600 million, primarily derived from the transaction relating to the sale of 70% effective interest in the composite development project in Chengdu, Sichuan, the People's Republic of China by a jointly controlled entity that is 50%-owned by the Group. These have more than offset the accounting losses which arose from the change in the fair values of the Group's long term holding in the convertible bonds and shares of Cosmopolitan International Holdings Limited and the depreciation amount now required to be provided on the Group's hotel properties in Hong Kong, both of which however have no cash flow impact on the Group.

When reviewing the Group's financial statements herein presented, shareholders should take note that in the comparative period in 2010, Regal Real Estate Investment Trust was only treated as an associate and the Group was leasing from Regal REIT the five Regal Hotels in Hong Kong for hotel operations as lessee. As previously explained, Regal REIT has become a subsidiary of the Group with effect from 23rd July, 2010. Consequently, in compliance with the prescribed financial reporting standards, the hotel properties which are directly owned by Regal REIT were consolidated in the financial statements of the Group as fixed assets which require provision of depreciation. Moreover, such hotel properties were stated in the Group's consolidated financial statements at their fair values as at the date when Regal REIT became a subsidiary of the Group, less accumulated depreciation, and would not reflect subsequent changes in their fair values.

Based on independent professional valuations, the total market value of the property portfolio owned by Regal REIT as at 30th June, 2011 amounted to HK\$16,787.0 million, which has appreciated significantly as compared with its market value of HK\$14,880.0 million as at 31st December, 2010. A predominant part of this fair value change was included in the profit reported by Regal REIT for the six months ended 30th June, 2011 but, for reasons as explained above, has not been reflected in the Group's interim results herein presented.

DIVIDEND

The Directors have declared the payment of an interim dividend of HK3 cents (2010 - HK2.5 cents) per ordinary share for the financial year ending 31st December, 2011, absorbing an amount of approximately HK\$30.0 million (2010 - HK\$25.1 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 11th October, 2011.

BUSINESS OVERVIEW

HOTELS

HOTEL MARKET OVERVIEW

During the period, the global economy has generally rebounded. However, the pace of recovery remains unbalanced, with the economies of emerging markets growing much faster than the developed countries. Towards the end of the second quarter, concerns over the sovereign debt ceiling and credit rating of the United States of America intensified and the European sovereign debt crises deepened. The second round of the quantitative easing in the United States phased out in June but its effects are still yet to be seen. In China, the government has continued to carry out prudent monetary

policies with improved macro control to combat rising asset prices and mounting inflationary pressures. With the beginning of China's Twelfth Five-Year Plan, the growth in its Gross Domestic Product was maintained at a high level of approximately 9.6% in the first six months of 2011.

The total number of visitor arrivals to Hong Kong during the first half of 2011 climbed to 19.3 million or a year-on-year increase of 14.7%. Visitor arrivals from major long-haul and short-haul markets continued on an upward trend, with those from the Mainland registering the strongest growth at 21.1% to reach 12.7 million, which accounted for 65.7% of the total visitor arrivals to Hong Kong. The growing volume and the increasing affluence of the visitors from China have provided strong support to the hotel industry in Hong Kong, both in terms of occupancy level as well as achieved average rates.

Based on the Hotel Survey published by Hong Kong Tourism Board, the average hotel room occupancy for all surveyed hotels in different categories in Hong Kong for the first six months of 2011 was 88%, a year-on-year increase of about 4.8%, while average achieved room rate improved by about 16.8%.

HOTEL OWNERSHIP

The Group's hotel ownership business is undertaken through Regal REIT, which is 74.5% held by the Group.

For the six months ended 30th June, 2011, Regal REIT attained an unaudited consolidated net profit before distribution to its unitholders of approximately HK\$1,957.6 million, as compared to the profit of HK\$325.2 million (as restated) recorded for the corresponding period in 2010. The surge in its reported profit was principally attributable to the increase in the fair values of the hotels which are leased to a wholly owned subsidiary of the Group and classified in the financial statements of Regal REIT as investment properties.

The rental package payable by the Group to Regal REIT for the five Regal Hotels in Hong Kong, namely, the Regal Airport Hotel, the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel, for 2011 was determined by the independent professional valuer jointly appointed by the Group and Regal REIT at an aggregate base rent of HK\$560 million, with equal sharing on the excess net property income. The aggregate net property income of these five hotels for the six months has exceeded the prorated base rent by approximately HK\$78.2 million and based on their operating results achieved so far, additional sharing of excess net property income for the second half of the year is anticipated. The market rental package for 2012 is being determined and based on present market trends and business projections, it is expected that the market rental package to be determined for these five Regal Hotels for 2012 could be notably higher than the rental level determined for 2011.

The sixth and the latest Regal Hotel in Hong Kong, the Regal iClub Hotel in Wanchai, is owned and itself operated by Regal REIT, and managed by the Group's wholly owned management subsidiary. This hotel began full operation in December 2010 and has since been very well received by business travellers. During the period, its average room occupancy was maintained at a high level of about 93.3%, with average achieved room rate and Revenue per Available Room (RevPAR) having grown by 38.8% and 44.7%, respectively, as compared with the same period last year.

Regal Portfolio Management Limited, a wholly owned subsidiary of the Group, acts as the REIT Manager of Regal REIT.

HOTEL OPERATIONS

The five Regal Hotels in Hong Kong operated by the Group as lessee have all produced satisfactory results. For the period under review, the combined average occupancy rate of these five hotels has increased by about 8.1% to 89.1%, while combined average room rate has increased by about 18.8% to HK\$866.6 per day, which overall enhanced the combined RevPAR by about 28.4%, as compared with the corresponding half year period in 2010.

Chairman's Statement (Cont'd)

The Group will continue to invest in the renovation and upgrading of the hotel properties as well as in the strengthening and upgrading of the hotels' marketing and reservation platforms, with a view to achieving further yield enhancement.

HOTEL MANAGEMENT

All the six Regal Hotels in Hong Kong are managed by Regal Hotels International Limited, a wholly owned subsidiary of the Group.

In China, the Group has continued to invest substantial efforts to extend its hotel network through the securing of new management contracts and, in this regard, has been successful in progressively enlarging the geographical coverage as well as the overall size of the Regal Hotels portfolio.

The Regal Plaza Hotel & Residence in Waigaoqiao Free Trade Zone in Pudong, Shanghai, a hotel with service apartments offering a total of 282 units, was soft opened in April 2011. Also in April this year, the Group entered into an agreement for the management of the Regal Royale Hotel in Kunshan, Jiangsu. This hotel will be the first Regal Royale branded property and will feature as the 5-star premium and luxury brand of the Regal Hotels group. The Regal Royale Hotel, Kunshan, with around 300 guestrooms and suites, will be contemporary in design and is scheduled to be opened in 2013. Recently, the Group has entered into another agreement to provide full-range pre-opening consultancy and hotel management services to a hotel property being developed at Dongxi Lake District, in close proximity to the new central business district in Wuhan, Hubei. The hotel will be a 5-star hotel with about 330 guestrooms and planned to be opened in the second half of 2014.

Overall, the Group presently manages six hotels under operation in China, four of which are in Shanghai. The other hotel properties for which management services contracts have been signed, which are now at different stages of development, include one in Zhengzhou, one in Suzhou, one in Foshan, one other in Chengdu and, more recently, the two in Kunshan and Wuhan, respectively. These hotels have been scheduled to come on stream progressively during the course of the next few years. Certain other hotel management contracts are in the pipeline and could be expected to be secured from time to time.

PROPERTIES

The property market in Hong Kong remained relatively buoyant in the early part of the year. Due to the continuing tightening of market liquidity and credit terms and, more lately, the increased volatility and uncertainty in the financial and capital markets worldwide, the local property market is beginning to consolidate after a long rally. However, the economy of Hong Kong is diverse and resilient and is well supported by its close link with Mainland China. The Group believes that, despite there will be uncertainties in the short term, the longer term prospects of the property market in Hong Kong are still optimistic.

Due to the scarcity of supply in luxury residential properties in Hong Kong Island South, the Group has elected to hold on to most of the remaining houses in Regalia Bay, Stanley, unless satisfactory prices are offered. During the period this year to date, the Group has bought back 3 houses and sold a total of 4 houses in Regalia Bay. The Group still presently owns 19 houses in Regalia Bay, in addition to those houses contracted to be sold and pending completion.

In March 2011, the Company entered into a conditional agreement with Paliburg Holdings Limited, of which the Company is an associate, for the establishment of a 50:50 owned joint venture company for the development of real estate projects for sale and/or leasing. Following approval by the Company's independent shareholders, the joint venture company, Flourish Lead Investments Limited, was formally established in April 2011.

Since its formal establishment, Flourish Lead has undertaken a series of property acquisitions. First, in May 2011, Flourish Lead acquired two development sites from Paliburg, which are both located in Sheung Wan district in Hong Kong and planned to be developed as hotels. Later in June 2011, Flourish Lead entered into a sale and purchase agreement with the jointly controlled entity that is 50:50 owned by each of the Company and Cosmopolitan for the acquisition of 70% effective interests in the composite development project then undertaken by that jointly controlled entity in Xindu District, Chengdu City, Sichuan Province, PRC. More recently, a wholly owned subsidiary of Flourish Lead entered into an agreement earlier this month with an independent third party vendor for the purchase of the development properties located in Merlin Street, North Point, Hong Kong, which are also planned to be developed into a hotel.

Shareholders could refer to the section headed "Management Discussion and Analysis" in this Interim Report for details of these development properties acquired by Flourish Lead.

OTHER INVESTMENTS

As part of its core businesses, the Group maintains a substantial investment portfolio consisting primarily of listed investments, including certain strategic holdings in a number of listed entities. The Group holds within this portfolio and as long term strategic investments, significant amount of convertible bonds issued by the Cosmopolitan group, apart from a minor holding in the shares of Cosmopolitan.

OUTLOOK

Despite the recent volatilities and uncertainties overshadowing the international financial and capital markets, the hotel market in Hong Kong will continue to benefit from the improved tourism infrastructure of Hong Kong, the gradual recovery of the long-haul markets, the positioning of Hong Kong as an Offshore Renminbi Centre, the closer link with the Mainland, the rolling out of the Twelfth Five-Year Plan of China and, particularly, the growing number of visitors from Mainland China. Outlook of the hotel market in the second half of this year, and indeed in the years beyond, remains very positive.

Through the joint venture with Paliburg, the Group is in the course of developing three new hotels in Hong Kong to capture the growing demand for hotel accommodations in Hong Kong. In the meantime, the Group is expanding its hotel network in Mainland China principally through new hotel management contracts. The Group will continue to build up its strategic hotel portfolio, focusing primarily in Hong Kong and PRC, with a view to increasing its overall market prominence.

With the solid backing of its strong cash resources, the Group will actively review new investment and acquisition opportunities, but will remain prudent in the process in view of the recent volatility in the international financial market.

LO YUK SUI

Chairman

Hong Kong
24th August, 2011

Management Discussion and Analysis

BUSINESS REVIEW

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

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

Other Investments

Apart from the strategic holdings in certain other listed entities, the Group holds, as long term strategic investments, significant amount of convertible bonds issued by the Cosmopolitan International Holdings Limited ("Cosmopolitan") group as well as a minor holding in the shares of Cosmopolitan. If these convertible bonds were converted, the Group's shareholdings in Cosmopolitan would substantially increase and might result in regulatory compliance issues, including the possible triggering of a mandatory obligation for the Group to make an offer for all the Cosmopolitan shares. As the Group did not then intend to convert these convertible bonds such that a mandatory offer obligation could be triggered, the Group entered into an extension agreement in April 2011 with Cosmopolitan to extend the maturity of the 2011 CB in the principal amount of HK\$141.45 million held by the Group, which were originally extended to be due on 16th May, 2011. Following approval by the independent shareholders of Cosmopolitan in June 2011, the maturity date of the 2011 CB has been further extended to 14th February, 2013, same as the maturity date of the 2013 CB issued by the Cosmopolitan group, part of which is also held by the Group.

As the price of the Cosmopolitan shares as at 30th June, 2011 was much lower than that prevailing as at 31st December, 2010, the fair value losses on financial assets recorded in the interim results under review were mostly attributable to the Group's holdings in the convertible bonds and shares of Cosmopolitan. Nevertheless, as the conversion prices of the convertible bonds of the Cosmopolitan group were significantly below the market price of the Cosmopolitan shares as at 30th June, 2011, the aggregate fair values of these convertible bonds of Cosmopolitan are still substantially higher than their original acquisition costs.

New Joint Venture - Flourish Lead Investments Limited

Flourish Lead Investments Limited ("Flourish Lead") is a 50:50 owned joint venture with Paliburg Holdings Limited ("PHL"), established in April 2011, 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 Flourish Lead. Flourish Lead has, since its establishment, acquired a number of property development projects. Further information relating to such property development projects is set out below:

Nos.132-140 Bonham Strand and

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

First, in May 2011, Flourish Lead acquired two development sites from PHL for an aggregate transaction consideration of HK\$752 million, which was equivalent to the then market valuations of the properties as appraised by an independent professional valuer appointed by Flourish Lead.

The development site at Nos.132-140 Bonham Strand has a site area of approximately 5,430 square feet and the plans for the development of a hotel with 240 guestrooms and suites with gross floor area of approximately 77,450 square feet have been approved.

The other development site is constituted by two adjoining properties at Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street 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 56,350 square feet, have also been recently approved.

Composite development project at Xindu District, Chengdu, Sichuan, the People's Republic of China

The 70% interest in this property project was acquired in June 2011 from the jointly controlled entity that is 50:50 owned by the Group and Cosmopolitan. The consideration payable by Flourish Lead for the 70% interest in the property project was based on an agreed value of HK\$1,000 million, representing a discount of 12% to the appraised value as at 29th June, 2011 of RMB1,350 million for the whole property project, carried out by an independent professional valuer jointly engaged by the jointly controlled entity and Flourish Lead. Details of this transaction were contained in the joint announcement of the Company dated 30th June, 2011.

This composite development project in Chengdu 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. Superstructural works for the hotel development have progressed steadily and the first phase of hotel is presently scheduled to be soft opened in the fourth quarter of 2012. 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. Basement works for this part of the development have commenced, with overall construction works scheduled to be completed also in the fourth quarter of 2012. Presale of the residential units is anticipated to be launched in the first quarter of 2012. Development works for the other stages are planned to be carried out progressively.

Nos.14-20 Merlin Street, North Point, Hong Kong

The sale and purchase agreement for the purchase of the subject properties was entered into with an independent third party vendor in August 2011. The sale and purchase is expected to be completed in September 2011 when vacant possession of the properties is delivered by the vendor. The properties have an aggregate site area of approximately 5,300 square feet and are planned to be developed into a hotel with about 350 guestrooms and suites, with total gross floor area of approximately 73,730 square feet.

Other Joint Venture - Hang Fok Properties Limited

The joint development project in the Central Business District in Beijing, the People's Republic of China ("PRC") is held through Hang Fok Properties Limited, an associate that is 50% owned by each of the Group and PHL. As previously reported, a further provision has been made at the associate's level in the financial year ended 31st December, 2010 due to the adverse circumstances encountered. The interest effectively held by the Group in this development project is now being carried in the consolidated financial statements of the Group at an insignificant amount. Nevertheless, the Group's management will persist in striving to protect the Group's interest in the project and to salvage potential value. Shareholders will be kept informed if any substantive progress in this respect can be achieved.

FINANCIAL REVIEW

CAPITAL AND FUNDING

Funding and Treasury Policy

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

Cash Flow

During the period under review, there were net cash flows generated from operating activities of HK\$155.1 million (2010 – net cash outflow of HK\$377.5 million). Net interest paid for the period amounted to HK\$84.7 million (2010 – HK\$1.1 million).

Borrowings

As at 30th June, 2011, the Group's borrowings net of cash and bank balances and deposits amounted to HK\$3,758.0 million (31st December, 2010 – HK\$3,334.3 million).

As at 30th June, 2011, part of the Group's bank deposits, bank balances and financial assets at fair value through profit or loss in the amount of HK\$332.4 million (31st December, 2010 – HK\$1,000.0 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 the Group's investment properties and certain of the Group's property, plant and equipment, properties held for sale, bank deposits and bank balances in the total amount of HK\$15,392.4 million (31st December, 2010 – HK\$15,670.5 million) were also pledged to secure other banking facilities granted to the Group.

The Group had loan facilities aggregating HK\$4,780.0 million as at 30th June, 2011 (31st December, 2010 – HK\$4,711.0 million) and in order to hedge against the floating interest rate, the Group had entered into interest rate hedging arrangements for an aggregate notional principal amount of HK\$4,350.0 million.

Information in relation to the maturity profile of the borrowings of the Group as of 30th June, 2011 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2010 (the "2010 Annual Report"). Details of the pledge of assets and the contingent liabilities of the Group are shown in notes 14 and 15 to the condensed consolidated financial statements, respectively, which have not changed materially from those disclosed in the 2010 Annual Report.

Share Capital

During the period under review, the Company repurchased a total of 566,000 ordinary shares of the Company at an aggregate purchase price of HK\$1,788,480 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). All the repurchased ordinary shares were cancelled during the period. Further details of the repurchase by the Company of its ordinary shares during the period are disclosed under the sub-section headed "Purchase, Sale or Redemption of the Company's Listed Securities" under the section headed "Other Information" below.

All of the outstanding 20,000,000 and 14,100,000 share options granted to the selected eligible persons under "The Regal Hotels International Holdings Limited Share Option Scheme" of the Company (the "Share Option Scheme") on 12th May, 2005 and 25th July, 2005, which entitled the holders thereof to subscribe for 20,000,000 and 14,100,000 new ordinary shares at the adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment), lapsed upon the expiry of the exercise periods of the share options on 11th May, 2011 and 24th July, 2011, respectively. Details of the movements in share options granted by the Company during the period are disclosed in note 18 to the condensed consolidated financial statements.

ASSET 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, less accumulated depreciation. The market valuations of these hotel properties have since gained substantial appreciation but which 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 its consolidated financial statements at its fair market value at 30th June, 2011, the unaudited adjusted net asset value of the ordinary shares of the Company would increase to HK\$14.37 per share, as follows:

| | As at 30th June, 2011 | |
|---|------------------------------|------------------------------------|
| | HK\$'million | HK\$ per ordinary share |
| Book net assets after non-controlling interests | 11,896.3 | 11.88 |
| Adjustment to restate the Group's hotel property portfolio at its fair market value and add back the relevant deferred tax liabilities | 2,496.3 | 2.49 |
| Unaudited adjusted net assets after non-controlling interests | 14,392.6 | 14.37 |

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Friday, 7th October, 2011 to Tuesday, 11th October, 2011, 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 Thursday, 6th October, 2011. The relevant dividend warrants are expected to be despatched on or about 21st October, 2011.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

Establishment of Joint Venture – Flourish Lead

On 17th March, 2011, a conditional shareholders' agreement was entered into between Capital Merit Investments Limited ("Capital Merit"), a wholly-owned subsidiary of PHL (of which the Company is the listed associate), and Regal Hotels Investments Limited ("Regal Investments"), a wholly-owned subsidiary of the Company, in connection with the establishment of a joint venture company (the "JV Co.") (the "Shareholders' Agreement").

The JV Co. is to be owned by Capital Merit and Regal Investments on a 50:50 basis and treated as a jointly controlled entity of each of PHL and the Company. The scope of business of the JV Co. and its subsidiaries (together, the "JV Group") principally includes the development of real estate projects for sale and/or leasing and the doing of such acts, matters and things as may be necessary for or ancillary or incidental to the principal business of the JV Group as aforesaid, and the undertaking of related investment and financing activities.

The maximum total capital commitment to the JV Co. is HK\$3,800 million, which will be contributed by Regal Investments and Capital Merit in a maximum capital commitment of HK\$1,900 million each and on a pro-rata basis in accordance with their respective shareholdings in the JV Co.. The funding requirement by the JV Co will be in stages and will be contributed in such amount and in such manner as determined by the board of directors of the JV Co.. The maximum capital commitment of the Group to JV Co in the amount of HK\$1,900 million is expected to be sourced by the Group from its internal resources.

As the maximum capital commitment of each of the PHL group and the Group to the JV Co. is more than 25% but less than 100% of the applicable percentage ratios, the transaction contemplated under the Shareholders' Agreement (the "Transaction") constituted a major transaction for each of Century City International Holdings Limited ("CCIHL"), of which PHL is the listed subsidiary, PHL and the Company and was subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). As no shareholder of either CCIHL or PHL is required to abstain from voting, each of CCIHL and PHL obtained a written approval from a closely allied group of shareholders who together hold a majority shareholding interests, in lieu of a general meeting, for the Transaction.

Further, as PHL and Capital Merit are connected persons of the Company, the Transaction also constituted a connected transaction for the Company under Chapter 14A of the Listing Rules and was subject to the approval of the independent shareholders by way of poll at a special general meeting of the Company (the "SGM"). At the SGM held on 28th April, 2011, the Transaction was approved by the independent shareholders of the Company. Flourish Lead was then established as the JV Co. following the Shareholders' Agreement became unconditional on 28th April, 2011.

Relevant details of the transactions under the Shareholders' Agreement were disclosed in the joint announcement dated 17th March, 2011 and the circular dated 8th April, 2011 (the "Circular") of the Company.

Subsequently, as was already indicated in the Circular, Flourish Lead acquired from the PHL group certain property development projects in Hong Kong as the JV Group's starting projects. According to the terms of the Shareholders' Agreement, the acquisitions of these property development projects by Flourish Lead from the PHL group were supported by independent market valuations and approved by the board of Flourish Lead with the directors nominated by Capital Merit abstaining from voting. These property development projects, which comprise the two development sites located at (i) Nos.132-140 Bonham Strand, Sheung Wan, Hong Kong and (ii) Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan, Hong Kong (collectively, the "Sheung Wan Properties"), were acquired by Flourish Lead by way of the transfer of 100% interests in two wholly owned subsidiaries of the PHL group to Flourish Lead at considerations based on the market valuations of the Sheung Wan Properties as stated in the relevant valuation report issued by an independent valuer appointed by Flourish Lead, being HK\$455 million and HK\$297 million, respectively, and subject to adjustments for other assets and liabilities, pursuant to two respective sale and purchase agreements both dated and completed on 6th May, 2011. Further information relating to these property development projects is mentioned in the preceding Chairman's Statement and the sub-section headed "Business Review" of this section. The above transactions relating to the Sheung Wan Properties do not constitute notifiable transactions nor connected transactions for each of CCIHL, PHL or the Company under the Listing Rules.

Transfer of Interests in a Jointly Controlled Entity to Flourish Lead

On 30th June, 2011, a sale and purchase agreement was entered into between Faith Crown Holdings Limited ("Faith Crown"), a jointly controlled entity owned as to 50% each by the Company and Cosmopolitan, as the vendor and Flourish Lead as the purchaser in relation to the transfer of 70% effective interests in the project for the development of a property complex at Xindu District, Chengdu, Sichuan Province, PRC (the "Chengdu Property"), held through certain wholly owned subsidiaries of Faith Crown, to Flourish Lead, by way of the transfer of 70% interests in each of two relevant wholly owned subsidiaries of Faith Crown (the "Relevant Subsidiaries", and together with their respective wholly owned subsidiaries, the "Subject Group") to Flourish Lead (the "Chengdu Transaction") (the "S&P Agreement").

The consideration (comprising the considerations for the shares of the Relevant Subsidiaries and the loans to the Subject Group (the "Shareholder's Loans")) for the Chengdu Transaction (the "Consideration") was approximately HK\$1,048 million, representing the aggregate amount of (i) HK\$1,000 million (being 70% of the agreed value of the Chengdu Property, which is determined based on the appraised value of the Chengdu Property of RMB1,350 million as stated in a valuation report from an independent professional valuer jointly appointed by Faith Crown and Flourish Lead (the "Appraised Value") and after applying a discount of approximately 12% on the Appraised Value) and (ii) 70% of the combined consolidated net asset value of the Subject Group (excluding the Chengdu Property and the Shareholder's Loans) as at 31st May, 2011, and subject to adjustments.

The Consideration was adjusted on a dollar-for-dollar basis based on the combined consolidated net asset value of the Subject Group (excluding the Chengdu Property and the Shareholder's Loans) as at 30th June, 2011. The Consideration are payable in cash and by instalments pursuant to the terms of the S&P Agreement. The last instalment will be paid within three years from the date of completion of the Chengdu Transaction, and the payment of the last instalment may be extended to four years if the period to exercise the Put Option (as referred to below) is extended by the Grantee (as also referred to below).

The S&P Agreement was unconditional and the completion of the S&P Agreement took place 14th July, 2011.

On completion of the S&P Agreement, a put option deed was executed by Faith Crown as the Grantor and one of the Relevant Subsidiaries as the Grantee in relation to the grant of an option (the "Put Option"), exercisable during the period of three years from the date of completion of the S&P Agreement (extendable to four years by the Grantee under certain circumstances), to sell (or procure the sale of) the hotel and commercial podium being constructed on the Chengdu Property to Faith Crown (or the purchaser to be procured by Faith Crown).

The Chengdu Transaction and the grant and possible exercise of the Put Option do not constitute notifiable transactions nor connected transactions for each of CCIHL, PHL or the Company under the Listing Rules. Relevant details of the transactions under the S&P Agreement were disclosed in the voluntary joint announcement of the Company dated 30th June, 2011. Further information relating to the Chengdu Property is mentioned in the preceding Chairman's Statement and the sub-section headed "Business Review" of this section.

Saved as disclosed herein, 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 1,920 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 the Share Option Scheme, under which share options had been granted to selected eligible persons.

Condensed Consolidated Income Statement

| | | Six months ended 30th June, 2011 (Unaudited) | Six months ended 30th June, 2010 (Unaudited and restated) |
|--|-------|--|--|
| | Notes | HK\$'million | HK\$'million |
| REVENUE | 2 | 930.4 | 675.4 |
| Cost of sales | | (547.8) | (758.5) |
| Gross profit/(loss) | | 382.6 | (83.1) |
| Other income and gains | 3 | 58.0 | 18.0 |
| Administrative expenses | | (72.9) | (76.2) |
| Fair value gains/(losses) on financial assets at fair value through profit or loss, net | | (387.8) | 251.2 |
| Fair value gains on investment properties | | 86.3 | 66.0 |
| OPERATING PROFIT BEFORE DEPRECIATION | | 66.2 | 175.9 |
| Depreciation | | (181.4) | (4.0) |
| OPERATING PROFIT/(LOSS) | 2 | (115.2) | 171.9 |
| Finance costs | 5 | (95.1) | (2.9) |
| Share of profits and losses of: | | | |
| Jointly controlled entities | | 653.5 | (0.8) |
| Associates | | (1.2) | 229.8 |
| PROFIT BEFORE TAX | | 442.0 | 398.0 |
| Income tax expense | 6 | (12.7) | (5.3) |
| PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS | | 429.3 | 392.7 |
| Attributable to: | | | |
| Equity holders of the parent | | 420.9 | 392.7 |
| Non-controlling interests | | 8.4 | - |
| | | 429.3 | 392.7 |
| EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT | 8 | | |
| Basic and diluted | | HK\$0.42 | HK\$0.39 |

Condensed Consolidated Statement of Comprehensive Income

| | Six months ended 30th June, 2011 (Unaudited) | Six months ended 30th June, 2010 (Unaudited and restated) |
|--|--|--|
| | HK\$'million | HK\$'million |
| PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS | 429.3 | 392.7 |
| OTHER COMPREHENSIVE INCOME/(LOSS): | | |
| Available-for-sale investment: | | |
| Change in fair value of available-for-sale investment | (0.1) | – |
| Cash flow hedges: | | |
| Change in fair value of cash flow hedges | (19.0) | – |
| Transfer from hedge reserve to income statement | 63.8 | – |
| | <u>44.8</u> | <u>–</u> |
| Exchange differences on translating foreign operations | 1.2 | 0.8 |
| Share of other comprehensive income/(loss) of associates/jointly controlled entity | (11.0) | 9.9 |
| Share of other comprehensive income of the listed associate | – | 10.4 |
| | <u>34.9</u> | <u>21.1</u> |
| Other comprehensive income for the period | 34.9 | 21.1 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | <u>464.2</u> | <u>413.8</u> |
| Attributable to: | | |
| Equity holders of the parent | 444.4 | 413.8 |
| Non-controlling interests | 19.8 | – |
| | <u>464.2</u> | <u>413.8</u> |

Condensed Consolidated Statement of Financial Position

| | | 30th June, 2011 (Unaudited) | 31st December, 2010 (Audited) |
|---|-------|--------------------------------|----------------------------------|
| | Notes | HK\$'million | HK\$'million |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 14,149.4 | 13,879.6 |
| Investment properties | | 903.0 | 1,379.5 |
| Investments in jointly controlled entities | 9 | 1,223.0 | 182.5 |
| Investments in associates | | 26.9 | 10.1 |
| Financial assets at fair value through profit or loss | | 830.3 | 636.5 |
| Available-for-sale investments | | 17.8 | – |
| Other loan | | 30.8 | 13.3 |
| Total non-current assets | | 17,181.2 | 16,101.5 |
| CURRENT ASSETS | | | |
| Hotel inventories | | 23.7 | 22.9 |
| Properties held for sale | | 904.9 | 806.7 |
| Debtors, deposits and prepayments | 10 | 314.2 | 323.8 |
| Other loan | | 15.3 | – |
| Financial assets at fair value through profit or loss | | 219.7 | 774.7 |
| Restricted cash | | 78.9 | 72.0 |
| Pledged time deposits and bank balances | | 301.2 | 1,003.0 |
| Time deposits | | 1,184.6 | 280.8 |
| Cash and bank balances | | 175.7 | 405.8 |
| Total current assets | | 3,218.2 | 3,689.7 |
| CURRENT LIABILITIES | | | |
| Creditors and accruals | 11 | (303.6) | (345.6) |
| Interest bearing bank borrowings | 12 | (4,678.2) | (152.6) |
| Derivative financial instruments | | (93.8) | – |
| Tax payable | | (33.6) | (22.3) |
| Total current liabilities | | (5,109.2) | (520.5) |

Condensed Consolidated Statement of Financial Position (Cont'd)

| | | 30th June, 2011 (Unaudited) | 31st December, 2010 (Audited) |
|--|-------|--------------------------------|----------------------------------|
| | Notes | HK\$'million | HK\$'million |
| NET CURRENT ASSETS/(LIABILITIES) | | (1,891.0) | 3,169.2 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 15,290.2 | 19,270.7 |
| NON-CURRENT LIABILITIES | | | |
| Interest bearing bank borrowings | 12 | (820.2) | (4,943.3) |
| Derivative financial instruments | | – | (142.4) |
| Deferred tax liabilities | | (1,096.3) | (1,102.4) |
| Total non-current liabilities | | (1,916.5) | (6,188.1) |
| Net assets | | 13,373.7 | 13,082.6 |
| EQUITY | | | |
| Equity attributable to equity holders of the parent | | | |
| Issued capital | | 100.1 | 100.2 |
| Reserves | | 11,766.2 | 11,350.7 |
| Dividends | | 30.0 | 85.1 |
| | | 11,896.3 | 11,536.0 |
| Non-controlling interests | | 1,477.4 | 1,546.6 |
| Total equity | | 13,373.7 | 13,082.6 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2011

| Attributable to equity holders of the parent | | | | | | | | | | | | | |
|---|--|---|--|--|---------------------------------|-----------------------------------|--|---|------------------------------------|----------------------------|-------------------------|---|--------------------------------|
| | Issued share capital (Unaudited) HK\$m | Share premium account (Unaudited) HK\$m | Share option reserve (Unaudited) HK\$m | Capital redemption reserve (Unaudited) HK\$m | Hedge reserve (Unaudited) HK\$m | Capital reserve (Unaudited) HK\$m | 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, 2011 | 100.2 | 854.1 | 45.6 | 7.4 | 33.7 | 14.4 | - | 129.9 | 10,265.6 | 85.1 | 11,536.0 | 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) |
| Change 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 |

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

| | Attributable to equity holders of the parent | | | | | | | | | | |
|---|--|---|--|--|---------------------------------|---|------------------------------------|----------------------------|-------------------------|---|--------------------------------|
| | Issued share capital (Unaudited) HK\$m | Share premium account (Unaudited) HK\$m | Share option reserve (Unaudited) HK\$m | Capital redemption reserve (Unaudited) HK\$m | Hedge reserve (Unaudited) HK\$m | 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, 2010 | 101.1 | 879.2 | 44.4 | 6.5 | (147.2) | 92.2 | 3,447.8 | 68.7 | 4,492.7 | 1.3 | 4,494.0 |
| Profit for the period (as restated) | - | - | - | - | - | - | 392.7 | - | 392.7 | - | 392.7 |
| Other comprehensive income for the period: | | | | | | | | | | | |
| Exchange differences on translating foreign operations | - | - | - | - | - | 0.8 | - | - | 0.8 | - | 0.8 |
| Share of other comprehensive income of associates/jointly controlled entity | - | - | - | - | - | 9.9 | - | - | 9.9 | - | 9.9 |
| Share of other comprehensive income of the listed associate | - | - | - | - | 10.4 | - | - | - | 10.4 | - | 10.4 |
| Total comprehensive income for the period | - | - | - | - | 10.4 | 10.7 | 392.7 | - | 413.8 | - | 413.8 |
| Final 2009 dividend declared | - | - | - | - | - | - | 0.1 | (68.7) | (68.6) | - | (68.6) |
| Cancellation of share repurchased after share consolidation | (0.5) | (12.3) | - | 0.5 | - | - | (0.5) | - | (12.8) | - | (12.8) |
| Equity-settled share option arrangements | - | - | 1.2 | - | - | - | - | - | 1.2 | - | 1.2 |
| Interim 2010 dividend | - | - | - | - | - | - | (25.1) | 25.1 | - | - | - |
| At 30th June, 2010 | 100.6 | 866.9 | 45.6 | 7.0 | (136.8) | 102.9 | 3,815.0 | 25.1 | 4,826.3 | 1.3 | 4,827.6 |

Notes

7

Condensed Consolidated Statement of Cash Flows

| | Six months ended 30th June, 2011 (Unaudited) | Six months ended 30th June, 2010 (Unaudited) |
|---|--|--|
| | HK\$'million | HK\$'million |
| Net cash flows from/(used in) operating activities | 155.1 | (377.5) |
| Net cash flows from investing activities | 370.8 | 355.4 |
| Net cash flows from/(used in) financing activities | 146.5 | (23.5) |
| Net increase/(decrease) in cash and cash equivalents | 672.4 | (45.6) |
| Cash and cash equivalents at beginning of period | 686.6 | 609.7 |
| Effect of foreign exchange rate changes, net | 1.3 | 0.9 |
| Cash and cash equivalents at end of period | <u>1,360.3</u> | <u>565.0</u> |
| Analysis of balances of cash and cash equivalents | | |
| Cash and bank balances | 175.7 | 201.9 |
| Non-pledged time deposits with original maturity of less than three months when acquired | 1,184.6 | 363.1 |
| | <u>1,360.3</u> | <u>565.0</u> |

Notes to Condensed Consolidated Financial Statements

1. Accounting Policies

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting 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, 2010, 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, 2011.

| | |
|-------------------------------|---|
| HKFRS 1 Amendment | Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> |
| HKAS 24 (Revised) | <i>Related Party Disclosures</i> |
| HKAS 32 Amendment | Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> |
| HK(IFRIC)-Int 14 Amendments | Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> |
| HK(IFRIC)-Int 19 | <i>Extinguishing Financial Liabilities with Equity Instruments</i> |
| Improvements to HKFRSs (2010) | Amendments to a number of HKFRSs |

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

The Group had early adopted the Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* in the annual financial statements for the year ended 31st December, 2010 and the effects of this early adoption are explained below.

Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Amendments to HKAS 12 were issued in December 2010 which introduce a rebuttable presumption that deferred tax on investment property measured using the fair value model in HKAS 40 *Investment Property* should be determined on the basis that its carrying amount will be recovered through sale. The amendments also require that deferred tax on non-depreciable assets measured using the revaluation model in HKAS 16 *Property, Plant and Equipment* should always be measured on a sale basis. As a result of the amendments, Hong Kong (SIC)-21 *Income Taxes – Recovery of Revalued Non-depreciable Assets*, will be superseded once the amendments become effective. Although the amendments are effective for annual periods beginning on or after 1st January, 2012, the Group had early adopted the amendments in the Group’s annual financial statements for the year ended 31st December, 2010.

Notes to Condensed Consolidated Financial Statements (Cont'd)

Prior to 31st December, 2010, the Group previously provided deferred tax on the fair value gains on its investment properties assuming that the carrying amounts of these properties will be recovered through use. Upon the adoption of the Amendments to HKAS 12, the Group measures deferred tax on investment properties assuming that their carrying amounts will be recovered through sale. The effects of the above changes on the condensed consolidated interim financial statements are summarised below:

| | 2010 (Unaudited) HK\$'million |
|--|--|
| <i>Condensed consolidated income statement for the six months period ended 30th June</i> | |
| Increase in share of profits and losses of associates | 7.4 |
| Increase in profit for the period | 7.4 |
| Increase in basic and diluted earnings per share | HK0.7 cent |

Notes to Condensed Consolidated Financial Statements

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.

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

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

Notes to Condensed Consolidated Financial Statements (Cont'd)

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

Group

| | Hotel operation and management and hotel ownership | | Asset management | | Property development and investment | | Securities investment | | Others | | Eliminations | | Consolidated | |
|--|---|------------------|--|------------------|--|------------------|--|------------------|--|------------------|--|------------------|--|-------------------------------|
| | Six months ended 30th June, 2011 (Unaudited) and restated | 2010 (Unaudited) | Six months ended 30th June, 2011 (Unaudited) | 2010 (Unaudited) | Six months ended 30th June, 2011 (Unaudited) | 2010 (Unaudited) | Six months ended 30th June, 2011 (Unaudited) | 2010 (Unaudited) | Six months ended 30th June, 2011 (Unaudited) | 2010 (Unaudited) | Six months ended 30th June, 2011 (Unaudited) | 2010 (Unaudited) | Six months ended 30th June, 2011 (Unaudited) | 2010 (Unaudited) and restated |
| | HK\$'m | HK\$'m | HK\$'m | HK\$'m | HK\$'m | HK\$'m | HK\$'m | HK\$'m | HK\$'m | HK\$'m | HK\$'m | HK\$'m | HK\$'m | HK\$'m |
| Segment revenue: | | | | | | | | | | | | | | |
| Sales to external customers | 785.9 | 608.8 | — | 34.3 | 102.3 | 8.3 | 0.9 | 1.4 | 41.3 | 22.6 | — | — | 930.4 | 675.4 |
| Intersegment sales | 5.1 | 2.8 | 32.7 | — | 1.7 | 1.7 | — | — | — | 0.2 | (39.5) | (4.7) | — | — |
| Total | 791.0 | 611.6 | 32.7 | 34.3 | 104.0 | 10.0 | 0.9 | 1.4 | 41.3 | 22.8 | (39.5) | (4.7) | 930.4 | 675.4 |
| Segment results before depreciation | 368.4 | (174.8) | (4.7) | 28.9 | 96.3 | 84.8 | (387.1) | 252.1 | 0.3 | (1.0) | — | — | 73.2 | 190.0 |
| Depreciation | (180.4) | (3.5) | (0.2) | (0.2) | (0.1) | — | — | — | (0.7) | (0.1) | — | — | (181.4) | (3.8) |
| Segment operating results | 188.0 | (178.3) | (4.9) | 28.7 | 96.2 | 84.8 | (387.1) | 252.1 | (0.4) | (1.1) | — | — | (108.2) | 186.2 |
| Interest income and unallocated non-operating and corporate gains | | | | | | | | | | | | | 8.7 | 3.2 |
| Unallocated non-operating and corporate expenses, net | | | | | | | | | | | | | (15.7) | (17.5) |
| Operating profit/(loss) | | | | | | | | | | | | | (115.2) | 171.9 |
| Finance costs | | | | | | | | | | | | | (95.1) | (2.9) |
| Share of profits and losses of: Jointly controlled entities | | | | | | | | | | | | | 653.5 | (0.8) |
| Associates | (0.2) | 235.1 | — | — | (0.8) | (5.1) | — | — | (0.2) | (0.2) | — | — | (1.2) | 229.8 |
| Profit before tax | | | | | | | | | | | | | 442.0 | 398.0 |
| Income tax expense | | | | | | | | | | | | | (12.7) | (5.3) |
| Profit for the period before allocation between equity holders of the parent and non-controlling interests | | | | | | | | | | | | | 429.3 | 392.7 |
| Attributable to: | | | | | | | | | | | | | | |
| Equity holders of the parent | | | | | | | | | | | | | 420.9 | 392.7 |
| Non-controlling interests | | | | | | | | | | | | | 8.4 | — |
| | | | | | | | | | | | | | 429.3 | 392.7 |

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, 2011 (Unaudited) | Six months ended 30th June, 2010 (Unaudited) |
|---|--|--|
| | HK\$'million | HK\$'million |
| <u>Other income</u> | | |
| Bank interest income | 1.7 | 0.7 |
| Interest income from other loan | 3.3 | 2.2 |
| Other interest income | 3.5 | – |
| Sundry income | 0.2 | 0.3 |
| Reversal of impairment of other loan | 29.5 | – |
| | <u>38.2</u> | <u>3.2</u> |
| <u>Gains</u> | | |
| Gain on disposal of investment properties | 16.1 | 14.8 |
| Fair value gain on derivative financial instruments | 3.7 | – |
| | <u>19.8</u> | <u>14.8</u> |
| | <u>58.0</u> | <u>18.0</u> |

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

| | Six months ended 30th June, 2011 (Unaudited) | Six months ended 30th June, 2010 (Unaudited) |
|---|--|--|
| | HK\$'million | HK\$'million |
| Profit/(Loss) on disposal of listed investments | (1.1) | 0.2 |
| Profit on disposal of properties | 15.3 | 14.8 |

Notes to Condensed Consolidated Financial Statements (Cont'd)

5. Finance Costs

| | Six months ended 30th June, 2011 (Unaudited) | Six months ended 30th June, 2010 (Unaudited) |
|---|--|--|
| | HK\$'million | HK\$'million |
| Interest on bank loans wholly repayable within five years | 31.3 | 2.9 |
| Fair value changes of derivative financial instruments | 63.8 | – |
| Total finance costs | <u>95.1</u> | <u>2.9</u> |

6. Income Tax

| | Six months ended 30th June, 2011 (Unaudited) | Six months ended 30th June, 2010 (Unaudited) |
|---------------------------------|--|--|
| | HK\$'million | HK\$'million |
| Group: | | |
| Current - Hong Kong | | |
| Charge for the period | 18.9 | 5.0 |
| Current - Overseas | | |
| Charge for the period | – | 0.3 |
| Over provision in prior years | (0.1) | – |
| Deferred | (6.1) | – |
| Total tax charge for the period | <u>12.7</u> | <u>5.3</u> |

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2010 - 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

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

The Group had not shared the tax charge attributable to Regal REIT for the prior period, before the consolidation of Regal REIT, since the Group's share of profit of Regal REIT for such period had been offset against the previously unrecognised share of loss of Regal REIT.

No provision for tax is required for the jointly controlled entities and other associates as no assessable profits were earned by the jointly controlled entities and other associates during the period (2010 - Nil).

There was no material unprovided deferred tax in respect of the period and as at 30th June, 2011.

7. Dividend

The Directors have declared the payment of an interim dividend of HK3 cents (2010 - HK2.5 cents) per ordinary share for the financial year ending 31st December, 2011, absorbing an amount of approximately HK\$30.0 million (2010 - HK\$25.1 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\$420.9 million (2010 - HK\$392.7 million, as restated), and on the weighted average of 1,001.4 million (2010 - 1,009.8 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 amounts presented for the periods ended 30th June, 2010 and 30th June, 2011, respectively, in respect of a dilution as the exercise price of the share options of the Company outstanding during both periods is higher than the average market price of the Company's ordinary shares for the respective periods and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

Notes to Condensed Consolidated Financial Statements (Cont'd)

9. Investments in Jointly Controlled Entities

Included in the investments in jointly controlled entities is an amount of HK\$461.0 million (31st December, 2010 - Nil) representing the Group's interest in Flourish Lead Investments Limited ("Flourish Lead"), a joint venture company established during the period with Paliburg Holdings Limited ("PHL"), a substantial shareholder, on a 50:50 basis for the development of real estate projects for sale and/or leasing. During the period, Flourish Lead acquired certain development projects in Hong Kong from PHL and 70% interest in a development project in Xindu District, Chengdu in the Sichuan Province, PRC (the "Xindu Project") from Faith Crown Holdings Limited ("Faith Crown"), another 50% owned joint venture company of the Group.

The remaining balance in jointly controlled entities mainly comprises an amount of HK\$761.7 million (31st December, 2010 - HK\$181.8 million) representing the Group's 50% interest in Faith Crown which has a 30% (31st December, 2010 - 100%) indirect interest in the Xindu Project. During the period, Faith Crown disposed of 70% interest in the Xindu Project to Flourish Lead which resulted in the Group's share of the gain on disposal amounting to HK\$586.0 million.

| | 30th June, 2011 (Unaudited) | 31st December, 2010 (Audited) |
|---|--------------------------------|----------------------------------|
| | HK\$'million | HK\$'million |
| The Group's share of capital commitments of Faith Crown in respect of a property development project: | | |
| Contracted, but not provided for | <u>24.5</u> | <u>82.0</u> |

At 30th June, 2011, the Group's share of the maximum capital commitment to Flourish Lead for its engagement in the development of real estate projects amounted to HK\$1,900.0 million (2010 - Nil), of which HK\$392.3 million (2010 - Nil) has been contributed during the period.

Notes to Condensed Consolidated Financial Statements (Cont'd)

10. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$95.3 million (31st December, 2010 - HK\$102.2 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, 2011 (Unaudited) | 31st December, 2010 (Audited) |
|---------------------------------|--------------------------------|----------------------------------|
| | HK\$'million | HK\$'million |
| Outstanding balances with ages: | | |
| Within 3 months | 85.8 | 95.5 |
| Between 4 to 6 months | 5.6 | 3.5 |
| Between 7 to 12 months | 1.6 | 1.5 |
| Over 1 year | 3.5 | 2.7 |
| | <hr/> | <hr/> |
| | 96.5 | 103.2 |
| Impairment | (1.2) | (1.0) |
| | <hr/> | <hr/> |
| | 95.3 | 102.2 |
| | <hr/> <hr/> | <hr/> <hr/> |

Credit terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced 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. Trade receivables are non-interest bearing.

Included in the Group's debtors, deposits and prepayments are amounts due from related companies of HK\$2.9 million (31st December, 2010 - HK\$2.8 million). These balances are repayable on similar credit terms to those offered to the major customers of the Group.

Notes to Condensed Consolidated Financial Statements (Cont'd)

11. Creditors and Accruals

Included in the balance is an amount of HK\$50.9 million (31st December, 2010 - HK\$56.6 million) representing the trade creditors of the Group. The aged analysis of such creditors as at the end of the reporting period, based on the invoice date, is as follows:

| | 30th June, 2011 (Unaudited) | 31st December, 2010 (Audited) |
|---------------------------------|--------------------------------|----------------------------------|
| | HK\$'million | HK\$'million |
| Outstanding balances with ages: | | |
| Within 3 months | 50.3 | 56.3 |
| Between 4 to 6 months | – | – |
| Between 7 to 12 months | 0.3 | – |
| Over 1 year | 0.3 | 0.3 |
| | 50.9 | 56.6 |
| | 50.9 | 56.6 |

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

Included in creditors and accruals are amounts due to associates and related companies of HK\$2.5 million (31st December, 2010 - HK\$4.2 million) and HK\$2.4 million (31st December, 2010 - HK\$2.7 million), respectively, which have similar credit terms to those offered by those associates and related companies to their major customers.

12. Interest Bearing Bank Borrowings

Included in the bank loans under current liabilities is a facility aggregating HK\$4.5 billion granted to the Regal REIT group (the "Initial Facility"). The Initial Facility, which was fully utilised at the end of the reporting period, bears interest at a floating interest rate of 3-month Hong Kong Interbank Offered Rate ("HIBOR") plus 0.6% per annum. The Initial Facility is repayable in full on 30th March, 2012. The Regal REIT group has 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.

After completion of the acquisition of the remaining 25% interest in the Regal iClub Hotel on 31st December, 2010, the Regal iClub Hotel became wholly-owned by Regal REIT. On 28th January, 2011, Regal REIT entered into a new loan agreement for loan facilities aggregating HK\$280.0 million, comprised of a term loan of HK\$220.0 million and a revolving credit facility of HK\$60.0 million (the "New Facilities") to replace the previous facilities of HK\$211.0 million. The New Facilities bear interest based on HIBOR and no interest rate hedging has been arranged. As at the end of the reporting period, the term loan facility had an outstanding amount of HK\$218.5 million and HK\$30.0 million had been drawn down from the revolving credit facility.

Notes to Condensed Consolidated Financial Statements (Cont'd)

Bank borrowings under the Initial Facility are guaranteed by Regal REIT and, on a joint and several basis, by certain individual companies of the Regal REIT group. The New Facilities are guaranteed by Regal REIT while the bank borrowings under the replaced facilities in the prior year were guaranteed by Regal REIT and PHL in proportions of 75% and 25%, respectively, on a several basis.

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

- (i) legal charges and debentures over the relevant 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 14 to the financial statements.

As at 30th June, 2011, the Group's current liabilities exceeded its current assets by approximately HK\$1,891.0 million as the Initial Facility of HK\$4.5 billion, repayable in full on 30th March, 2012, and the related derivative financial instruments were both classified as current liabilities at the end of the reporting period. Regal REIT is in discussions with banks on various refinancing proposals. The Group believes that the refinancing exercise will be concluded before the maturity of the Initial Facility and the Group would have sufficient resources to satisfy its commitments and working capital requirement.

Notes to Condensed Consolidated Financial Statements (Cont'd)

13. 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, 2011 (Unaudited) | Six months ended 30th June, 2010 (Unaudited) |
|--|--|--|
| | HK\$'million | HK\$'million |
| A substantial shareholder: | | |
| Management fees expenses | 8.2 | 8.0 |
| Wholly-owned subsidiaries of PHL: | | |
| Development consultancy fees expenses | – | 0.1 |
| Service fees expenses in respect of security systems and products and other software | 1.4 | 0.9 |
| Repairs and maintenance fees and construction fees expenses | 1.5 | 0.6 |
| Associates: | | |
| REIT manager's fees income | – | 33.2 |
| Lease rental expenses | – | 394.9 |
| Furniture, fixtures and equipment reserve contribution expenses | – | 12.6 |
| Other rental expenses | – | 3.9 |
| Advertising and promotion fees expenses (including cost reimbursements) | 4.2 | 4.7 |
| | 4.2 | 4.7 |

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, 2010.

Regal REIT was previously treated as an associate and became a subsidiary of the Group with effect from 23rd July, 2010, since which date all significant transactions between Regal REIT and other subsidiaries of the Group had been eliminated upon consolidation. Accordingly, certain of the comparative amounts relating to associates represented those relating to Regal REIT for the period prior to that date.

Prior to Regal REIT becoming a subsidiary of the Group on 23rd July, 2010, the followings were also regarded as related and connected party transactions between the Group and Regal REIT:

- The Group has guaranteed a total minimum variable rent payable under the Lease Agreements for the period from 30th March, 2007 to 31st December, 2010 in the amount of HK\$220.0 million, of which HK\$101.6 million had been paid by the Group up to 22nd July, 2010.

Notes to Condensed Consolidated Financial Statements (Cont'd)

- The Company has also guaranteed the lessee's obligations under the lease agreements in respect of the leasing of certain hotel properties from Regal REIT for hotel operation (the "Lease Agreements") under separate guarantees (the "Lease Guarantees"). In this connection, the Company has undertaken to maintain a minimum consolidated tangible net worth (as defined in the Lease Guarantees) of HK\$4 billion and procure an unconditional and irrevocable bank guarantee in the amount of HK\$1 billion in favour of the lessors and the trustee of Regal REIT for a period up to 30th June, 2011. At 30th June, 2011, the bank guarantee in the amount of HK\$1 billion was cancelled and replaced by a new bank guarantee in the amount of HK\$280 million as required under the market rental package for 2011.
- Under a deed of trade mark licence, the Group has granted to Regal REIT a non-exclusive and non-transferable licence at nil consideration to use its registered trade marks or service marks for the purpose of describing the ownership of the hotels disposed of by the Group to Regal REIT and/or use in connection with the business of these hotels.

(b) Outstanding balances with related parties:

| | 30th June, 2011 (Unaudited) | 31st December, 2010 (Audited) |
|--------------------------------------|--------------------------------|----------------------------------|
| | HK\$'million | HK\$'million |
| Due from a jointly controlled entity | 366.7 | 366.7 |
| Due from related companies | 2.9 | 2.8 |
| Due to associates | (2.5) | (4.2) |
| Due to related companies | (2.4) | (2.7) |
| Loans to jointly controlled entities | 1,489.9 | 1,091.9 |
| Loans to/amounts due from associates | 283.9 | 265.8 |
| | <u> </u> | <u> </u> |

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

| | Six months ended 30th June, 2011 (Unaudited) | Six months ended 30th June, 2010 (Unaudited) |
|--|--|--|
| | HK\$'million | HK\$'million |
| Short term employee benefits | 9.7 | 9.2 |
| Equity-settled share-based payments | - | 1.1 |
| | <u> </u> | <u> </u> |
| Total compensation paid to key management personnel | 9.7 | 10.3 |
| | <u> </u> | <u> </u> |

14. Pledge of Assets

At 30th June, 2011, part of the Group's bank deposits, bank balances and financial assets at fair value through profit or loss in the amount of HK\$332.4 million (31st December, 2010 - HK\$1,000.0 million) were pledged to secure a bank guarantee procured by the Group pursuant to the Lease Guarantees (note 13(a)). The Group's investment properties and certain of the Group's property, plant and equipment, properties held for sale, bank deposits and bank balances in the total amount of HK\$15,392.4 million (31st December, 2010 - HK\$15,670.5 million) were also pledged to secure other banking facilities granted to the Group.

15. Contingent Liabilities

The Group had no contingent liability as at 30th June, 2011 (31st December, 2010 - Nil).

As at 30th June, 2011, corporate guarantees amounted to HK\$841.0 million (31st December, 2010 - HK\$833.0 million) were given by the Company in connection with banking facilities granted to a subsidiary. The banking facilities granted to the subsidiary were utilised to the extent of approximately HK\$759.8 million at 30th June, 2011 (31st December 2010 - HK\$406.0 million).

In addition, the Company has also guaranteed the lessee's obligations under the Lease Agreements to Regal REIT as detailed in note 13(a).

16. Operating Lease Arrangements

(a) As lessor

The Group has leased 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 4 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, 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | 30th June, 2011 (Unaudited) | 31st December, 2010 (Audited) |
|---|--------------------------------|----------------------------------|
| | HK\$'million | HK\$'million |
| Within one year | 27.4 | 23.2 |
| In the second to fifth years, inclusive | 21.4 | 17.9 |
| | 48.8 | 41.1 |

Notes to Condensed Consolidated Financial Statements (Cont'd)

(b) As lessee

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

At 30th June, 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | 30th June, 2011 (Unaudited) | 31st December, 2010 (Audited) |
|---|--------------------------------|----------------------------------|
| | HK\$'million | HK\$'million |
| Land and buildings: | | |
| Within one year | 9.4 | 9.3 |
| In the second to fifth years, inclusive | 26.2 | 28.0 |
| After five years | 34.9 | 38.0 |
| | <u>70.5</u> | <u>75.3</u> |
| Other equipment: | | |
| Within one year | 0.3 | 0.3 |
| In the second to fifth years, inclusive | 0.8 | 1.0 |
| | <u>1.1</u> | <u>1.3</u> |
| | <u>71.6</u> | <u>76.6</u> |

17. Commitments

In addition to the share of capital commitments in respect of the jointly controlled entities detailed in note 9 and the operating lease commitments detailed in note 16(b) above, the Group had the following capital commitments at the end of the reporting period:

| | 30th June, 2011 (Unaudited) | 31st December, 2010 (Audited) |
|--|--------------------------------|----------------------------------|
| | HK\$'million | HK\$'million |
| Capital commitments in respect of the renovation of or improvements to the hotel properties: | | |
| Authorised and contracted for | 2.8 | 3.0 |
| Authorised, but not contracted for | 21.1 | 30.3 |
| | <u>23.9</u> | <u>33.3</u> |

Notes to Condensed Consolidated Financial Statements (Cont'd)

18. Share Options

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

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

| Offer date** | Name or category of participant | Number of ordinary shares under share options* | | | Vesting/Exercise periods of share options | Adjusted exercise price of share options* HK\$ |
|------------------------|--------------------------------------|--|--------------------------|--------------------|---|--|
| | | At 1st January, 2011 | Lapsed during the period | At 30th June, 2011 | | |
| Directors | | | | | | |
| 12th May, 2005 | Mr. Lo Yuk Sui Vested: | 20,000,000 | (20,000,000) | – | Note | 7.50 |
| 25th July, 2005 | Ms. Belinda Yeung Bik Yiu Vested: | 3,000,000 | – | 3,000,000 | Note | 7.50 |
| 25th July, 2005 | Mr. Donald Fan Tung Vested: | 2,000,000 | – | 2,000,000 | Note | 7.50 |
| 25th July, 2005 | Mr. Jimmy Lo Chun To Vested: | 1,500,000 | – | 1,500,000 | Note | 7.50 |
| 25th July, 2005 | Miss Lo Po Man Vested: | 3,000,000 | – | 3,000,000 | Note | 7.50 |
| 25th July, 2005 | Mr. Kenneth Ng Kwai Kai Vested: | 2,000,000 | – | 2,000,000 | Note | 7.50 |
| 25th July, 2005 | Mr. Allen Wan Tze Wai Vested: | 800,000 | – | 800,000 | Note | 7.50 |
| Other Employees | | | | | | |
| 25th July, 2005 | Employees, in aggregate Vested: | 1,800,000 | – | 1,800,000 | Note | 7.50 |
| Total: | | | | | | |
| Vested: | | <u>34,100,000</u> | <u>(20,000,000)</u> | <u>14,100,000</u> | | |

Notes to Condensed Consolidated Financial Statements (Cont'd)

- * Subject to adjustment in the case of rights or bonus issues, or other relevant changes in the Company's share capital.
- ** Offer date is the date on which the grant of share options is offered by the Company, and it is deemed the date of grant of the share options unless the grant of share options is declined or lapsed.

Note:

Vesting/Exercise periods of share options:

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

19. Approval of the Unaudited Condensed Consolidated Interim Financial Statements

These unaudited condensed consolidated interim financial statements was approved and authorised for issue by the board of directors on 24th August, 2011.

Other Information

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2011, 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 | Number of shares held | | | Total (Approximate percentage of the issued shares as at 30th June, 2011) |
|----|---|-------------------------------|-------------------------|-----------------------|-------------------------|---------------------------|--|
| | | | | Personal interests | Corporate interests | Family/Other interests | |
| 1. | The Company | Mr. Lo Yuk Sui | Ordinary (issued) | 24,200 | 494,835,261 (Note a) | 260,700 | 495,120,161 (49.44%) |
| | | Dr. Francis Choi Chee Ming | Ordinary (issued) | 50,240,000 | - | - | 50,240,000 (5.02%) |
| | | Ms. Belinda Yeung Bik Yiu | Ordinary (unissued) | 3,000,000 (Note b) | - | - | 3,000,000 (0.30%) |
| | | Mr. Donald Fan Tung | Ordinary (unissued) | 2,000,000 (Note c) | - | - | 2,000,000 (0.20%) |
| | | Mr. Jimmy Lo Chun To | Ordinary (unissued) | 1,500,000 (Note d) | - | - | 1,500,000 (0.15%) |
| | | Miss Lo Po Man | Ordinary (i) issued | 300,000 | - | 269,169 (Note e) | 569,169 |
| | | | (ii) unissued | 3,000,000 (Note b) | - | - | 3,000,000 |
| | | | | | | Total (i) & (ii): | 3,569,169 (0.36%) |
| | | Mr. Kenneth Ng Kwai Kai | Ordinary (unissued) | 2,000,000 (Note c) | - | - | 2,000,000 (0.20%) |
| | | Mr. Allen Wan Tze Wai | Ordinary (i) issued | 10,200 | - | - | 10,200 |
| | | | (ii) unissued | 800,000 (Note f) | - | - | 800,000 |
| | | | | | | Total (i) & (ii): | 810,200 (0.08%) |

Other Information (Cont'd)

| 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, 2011) |
|--|---------------------|-------------------------|-----------------------|---------------------------|---------------------------|--|
| | | | Personal interests | Corporate interests | Family/Other interests | |
| 2. 8D International (BVI) Limited | Mr. Lo Yuk Sui | Ordinary (issued) | - | 1,000 (Note g) | - | 1,000 (100%) |
| 3. Regal Real Estate Investment Trust ("Regal REIT") | Mr. Lo Yuk Sui | Units (issued) | - | 2,433,549,739 (Note h) | - | 2,433,549,739 (74.71%) |

Notes:

- (a) The interests in 421,400 issued ordinary shares of the Company were held through companies wholly owned by Century City International Holdings Limited ("CCIHL"), in which Mr. Lo Yuk Sui ("Mr. Lo") held 56.44% shareholding interests and the interests in the other 494,413,861 issued ordinary shares of the Company were held through companies wholly owned by Paliburg Holdings Limited ("PHL"), in which CCIHL held 58.62% shareholding interests.
- (b) The interests in 3,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the share option scheme of the Company named as "The Regal Hotels International Holdings Limited Share Option Scheme" (the "Share Option Scheme"), entitling the holder thereof to subscribe for a total of 3,000,000 new ordinary shares of the Company at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options had vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and were exercisable as follows:

| <u>Exercise period</u> | <u>Number of ordinary shares of the Company under vested options</u> |
|------------------------------------|--|
| 25th July, 2007 to 24th July, 2011 | 1,200,000 |
| 25th July, 2008 to 24th July, 2011 | 600,000 |
| 25th July, 2009 to 24th July, 2011 | 600,000 |
| 25th July, 2010 to 24th July, 2011 | 600,000 |

- (c) The interests in 2,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Share Option Scheme, entitling the holder thereof to subscribe for a total of 2,000,000 new ordinary shares of the Company at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options had vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and were exercisable as follows:

| <u>Exercise period</u> | <u>Number of ordinary shares of the Company under vested options</u> |
|------------------------------------|--|
| 25th July, 2007 to 24th July, 2011 | 800,000 |
| 25th July, 2008 to 24th July, 2011 | 400,000 |
| 25th July, 2009 to 24th July, 2011 | 400,000 |
| 25th July, 2010 to 24th July, 2011 | 400,000 |

- (d) The interests in 1,500,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Share Option Scheme, entitling the holder thereof to subscribe for a total of 1,500,000 new ordinary shares of the Company at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options had vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and were exercisable as follows:

| Exercise period | Number of ordinary shares of the Company under vested options |
|------------------------------------|---|
| 25th July, 2007 to 24th July, 2011 | 600,000 |
| 25th July, 2008 to 24th July, 2011 | 300,000 |
| 25th July, 2009 to 24th July, 2011 | 300,000 |
| 25th July, 2010 to 24th July, 2011 | 300,000 |

- (e) The interests in 269,169 issued ordinary shares of the Company were held by Miss Lo Po Man as the beneficiary of a trust.
- (f) The interests in 800,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Share Option Scheme, entitling the holder thereof to subscribe for a total of 800,000 new ordinary shares of the Company at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options had vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and were exercisable as follows:

| Exercise period | Number of ordinary shares of the Company under vested options |
|------------------------------------|---|
| 25th July, 2007 to 24th July, 2011 | 320,000 |
| 25th July, 2008 to 24th July, 2011 | 160,000 |
| 25th July, 2009 to 24th July, 2011 | 160,000 |
| 25th July, 2010 to 24th July, 2011 | 160,000 |

- (g) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 56.44% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.
- (h) 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 58.62% shareholding interests, held 49.37% shareholding interests in the Company. Mr. Lo held 56.44% shareholding interests in CCIHL.

Save as disclosed herein, as at 30th June, 2011, 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.

Other Information (Cont'd)

Saved as disclosed in note 18 to the condensed consolidated financial statements, during the period, no right has been granted to, or exercised by, the following persons, to subscribe for shares in or debentures of the Company under the Share Option Scheme, and no option granted to such persons under the Share Option Scheme has been cancelled and lapsed:

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2011, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

| Name of substantial shareholder | Number of issued ordinary shares held | Number of underlying ordinary shares (unissued) held | Total number of ordinary shares (issued and unissued) held | Approximate percentage of issued ordinary shares as at 30th June, 2011 |
|---|---------------------------------------|--|--|--|
| CCIHL (Note i) | 494,835,261 | – | 494,835,261 | 49.41% |
| Century City BVI Holdings Limited (Note ii) | 494,835,261 | – | 494,835,261 | 49.41% |
| Almighty International Limited (Note ii) | 494,413,861 | – | 494,413,861 | 49.37% |
| PHL (Note iii) | 494,413,861 | – | 494,413,861 | 49.37% |
| Paliburg Development BVI Holdings Limited (Note iv) | 494,413,861 | – | 494,413,861 | 49.37% |
| Guo Yui Investments Limited (Note iv) | 180,930,466 | – | 180,930,466 | 18.07% |
| Paliburg International Holdings Limited (Note iv) | 262,943,209 | – | 262,943,209 | 26.26% |
| Paliburg BVI Holdings Limited (Note iv) | 262,943,209 | – | 262,943,209 | 26.26% |
| Taylor Investments Ltd. (Note iv) | 154,232,305 | – | 154,232,305 | 15.40% |
| Glaser Holdings Limited (Note iv) | 58,682,832 | – | 58,682,832 | 5.86% |

Notes:

- (i) The interests in these ordinary shares held by CCIHL were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) These companies are wholly owned subsidiaries of CCIHL and their interests in the ordinary shares of the Company were included in the interests held by CCIHL.
- (iii) PHL is a listed subsidiary of CCIHL, which held 58.62% 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, 2011, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

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

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

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the annual report of the Company for the financial year ended 31st December, 2010 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

| Name of Director | Details of changes |
|---|---|
| <i>Executive Directors:</i> | |
| Mr. Donald Fan Tung | <ul style="list-style-type: none">Appointed as a non-executive director of KH Investment Holdings Limited ("KH Investment"), a company listed on the Growth Enterprise Market of the Stock Exchange, with effect from 14th September, 2011. |
| Mr. Kenneth Ng Kwai Kai | <ul style="list-style-type: none">Appointed as an executive director of KH Investment with effect from 14th September, 2011. |
| <i>Independent Non-Executive Directors:</i> | |
| Ms. Alice Kan Lai Kuen | <ul style="list-style-type: none">Resigned as an independent non-executive director of Sunac China Holdings Limited, a company listed on the Stock Exchange, with effect from 8th June, 2011.Retired as an independent non-executive director of G-Vision International (Holdings) Limited, a company listed on the Stock Exchange, at its annual general meeting held on 11th August, 2011. |
| Mr. Wong Chi Keung | <ul style="list-style-type: none">Resigned as an independent non-executive director of FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed), a company listed on the Stock Exchange, with effect from 24th June, 2011. |

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 RULES 13.13 AND 13.16 OF CHAPTER 13 OF THE LISTING RULES

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

Advances to an Entity (Rule 13.13 of Chapter 13)

Details of the advances made to Chest Gain Development Limited ("Chest Gain") (a then jointly controlled entity owned as to 70% by the Company and 30% by China Overseas Land & Investment Limited as at 30th June, 2011), which is a company listed in Hong Kong and is not a connected person (as defined in the Listing Rules) of the Company, by the Company and its subsidiaries (the "Group") as at 30th June, 2011 are set out below:

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

The above advances to Chest Gain in an aggregate sum of HK\$1,281.2 million represented contributions of funds to Chest Gain provided in the form of shareholders' loans. The advances were unsecured and had no fixed term of repayment, interest bearing at prime rate per annum. The provision of financial assistance to Chest Gain was for the purpose of facilitating Chest Gain in the development of the "Regalia Bay" luxury residential project at Rural Building Lot No.1138, Wong Ma Kok Road, Stanley, Hong Kong (the "Regalia Bay Development"). The site for the Regalia Bay Development was acquired by Chest Gain at the government land auction held on 3rd June, 1997. Subsequent to the period end date, Chest Gain became a wholly owned subsidiary of the Company with effect from 8th July, 2011.

The aggregate advances (including interest receivable) as at 30th June, 2011 provided by the Group to Chest Gain in the sum of HK\$1,281.2 million represented 6.3% of the consolidated total assets of the Group of HK\$20,399.4 million (the "Regal TA"), calculated by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2011.

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

Details of the financial assistance provided to affiliated companies (including Chest Gain) by the Group as at 30th June, 2011 are set out below:

| Name of Affiliated Companies | Principal Amount of Advances (HK\$'million) | Interest Receivable (HK\$'million) | Total (HK\$'million) |
|-----------------------------------|---|------------------------------------|----------------------|
| Chest Gain | 914.5 | 366.7 | 1,281.2 |
| 8D Matrix Limited | 1.4 | – | 1.4 |
| Bright Future (HK) Limited | 5.6 | – | 5.6 |
| Faith Crown Holdings Limited | 183.1 | – | 183.1 |
| Flourish Lead Investments Limited | 392.3 | – | 392.3 |
| Hang Fok Properties Limited | 276.2 | – | 276.2 |
| | <u>1,773.1</u> | <u>366.7</u> | <u>2,139.8</u> |

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

8D 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 term of repayment.

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

Faith Crown Holdings Limited ("Faith Crown"), a 50% owned jointly controlled entity of the Company, previously held, through its wholly owned subsidiaries, 100% interests in a site in Xindu District, Chengdu, PRC acquired at a public land auction (the "Property"). Faith Crown entered into an unconditional sale and purchase agreement dated 30th June, 2011 in respect of the transfer of 70% effective interests in the Property to Flourish Lead (as referred to below) (the "S&P Agreement"), which was subsequently completed 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 Property, in which Faith Crown presently holds 30% effective interests, is primarily planned for a hotel, residential and commercial composite development project (the "Chengdu Project"). Further information relating to the progress of the development project and the S&P Agreement is disclosed in the preceding sections headed "Chairman's Statement" and "Management Discussion and Analysis". 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 term of repayment.

Flourish Lead Investments Limited ("Flourish Lead") was established as a jointly controlled entity owned as to 50% each by PHL, of which the Company is the listed associate, and the Company in April 2011. The scope of business of Flourish Lead and its subsidiaries principally includes the development of real estate projects for sale and/or leasing. Since its establishment in April 2011, Flourish Lead has acquired interests in various property development projects in both Hong Kong and the PRC (including the Chengdu Project). Information relating to Flourish Lead's investment in such property development projects are disclosed in the preceding sections headed "Chairman's Statement" and "Management Discussion and Analysis". The maximum total capital commitment to Flourish Lead 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 Flourish Lead, and the maximum capital commitment for each of the Company and PHL is HK\$1,900 million. Accordingly, the advances to Flourish Lead were provided by a wholly owned subsidiary of the Company in the form of shareholders' loan in proportion to its shareholding interest in Flourish Lead. The advances to Flourish Lead are unsecured, interest-free and have no fixed term of repayment.

Hang Fok Properties Limited ("Hang Fok"), a 50% owned associate of the Company, holds certain shareholding interests in the 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 owned by an indirect wholly owned subsidiary of 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. Further information relating to the development project is disclosed in the sub-section headed "Business Review" in the preceding section headed "Management Discussion and Analysis".

Other Information (Cont'd)

As at 30th June, 2011, the aggregate amount of financial assistance provided to affiliated companies by the Group in the sum of HK\$2,139.8 million represented 10.5% of the Regal TA.

Save as disclosed above, there were no other financial assistance provided to and guarantees given for affiliated companies by the Group as at 30th June, 2011, 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:

| | Combined statement of financial position (HK\$'million) | The Group's attributable interest (HK\$'million) |
|--------------------------|--|---|
| Non-current assets | 6,004.6 | 1,974.2 |
| Current assets | 337.6 | 58.6 |
| Current liabilities | (1,073.2) | (533.2) |
| Non-current liabilities | (7,634.5) | (913.8) |
| Net assets/(liabilities) | <u>(2,365.5)</u> | <u>585.8</u> |

CORPORATE GOVERNANCE

Code of Corporate Governance Practices

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six months ended 30th June, 2011, 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 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.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the "Code for Securities Transactions by Directors of Regal Hotels International Holdings Limited" (the "Regal Code"), on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard under the Model Code and the Regal Code during the six months ended 30th June, 2011.

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

During the six months ended 30th June, 2011, the Company repurchased a total of 566,000 ordinary shares of the Company at an aggregate purchase price of HK\$1,788,480 on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

| Month of repurchase | Number of ordinary shares repurchased | Price per ordinary share | | Aggregate purchase price (HK\$) |
|--------------------------------------|---------------------------------------|--------------------------|---------------|---------------------------------|
| | | Highest (HK\$) | Lowest (HK\$) | |
| January 2011 | 566,000 | 3.180 | 3.150 | 1,788,480 |
| Total | 566,000 | | | 1,788,480 |
| Total expenses on shares repurchased | | | | 6,782 |
| Total (HK\$) | | | | 1,795,262 |

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. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

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

REVIEW OF RESULTS

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

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

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

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

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

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group, auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30th June, 2011, in conjunction with the external auditors. The review report of the external auditors is set out on page 52 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 17 to 40 which comprises the condensed consolidated statement of financial position as at 30th June, 2011 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

18th Floor,
Two International Finance Centre
8 Finance Street, Central
Hong Kong
24th August, 2011

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