



# 2013 INTERIM REPORT



富豪酒店國際控股有限公司

**Regal Hotels**  
International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 78)

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# Corporate Information

## DIRECTORS

### *Executive Directors*

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Belinda Yeung Bik Yiu

(Chief Operating Officer)

Donald Fan Tung

Jimmy Lo Chun To

Lo Po Man

Kenneth Ng Kwai Kai

Allen Wan Tze Wai

### *Non-Executive Director*

Francis Choi Chee Ming, GBS, JP

(Vice Chairman)

### *Independent Non-Executive Directors*

Alice Kan Lai Kuen

Japhet Sebastian Law

Ng Siu Chan

Wong Chi Keung

## AUDIT COMMITTEE

Wong Chi Keung (Chairman)

Francis Choi Chee Ming, GBS, JP

Alice Kan Lai Kuen

Japhet Sebastian Law

Ng Siu Chan

## REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)

Lo Yuk Sui

Alice Kan Lai Kuen

Ng Siu Chan

## NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Alice Kan Lai Kuen

Ng Siu Chan

Wong Chi Keung

## SECRETARY

Eliza Lam Sau Fun

## AUDITORS

Ernst & Young

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

The Bank of East Asia, Limited

Standard Chartered Bank (Hong Kong) Limited

Industrial and Commercial Bank of China (Asia) Limited

China Construction Bank Corporation,

Hong Kong Branch

Oversea-Chinese Banking Corporation Limited

Bank of Communications Co., Ltd.

Hong Kong Branch

Australia and New Zealand Banking Group Limited

## PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited

26 Burnaby Street, Hamilton HM 11, Bermuda

## BRANCH REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre,

183 Queen's Road East, Wan Chai,

Hong Kong

## REGISTERED OFFICE

26 Burnaby Street, Hamilton HM 11, Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street,

Causeway Bay, Hong Kong

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**Mr. Lo Yuk Sui**, aged 68; *Chairman and Chief Executive Officer* — Chairman and Managing Director since 1989 when the Company was established in Bermuda as the holding company of the Group. Mr. Lo has been the Managing Director and the Chairman of the predecessor listed company of the Group since 1984 and 1987 respectively. Mr. Lo was designated as the Chief Executive Officer of the Company in 2007. He is also the chairman and chief executive officer of Century City International Holdings Limited (“CCIHL”) (the ultimate listed holding company of the Company) and Paliburg Holdings Limited (“PHL”) (the immediate listed holding company of the Company), and the non-executive chairman of Regal Portfolio Management Limited (“RPML”), the manager of Regal Real Estate Investment Trust (the listed subsidiary of the Company). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

**Dr. Francis Choi Chee Ming**, *GBS, JP*, aged 67; *Vice Chairman and Non-Executive Director* — Invited to the Board as Non-Executive Director and elected Vice Chairman in 2004. Dr. Choi holds a Master Degree in Business Administration from the Newport University in the United States of America. He also holds a Ph. D. in Business Management from Harbin Institute of Technology, the People’s Republic of China, and an Honorary Degree of Doctor of Business Administration from The Hong Kong Polytechnic University. Dr. Choi is the chairman of Early Light International (Holdings) Limited and has extensive business interests in the manufacturing industry and the property sector. He is the Honorary President of the Toys Manufacturers’ Association of Hong Kong, Honorary President of the Hong Kong Young Industrialists Council and the Court Member of the Hong Kong Polytechnic University. 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 55; *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 Industry Advisory Committee of the School of Hotel & Tourism Management of The Hong Kong Polytechnic University.

**Mr. Donald Fan Tung**, aged 56; *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.

**Ms. Alice Kan Lai Kuen**, aged 58; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. Ms. Kan is a shareholder and the managing director of Asia Investment Management Limited providing corporate advisory and investment management services and Asia Investment Research Limited involving in research work in Hong Kong and China based companies. She is a licensed investment adviser under the Securities and Futures Ordinance of Hong Kong (the "SFO") and a responsible officer of Asia Investment Management Limited, Asia Investment Research Limited and Lotus Asset Management Limited. She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is an independent non-executive director of China Engine International (Holdings) Limited, Shimao Property Holdings Limited and Shougang Concord International Enterprises Company Limited, all of which are companies listed on the Stock Exchange, and an independent director of AVIC International Maritime Holdings Limited, a company listed on Singapore Exchange Securities Trading Limited.

**Professor Japhet Sebastian Law**, aged 61; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2012. Professor Law obtained his Ph.D. in Mechanical/Industrial Engineering from The University of Texas at Austin in 1976. He joined The Chinese University of Hong Kong in 1986 and was a professor in the Department of Decision Sciences and Managerial Economics and the director of the Aviation Policy and Research Center until his retirement since August 2012. He was also the associate dean and subsequently the dean of the Faculty of Business Administration of The Chinese University of Hong Kong from 1993 to 2002. Prior to returning to Hong Kong, Professor Law was the director of operations research at the Cullen College of Engineering and director of graduate studies in Industrial Engineering at the University of Houston, and he was also involved with the United States Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. Professor Law has acted as a consultant for various corporations in Hong Kong and overseas. He is active in public services, having served as a member of the Provisional Regional Council of the Government of the Hong Kong Special Administrative Region and various other government advisory committees, and he is also active in serving on the boards of for-profit, non-profit, public and charitable organisations in Hong Kong and overseas. Professor Law is currently an independent non-executive director of Beijing Capital International Airport Company Limited, Binhai Investment Company Limited, Global Digital Creations Holdings Limited, Tianjin Binhai Teda Logistics (Group) Corporation Limited and Tianjin Port Development Holdings Limited, all of which are companies listed on the Stock Exchange. Professor Law has also served on various committees and boards of international organisations, including The Association to Advance Collegiate Schools of Business, Graduate Management Admission Council and Oxfam International.

**Mr. Jimmy Lo Chun To**, aged 39; *Executive Director* — Appointed to the Board in 1999. He is also an executive director of CCIHL and PHL and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, U.S.A. with a Degree in Architecture. He joined the Century City Group in 1998. Apart from his involvement with the design of the Group's property and hotel projects, Mr. Jimmy Lo undertakes responsibilities in the business development function of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

**Miss Lo Po Man, aged 33; Executive Director** — Joined the Group in 2000 and appointed to the Board in 2004. Miss Lo graduated from Duke University, North Carolina, U.S.A. with a Bachelor Degree in Psychology. She is also an executive director of CCIHL and PHL and a non-executive director of RPML. Miss Lo is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing functions of the Group and directed the marketing campaign of the Group's luxury residential development, Regalia Bay in Stanley, Hong Kong. She also undertakes responsibilities in the business development function of the Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

**Mr. Kenneth Ng Kwai Kai, aged 59; Executive Director** — Joined the Group in 1985 and appointed to the Board in 1998. Mr. Ng is a Chartered Secretary and is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. He is also an executive director and the chief operating officer of CCIHL, an executive director of PHL, and a non-executive director of RPML and Cosmopolitan International Holdings Limited, a company listed on the Stock Exchange.

**Mr. Ng Siu Chan, aged 83; 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 a company listed on the Stock Exchange.

**Mr. Allen Wan Tze Wai, aged 54; Executive Director** — Appointed to the Board in 2010. Mr. Wan has been with the Century City Group for over 20 years and is the Group Financial Controller of the Century City Group. Mr. Wan holds a Bachelor Degree in Commerce from the University of New South Wales in Australia. He is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Wan has over 30 years of experience in finance and accounting field.

**Mr. Wong Chi Keung, aged 58; Independent Non-Executive Director** — Invited to the Board as Independent Non-Executive Director in 2004. Mr. Wong is also an independent non-executive director of CCIHL and PHL. He holds a Master's Degree in Business Administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management, advising on securities and advising on corporate finance for Greater China Capital Limited under the SFO. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as "Yuexiu Property Company Limited"), a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, ENM Holdings Limited, First Natural Foods Holdings Limited, Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited, TPV Technology Limited and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management.

# Chairman's Statement

Dear shareholders,

I am pleased to present herewith the 2013 Interim Report of the Company.

## FINANCIAL RESULTS

For the six months ended 30th June, 2013, the Group achieved an unaudited consolidated profit attributable to shareholders of HK\$60.5 million, as compared to HK\$380.6 million attained in the corresponding period in 2012.

During the period under review, the Group's core hotel business continued to achieve steady performance, but as the interim results attained last year included profit contributions from the sale of houses in Regalia Bay as well as from the realisation of hedge reserve, which was one-off in nature, the profit recorded for the current period was comparatively lower. Furthermore, as previously explained, the five initial Regal Hotels in Hong Kong owned by Regal Real Estate Investment Trust, a listed subsidiary of the Company, are leased to the Group for hotel operations, and therefore, while these hotels assets are classified by Regal REIT as investment properties and stated at market valuations in its financial statements without depreciation charges, they are instead treated by the Group as fixed assets and subject to depreciation charges in accordance with currently applicable accounting standards. Accordingly, the appreciation in the fair values of these hotel properties since July 2010, when Regal REIT became a subsidiary, has not been reflected in the consolidated financial statements of the Group. Moreover, there were total depreciation charges of approximately HK\$193.1 million provided on the Group's hotel properties which, though not having any impact on cash flow, have adversely affected the Group's overall recorded profit for the period.

If all the hotel properties were to be stated in the Group's unaudited consolidated financial statements under review at their appraised market values as at 30th June, 2013, the adjusted net asset value per share of the Company as at 30th June, 2013 would amount to HK\$18.45, as elaborated in the section headed "Management Discussion and Analysis" in this Interim Report.

## DIVIDEND

The Directors have declared the payment of an interim dividend of HK3.6 cents per ordinary share for the financial year ending 31st December, 2013, representing an increase of 9.1% over the interim dividend of HK3.3 cents per ordinary share paid for the last financial year. This interim dividend will absorb an amount of approximately HK\$34.7 million (2012 – HK\$31.8 million) and will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 11th October, 2013.

## BUSINESS OVERVIEW

### HOTELS

#### MARKET OVERVIEW

The growth in the global economy so far in 2013 has remained slow and subdued. There are recently some signs that the economy in the United States is recovering gradually but this has, in turn, led to concerns that its quantitative easing programme might start to taper off later this year. The growth in the GDP of China, as the world's second largest economy, has reduced modestly to about 7.6% in the first half of 2013, though still considerably higher than those achieved by the developed countries. The economy of Hong Kong has continued to show resilience and grew moderately during the period under review, with GDP rising by about 3.3% in real terms in the second quarter of 2013 over the same period in the preceding year. The global economic environment is still full of uncertainties and will continue to be driven by capital flows and interest rates movements.

Benefiting from the strong growth in visitors from China, the overall number of tourist arrivals to Hong Kong for the first six months of 2013 hit another historical record of 25.4 million, which was an increase of 13.6% over the corresponding half year in 2012. Although visitors from all other markets as a whole have slightly declined by about 2.8%, China's visitors alone made up to 18.8 million, representing a year-on-year increase of 20.7%, and accounted for about 74.2% of the total tourist arrivals for the period. Based on the information published by the Hong Kong Tourism Board, the average hotel room occupancy for all the surveyed hotels under different categories in Hong Kong for the half year ended 30th June, 2013 was maintained at the same level as last year of 87%, while the average achieved hotel room rate dropped by about 1.6%.

#### HOTEL OWNERSHIP

##### REGAL REAL ESTATE INVESTMENT TRUST

All the six Regal Hotels operating in Hong Kong are owned by Regal REIT, which is a listed subsidiary 74.6% held by the Group. Regal Portfolio Management Limited, a wholly owned subsidiary of the Company, acts as the REIT Manager.

For the six months ended 30th June, 2013, Regal REIT attained an unaudited consolidated profit before distribution to Unitholders of HK\$335.4 million, as compared to the profit of HK\$675.2 million recorded in the corresponding period in 2012. Based on the market valuations conducted as of 30th June, 2013, there was an increase of HK\$124.8 million in the fair value of Regal REIT's investment properties portfolio and reflected in its results under review, while for the comparative period last year, a gain of HK\$446.6 million was included in respect of such fair value changes.

The prevailing base rent for the year 2013 for the five initial Regal Hotels in Hong Kong, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel, which are leased by Regal REIT to a wholly owned subsidiary of the Company, was determined at HK\$734.0 million, with equal sharing of the excess of their aggregate net property income over the annual base rent. The aggregate net property income of these five hotels for the half year under review amounted to approximately HK\$406.6 million, yielding a total excess of approximately HK\$39.6 million over the prorated base rent, and 50% of this excess is attributed to Regal REIT as variable rent.

The Regal iClub Hotel in Wanchai, the sixth Regal Hotel in Hong Kong that is self-operated by Regal REIT, has continued to perform satisfactorily. For the first half of 2013, the hotel has been operating at close to full occupancy, as compared to 96.7% for the corresponding period in 2012, although due to keener price competition, the achieved Revenue per Available Room trailed behind the same period last year by about 5.0%.



The works for the conversion of part of the 14th Floor of Regal Oriental Hotel, which was previously used as food and beverage areas, into 27 additional guestrooms have been completed and the new rooms are now already operating for business. Meanwhile, the conversion works at the 2nd Floor of this hotel to add another 28 guestrooms are in progress and scheduled to be completed before the end of this year. Moreover, a total of around 470 guestrooms and suites in the other four initial Regal Hotels have been taken out from operation at different times during the period under review for renovation and upgrading works under the ongoing asset enhancement programme, which has to certain extent affected the hotel operating results for the first half of 2013. As at 30th June, 2013, the properties portfolio of Regal REIT, comprising the six Regal Hotels in Hong Kong, had a total valuation of HK\$21,150.0 million, as compared to HK\$21,032.0 million as at 31st December, 2012.

Taking advantage of the favourable environment in the debt capital market at the time, Regal REIT established in January 2013 a US\$1 billion Medium Term Note Programme to serve as a funding platform for its expansion plans. Regal REIT has since issued under its MTN Programme a series of unsecured 5-year term notes for an aggregate nominal principal amount of HK\$775.0 million in March 2013 and another series of unsecured 5-year term notes for an aggregate nominal principal amount of US\$150.0 million in May 2013, raising total net proceeds of approximately HK\$1,922.8 million.

In the roll out of its expansion plans, Regal REIT has on 28th June, 2013 entered into a Share Purchase Agreement and an Option Agreement with P&R Holdings Limited, a joint venture equally owned by Paliburg Holdings Limited and the Group, with respect to the hotels being developed by P&R Holdings in Sheung Wan and North Point, respectively.

Under the Share Purchase Agreement, Regal REIT has agreed to acquire the new hotel located at Nos. 132-140 Bonham Strand, Sheung Wan, under development by P&R Holdings at a consideration of HK\$1,580.0 million, based on the valuation of the hotel property as of 25th June, 2013 by an independent valuer on an as-completed basis. The Sheung Wan Hotel has a gross floor area of approximately 7,197 square meters and will have 34 storeys with 248 guestrooms and suites. The purchase transaction is expected to be completed before the end of this year after the occupation permit for the hotel has been obtained.

Pursuant to the Option Agreement with P&R Holdings, Regal REIT has been granted an option to acquire another new hotel located at Nos. 14-20 Merlin Street, North Point, being developed by P&R Holdings at an initial exercise price of HK\$1,650.0 million, likewise based on the valuation of the property as of 25th June, 2013 by the independent valuer on an as-completed basis. To protect the interests of Regal REIT in the event of a material fluctuation in the value of the hotel property, the exercise price will be subject to final adjustment based on an updated appraised value to be conducted by the same independent valuer at the time when the hotel development is completed. If there is any decrease in the updated appraised value as compared to the initial valuation, the exercise price will be fully adjusted downwards for the benefit of Regal REIT, while in the case of an increase in the updated appraised value, the exercise price will only be adjusted upwards by 50% of the increase. The North Point Hotel has a gross floor area of approximately 6,849 square meters and will have 32 storeys with 338 guestrooms. The occupation permit for the North Point Hotel is estimated to be granted in the second quarter of 2014 and if Regal REIT should at its discretion decide to exercise the option, the sale and purchase under the Option Agreement is expected to be completed in the third quarter of 2014, subject to requisite approvals and compliance requirements.

These two new hotels will be leased to a wholly owned subsidiary of the Company for an initial 5-year term from their respective dates of completion of the sale and purchase, which is renewable at the option of Regal REIT for a further term of 5 years. The rentals for the first 3 years of the initial term will be fixed at 5%, 5.25% and 5.5%, respectively, of the purchase considerations and the rentals for the subsequent years will be determined annually by a jointly appointed independent valuer. The two hotels will also be managed by the Group and will be operated under the upscale select-service brand of "iclub by Regal", modeling on the successful operating mode of the Regal iClub Hotel in Wanchai.

The proposed transactions have received the approvals by the independent unitholders of Regal REIT and the independent shareholders of the Company at their respective general meetings held on 18th July, 2013. The deposit and refundable cash collateral of HK\$1,938.0 million and an option fee of HK\$10.0 million have since been paid by Regal REIT to P&R Holdings under the terms of the Share Purchase Agreement and the Option Agreement, which were funded by the proceeds raised through the issue of notes under its MTN Programme earlier this year. P&R Holdings will pay interest to Regal REIT on the deposits and refundable cash collateral received at a rate of 4.3047% per annum, representing the weighted average effective interest cost to Regal REIT on the notes issued, which helps to address the negative interest carry to Regal REIT if the funds were continued to be placed on bank deposits before actual utilisation.

Full details of the transactions are contained in the circular to the shareholders of the Company dated 29th June, 2013.

Recently in July 2013, Regal REIT concluded the arrangement for HK\$4.8 billion 5-year term and revolving loan facilities with a syndicate of local and international banking institutions. The new loan was arranged primarily to early refinance the existing 3-year term loan, which is due to mature in March 2015, to take benefit of a longer loan term and lower interest costs. Moreover, the new loan will only be secured on three of the five initial Regal Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel, and upon full repayment of the existing term loan, the other two initial Regal Hotels, namely, the Regal Kowloon Hotel and the Regal Oriental Hotel, will be free of mortgages and held on an unencumbered basis.

### **HOTEL OPERATIONS**

Despite some softer periods and a relatively more competitive environment in the hotel market overall, the five initial Regal Hotels in Hong Kong, operated by a wholly owned subsidiary of the Company as lessee under the lease from Regal REIT, managed to maintain a combined average occupancy of about 87.3% during the period under review, which was approximately the same level as that of the prior year comparative period, while the combined average room rate gained by about 0.9%. Due to the impact of rising costs in Hong Kong, particularly in respect of labour and food costs, the total gross operating profit only surpassed the comparative figure in 2012 marginally to HK\$423.8 million. The aggregate net property income for the period amounted to HK\$406.6 million, which is still well above the prorated base rent of HK\$367.0 million payable to Regal REIT. The prevailing lease term of the lease with Regal REIT for these five hotels will, unless agreed to be extended, end on 31st December, 2015.

For the years 2011 to 2015, the market rental packages for the five initial Regal Hotels are subject to annual reviews to be determined by an independent professional property valuer to be jointly appointed by the lessors and the lessee. The same independent professional property valuer, who determined the market rental packages for 2011, 2012 and 2013, was jointly appointed in June 2013 to carry out the rental review process for 2014. This rental review exercise has recently been concluded and the annual base rent for 2014 has been determined to be HK\$743.0 million, compared to HK\$734.0 million for 2013, with the variable rent being retained at 50% of the aggregate net property income excess over the annual base rent.

### HOTEL MANAGEMENT

Regal Hotels International Limited, a wholly owned subsidiary of the Group, is providing management services to all the six Regal Hotels operating in Hong Kong as well as the two new "iclub" hotels in Sheung Wan and North Point soon to be completed.

In China, the Group has signed a new management contract for a new hotel under development in Yuncheng, Shanxi, while other new management contracts are also under negotiations. The new hotel in Yuncheng will be named as the Regal Zhushui Hotel, featuring 345 well-equipped guestrooms and suites with extensive dining, meeting and conference facilities, and is expected to be opened in 2014. On the other hand, the management contract for the Regal Master Hotel in Chengdu, Sichuan has been terminated with effect from 31st May, 2013 by mutual agreement.

Altogether, the Group is presently managing six operating hotels located in Shanghai, Shandong and Guiyang and providing management services to ten hotels under development in different cities in China, which are scheduled to come on stream within the next few years.

The Group will continue to work on expanding its hotel network in Hong Kong and China and, if suitable opportunities arise, overseas.

### PROPERTIES

Due to the heavy transaction levies imposed by the Government of HKSAR on the sale and purchase of properties in Hong Kong, particularly for foreign and corporate buyers, transaction volumes in the local real estate market have contracted substantially during the period under review, with property prices on the whole having adjusted moderately downwards. Outlook of the real estate sector in Hong Kong in the near future will continue to be affected by various factors, including the pace of economic growth, movements in interest rates as well as local government policies, but the Group remains overall optimistic of its long term prospects.

Apart from the 19 houses retained in Regalia Bay, which are directly held by the Group, the Group's current property development business in Hong Kong is now, for practical considerations, principally undertaken through the jointly controlled P&R Holdings. As disclosed in a joint announcement by the Company on 17th June, 2013, a wholly owned subsidiary of P&R Holdings was the successful bidder at a government tender held in June 2013 and was awarded the land parcel located at Sha Tin Town Lot No. 482 at Po Tai Street, Ma On Shan, Sha Tin, New Territories for a consideration of HK\$661.9 million. The land has a site area of 5,090 square meters and maximum gross floor area of 15,270 square meters. The project is presently planned to be developed into a shopping mall for rental purposes. Altogether, P&R Holdings is now undertaking a total of six property projects under development in Hong Kong, including four hotel development projects located in Sheung Wan, North Point and To Kwa Wan, one residential project in Yuen Long and the latest shopping mall project in Ma On Shan. Further details on the latest progress on these development projects are contained in the section headed "Management Discussion and Analysis" in this Interim Report.

As mentioned above, P&R Holdings has entered into in June 2013 a Share Purchase Agreement and an Option Agreement with Regal REIT in respect of two of its hotel projects in Sheung Wan and North Point, respectively. Half of the deposit, refundable cash collateral and option fee received by P&R Holdings subsequent to the period under review, amounting to HK\$974.0 million, has been distributed to the Group in proportion to its equity interests held in P&R Holdings. On completion of the sale and purchase of the Sheung Wan Hotel and, if the option is duly exercised by Regal REIT, the North Point Hotel, the capital commitment of the Group in P&R Holdings will be further reduced and, at the same time, will generate substantial cash flow to the Group.

Separately, on 27th June, 2013, the Group entered into a sale and purchase agreement with a wholly owned subsidiary of Cosmopolitan International Holdings Limited for the sale of the plot of development land in Tianjin City in China, which the Group acquired through a public land auction in October 2012. The sale consideration will be based on a 10% discount to the valuation of the subject development land of RMB1,250 million as of 31st May, 2013 conducted by an independent professional valuer jointly engaged by the parties. The consideration will be payable by the purchaser within 3 years after completion of the transaction, with interest accruing at an interest rate of 5% per annum. Before the consideration and the interest accrued are fully settled, the purchaser will pledge its entire equity interests in the companies holding the development land in Tianjin City in favour of the vendor and will undertake to comply with certain restrictive covenants to protect the interests of the vendor. It is preliminarily estimated that the Group would record a gain before tax of approximately HK\$130.0 million from this transaction, which will be reflected in the results for the full year in 2013.

On that same date, separate agreements were also entered into between P&R Holdings and a joint venture 50/50 held by the Group and the Cosmopolitan group, respectively, as the vendors and another wholly owned subsidiary of Cosmopolitan as the purchaser, pursuant to which the vendors agree to sell to the purchaser their respective 70% and 30% equity interests in the mixed-use development project presently under development in Xindu District, Chengdu City, Sichuan Province. The considerations under these agreements will be determined based on a 5% discount to the valuation of the Chengdu project of RMB1,540 million as of 31st May, 2013, as appraised by an independent professional valuer jointly engaged by the parties. On completion of these transactions, the Chengdu project will become wholly owned by the Cosmopolitan group. The considerations payable to the vendors will also be by installments over a period of 3 years with interest accruing at 5% per annum and the vendors will likewise have the benefit of pro rata pledges over the equities in the Chengdu project and protective restrictive covenants before the considerations are fully settled. The attributable gain to be derived by the Group from these transactions with respect to the Chengdu project will also be reflected in the full year results for 2013.

Simultaneously, P&R Holdings and Cosmopolitan further entered into a sale and purchase agreement for the sale to P&R Holdings the properties comprising ten residential duplex units and 14 car parks in Rainbow Lodge located in Tong Yan San Tsuen, Yuen Long, with the sale consideration to be based on the valuation of the subject properties of HK\$88.0 million as of 31st May, 2013 as appraised by an independent professional valuer jointly engaged by the parties. The consideration will be payable by P&R Holdings in cash upon completion of the transaction and will be used by the Cosmopolitan group to repay part of the consideration payable for its purchase of the Tianjin project.

All the three proposed transactions will be subject to, among others, approval of the independent shareholders of Cosmopolitan. The Cosmopolitan group has stated that it plans to focus its property development and investment business in China and will utilise its resources to develop the two new projects in Chengdu and Tianjin as well as its existing project in Urumqi, Xinjiang. Full details of these transactions are set out in the joint announcement dated 27th June, 2013 released by the Company.

### **OTHER INVESTMENTS**

The Group has a substantial portfolio of investments comprising listed securities and other investments, including investment funds, bonds, and treasury and yield enhancement products denominated in Renminbi. The Group holds within the portfolio of listed securities a strategic position in the shares and convertible bonds of Cosmopolitan. The Group now owns about 2.83% of the existing issued ordinary shares of Cosmopolitan and, together with the optional convertible bonds due 2013 of HK\$100.0 million recently subscribed by the Group in July 2013, convertible bonds of Cosmopolitan in a total principal amount of HK\$341.5 million, which are convertible into 6,869.6 million new shares of Cosmopolitan.

As recently disclosed in the joint announcement of the Company on 20th August, 2013, the Paliburg group and the Group have agreed to sell all their holdings in the issued shares and convertible bonds of Cosmopolitan to P&R Holdings for aggregate considerations of HK\$374.5 million and HK\$504.3 million, respectively, based on an agreed value of HK\$0.07 per each issued or underlying share of Cosmopolitan. These transactions were initiated to enable the Paliburg group and the Group to rationalise the holding of their separate interests in Cosmopolitan, so that they will be consolidated into one strategic block held through the jointly controlled P&R Holdings.

At the same time, each of the Paliburg group and the Group has also agreed to provide P&R Holdings with a revolving credit facility for an amount of up to HK\$1,000.0 million. Any draw down and repayment by P&R Holdings thereunder shall be for the same amounts from each of the two facilities from the Paliburg group and the Group, in proportion to their equity interests in P&R Holdings. The purpose of these facilities is to provide working capital funding to P&R Holdings, including funding for the acquisition of new real estate projects or related investments, development of existing property projects and the settlement of the considerations payable for the purchase of the shares and convertible bonds of Cosmopolitan from the Paliburg group and the Group.

All these transactions will be conditional upon, among others, the approval by the independent shareholders of the Company.

Further to the first aircraft purchased by the Group in December 2012 for the purpose of securing an alternative income stream, the Group has additionally acquired in July 2013, through an 85%-owned subsidiary, another Airbus A321-200 aircraft manufactured in 1999 for a consideration of approximately US\$11.7 million. This aircraft will similarly be under the management of a professional aircraft manager together with the professional investment adviser, which is also the 15% shareholder of the aforesaid subsidiary. A letter of intent has been signed for the proposed leasing of the aircraft to an airline operator.

### OUTLOOK

The proposed acquisitions of the Sheung Wan Hotel and the North Point Hotel will increase the number of hotels owned by Regal REIT in Hong Kong to eight and its total hotel room inventory from 3,984 (including the 28 additional rooms at Regal Oriental Hotel to be completed in early 2014) by approximately 14.7% to a total of 4,570 guestrooms and suites. Regal REIT will seek to continue to build up its asset portfolio with the objective of maintaining its strategic position as one of the pre-eminent hotel owners in Hong Kong. With the establishment of its MTN Programme and the arrangement of the new loan facilities, Regal REIT is well positioned to pursue further suitable acquisitions, both in Hong Kong as well as in other parts of Greater China, if the market environment is considered to be favourable.

Hotel ownership and operation as well as property development and investment will continue to be the principal investment focus and the core asset base of the Group, and these will be complemented by other investments to be undertaken from time to time with the aim to enhance and diversify the Group's earnings stream.

The Group as a whole, including its subsidiaries and investee companies, has completed a series of significant acquisitions over the past year and the Directors are confident that substantial growth of the Group will be achieved when these new investments and projects are successfully implemented.

### LO YUK SUI

Chairman

Hong Kong  
26th August, 2013

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise hotel ownership business undertaken through Regal Real Estate Investment Trust ("Regal REIT"), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings Limited ("P&R Holdings") and the interest in the retained houses in Regalia Bay in Stanley, and other investment including securities investment, and aircraft ownership and leasing business.

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 and property sectors and changes in general market conditions and the potential impact on their operating performance and future prospects are contained in the sections headed "Financial Results", "Business Overview" and "Outlook", respectively, in the preceding Chairman's Statement.

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

### Joint Venture – P&R Holdings Limited

P&R Holdings is a 50:50 owned joint venture established with Paliburg Holdings Limited ("PHL") in April 2011, with capital contributions to be provided by the Company and PHL on a pro-rata basis in accordance with their respective shareholdings in P&R Holdings. Pursuant to a supplemental agreement to the shareholders' agreement in respect of P&R Holdings entered into on 20th August, 2013, the business scope of P&R Holdings has been extended from the development of real estate projects for sale and/or leasing and the undertaking of related investment and financial activities, to include the acquisition or making of any investments (directly or indirectly) in the securities of or interests in, or extending loans to, any private, public or listed corporations or undertakings that have interests in real estate projects or other financial activities where the underlying assets or security comprise real estate properties. Further information relating to the property development projects being undertaken by the P&R Holdings group is set out below:

### Hong Kong

All the development projects currently undertaken by P&R Holdings group in Hong Kong are wholly owned by P&R Holdings group.

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

This development project has a net site area of approximately 472 square meters (5,076 square feet) and is being developed into a hotel with 248 guestrooms and suites and having gross floor area of approximately 7,197 square meters (77,467 square feet) and the covered floor area of approximately 9,617 square meters (103,516 square feet). The superstructure works have been completed and the occupation permit is expected to be obtained in the fourth quarter of 2013.

This is the subject property to be sold to Regal REIT pursuant to the Share Purchase Agreement as reported in the section headed "Business Overview" in the preceding Chairman's Statement.

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

This development project has an aggregate site area of approximately 457 square meters (4,915 square feet) and is being developed into a hotel with about 338 guestrooms, with total gross floor area of approximately 6,849 square meters (73,721 square feet) and covered floor area of approximately 9,393 square meters (101,105 square feet). The superstructure works will be completed in the fourth quarter this year and the occupation permit is anticipated to be obtained in the second quarter of 2014.

This property is subject to an option to purchase granted to Regal REIT, exercisable at its discretion, pursuant to the Option Agreement as reported in the section headed "Business Overview" in the preceding Chairman's Statement.

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

This development site was acquired through a government public auction and has an area of approximately 11,192 square meters (120,470 square feet). The project is planned for a residential development with a total of 170 units, comprising 36 garden houses and a low-rise apartment block with 134 units, having aggregate gross floor area of approximately 11,192 square meters (120,470 square feet). Site formation and foundation works are in progress and the superstructure works are scheduled to commence in the fourth quarter of 2013. This development project is expected to be completed in the first quarter of 2015.

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

The properties have an aggregate site area of approximately 345 square meters (3,710 square feet) and are planned for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 5,236 square meters (56,360 square feet). Due to the difficulties encountered in the foundation works, the completion schedule of this development project is now anticipated to be deferred to year 2016.

### *Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon*

The acquisition of the subject properties was completed in April this year. The properties have an aggregate site area of approximately 700 square meters (7,535 square feet). The plans for the development of the properties into a hotel with 340 guestrooms, having total gross floor area of approximately 6,298 square meters (67,790 square feet), have been formally approved by the Town Planning Board. Demolition works for the existing buildings are in progress and expected to be completed in the third quarter of 2013, with foundation works planned to be commenced before the end of this year. Project completion is presently estimated to be in year 2016.

### *Sha Tin Town Lot No. 482 at Po Tai Street, Ma On Shan, Sha Tin, New Territories*

This development site was acquired through a government tender held in June 2013. The land has a site area of 5,090 square meters (54,788 square feet) and a maximum gross floor area of 15,270 square meters (164,364 square feet). The project is presently planned to be developed into a shopping mall and the planning works for the development are currently in progress.

### Mainland China

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

P&R Holdings group holds 70% interest in this property project and the remaining 30% interest is held by a joint venture owned as to 50% each by the Group and Cosmopolitan International Holdings Limited ("Cosmopolitan") group.

This project in Chengdu is a mixed use development planned to consist of hotel, commercial, office and residential components. The project has an overall total gross floor area above ground of approximately 496,000 square meters (5,340,000 square feet) and will be developed in stages. The first stage primarily comprises a five-star hotel and three residential towers, 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 41,400 square meters (446,000 square feet). The structural frame for the hotel development has been completed and the external facade works are in progress. The first phase of the hotel is presently scheduled to be soft opened in mid-2014. 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 above ground of approximately 45,500 square meters (490,000 square feet). The structural frames for the residential towers have also been completed and the overall construction works are scheduled to be completed by mid-2014. Presale of the residential units is anticipated to be launched in the fourth quarter of 2013. Development works for the other stages are planned to be carried out progressively.

As reported under the section headed "Business Overview" in the preceding Chairman's Statement, the 70% interest in this project in Chengdu held by P&R Holdings group and the remaining 30% interest in such project held by the joint venture owned as to 50% each by the Group and the Cosmopolitan group will be sold to the Cosmopolitan group, pursuant to separate agreements entered into on 27th June, 2013. Completion of these agreements is subject to, among others, approval by the independent shareholders of Cosmopolitan. Relevant details of these transactions are disclosed in a joint announcement of the Company dated 27th June, 2013.

#### *Regal (Chongqing) Equity Investment Fund, L.P.*

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



## FINANCIAL REVIEW

### ASSETS VALUE

The Group's hotel properties, which are owned by Regal REIT, were stated in the financial statements at their fair values as at 23rd July, 2010 when Regal REIT became a subsidiary of the Group, plus subsequent capital additions and less accumulated depreciation. The market valuations of these hotel properties have since appreciated substantially but have not been reflected in the Group's financial statements. For the purpose of providing supplementary information, if the Group's hotel property portfolio is restated in the consolidated financial statements at its market value as at 30th June, 2013, the unaudited adjusted net asset value of the ordinary shares of the Company would increase to HK\$18.45 per share, as follows:

	As at 30th June, 2013	
	HK\$'M	HK\$ per ordinary share
Book net assets attributable to equity holders of the parent	11,741.8	12.18
Adjustment to restate the Group's hotel property portfolio at its market value and add back the relevant deferred tax liabilities	6,044.5	6.27
Unaudited adjusted net assets attributable to equity holders of the parent	17,786.3	18.45

### CAPITAL RESOURCES AND FUNDING

#### Funding and Treasury Policy

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

The Group's banking facilities are mostly denominated in Hong Kong dollar with interest primarily determined with reference to interbank offered rates, while its senior unsecured notes issued were denominated in US dollar and Hong Kong dollar with fixed coupon interest rates. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Group's management from time to time. As the US dollars are pegged to the Hong Kong dollars, the exchange risks are considered to be insignificant and no currency hedging has been deployed.

#### Cash Flow

During the period under review, there were net cash flows used in operating activities of HK\$563.9 million (2012 – net cash flows generated from operating activities of HK\$413.2 million). Net interest payment for the period amounted to HK\$101.3 million (2012 – HK\$81.0 million).

#### Borrowings and Gearing

As at 30th June, 2013, the Group's borrowings net of cash and bank balances and deposits (including cash and bank balances attributable to a disposal group classified as held for sale) amounted to HK\$5,566.8 million (31st December, 2012 – HK\$4,420.5 million).

As at 30th June, 2013, the gearing ratio of the Group was 23.2% (31st December, 2012 – 20.3%), representing the Group's borrowings net of cash and bank balances and deposits (including cash and bank balances attributable to a disposal group classified as held for sale) of HK\$5,566.8 million (31st December, 2012 – HK\$4,420.5 million) as compared to the total assets of the Group of HK\$23,982.4 million (31st December, 2012 – HK\$21,795.9 million).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2013 are shown in notes 11 and 12 to the condensed consolidated financial statements.

### Pledge of Assets

As at 30th June, 2013, part of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$391.1 million (31st December, 2012 – HK\$380.0 million) were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT, and certain of the Group's property, plant and equipment, investment properties and properties held for sale in the total amount of HK\$14,317.9 million (31st December, 2012 – HK\$14,444.9 million) were also pledged to secure other banking facilities granted to the Group.

The above details of the pledge of assets of the Group are also shown in note 15 to the condensed consolidated financial statements.

### Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2013 are shown in note 18 to the condensed consolidated financial statements.

### Contingent Liabilities

As at 30th June, 2013, the Group had contingent liabilities not provided for in the financial statements for corporate guarantees provided in respect of attributable share of banking facilities granted to subsidiaries of a joint venture in the amount of HK\$577.3 million (31st December, 2012 – HK\$577.3 million), of which HK\$339.8 million (31st December, 2012 – HK\$317.3 million) was utilised.

Details of the contingent liabilities of the Group are also shown in note 16 to the condensed consolidated financial statements.

### Share Capital

During the period under review, there was no change in the capital structure of the Company.

## CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Wednesday, 9th October, 2013 to Friday, 11th October, 2013, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the interim dividend declared, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Tuesday, 8th October, 2013. The relevant dividend warrants are expected to be despatched on or about 25th October, 2013.

### MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

As reported in the preceding Chairman's Statement, during the period under review and subsequent to the end of the reporting period, various agreements were entered into relating to the disposals of certain subsidiaries of the Group and subsidiaries of a joint venture of the Group, which hold properties in Hong Kong and the PRC, to the Cosmopolitan group and certain subsidiaries of the Group, which hold securities of the Cosmopolitan group, to P&R Holdings. Relevant details of these agreements are set out below.

#### Disposal of interests in a property development project in Chengdu, the PRC to Cosmopolitan

On 27th June, 2013, a conditional sale and purchase agreement was entered into between P&R Holdings as the vendor and Ample State Investments Limited ("Ample State"), a wholly owned subsidiary of Cosmopolitan, as the purchaser in relation to the transfer of 70% effective interests in the mixed use development project (the "Chengdu Project") at Xindu District, Chengdu, Sichuan Province, the PRC (the "Chengdu Properties"), by way of the transfer of all the interests held by P&R Holdings (representing 70% of the existing entire issued share capital) in two relevant companies (the "Chengdu Subsidiaries", and together with their respective wholly owned subsidiaries, the "Chengdu Group") and the loans owed to P&R Holdings by the Chengdu Group to Ample State (the "Chengdu Agreement") (the "Chengdu Transaction").

The initial net consideration for the Chengdu Transaction (after offsetting the Novated Liability (as referred to below)) (the "Chengdu Consideration") was approximately HK\$642.3 million (subject to adjustments). The Chengdu Consideration was determined primarily based on 70% of the preliminary valuation of the Chengdu Properties of RMB1,540 million (equivalent to approximately HK\$1,940.4 million) as of 31st May, 2013 as appraised by a qualified independent professional valuer jointly engaged by P&R Holdings and Ample State and a 5% discount to the valuation, less the Novated Liability of approximately HK\$648.1 million. The Chengdu Consideration (with accrued interest) are payable by instalments within three years after completion of the Chengdu Transaction in any instalments at the discretion of Ample State.

Also on 27th June, 2013, a conditional sale and purchase agreement was entered into between Faith Crown Holdings Limited ("Faith Crown"), a joint venture owned as to 50% each by the Company and Cosmopolitan, as the vendor and Ample State as the purchaser in relation to the transfer of the remaining 30% effective interests in the Chengdu Properties to Cosmopolitan, by way of the transfer of all the interests held by Faith Crown (representing 30% of the existing entire issued share capital) in the Chengdu Subsidiaries and the loans owed to Faith Crown by the Chengdu Group to Ample State (the "Other Chengdu Agreement") (the "Other Chengdu Transaction").

The initial consideration for the Other Chengdu Transaction (the "Other Chengdu Consideration") was approximately HK\$553 million (subject to adjustments). The Other Chengdu Consideration was determined based on 30% of the preliminary valuation of the Chengdu Properties of RMB1,540 million (equivalent to approximately HK\$1,940.4 million) as of 31st May, 2013 as appraised by a qualified independent professional valuer jointly engaged by Faith Crown and Ample State and a 5% discount to the valuation. The Other Chengdu Consideration (with accrued interest) are payable by instalments within three years after completion of the Other Chengdu Transaction in any instalments at the discretion of Ample State.

The completion of the Chengdu Transaction and the Other Chengdu Transaction will take place simultaneously and is subject to the fulfilment of the conditions of, among others, the obtaining of the respective approvals of the shareholders of CCIHL and PHL and the approval of the independent shareholders of Cosmopolitan on or before 25th September, 2013 (or such other date as the parties may agree).

In June 2011, Faith Crown entered into an agreement to dispose of a 70% interest in the Chengdu Group to P&R Holdings for a final adjusted consideration of HK\$1,024.7 million payable in cash by instalments (the "2011 CD Transaction"). Upon completion of the 2011 CD Transaction, Joyous Unity Investments Limited (a member of the Chengdu Group) was granted an option to purchase the completed hotel and commercial podium of the Chengdu Project (the "Put Option"). On 27th June, 2013, P&R Holdings, Ample State and Faith Crown entered into a novation and variation deed (the "Novation Agreement"), pursuant to which Ample State will assume the outstanding consideration of approximately HK\$648.1 million payable by P&R Holdings to Faith Crown (the "Novated Liability") in consideration of the tantamount reduction in the consideration payable by Ample State to P&R Holdings for the Chengdu Transaction. The completion of the Novation Agreement will take place simultaneously with and subject to the completion of the Chengdu Transaction and the Other Chengdu Transaction. The Novated Liability (with accrued interest) shall be payable within three years after completion of the Chengdu Transaction in any number of instalments at the discretion of Ample State. Upon completion of the Chengdu Transaction and the Other Chengdu Transaction, the Put Option will be terminated and ceased to have effect.

The vendors under the Chengdu Transaction and the Other Chengdu Transaction will have the benefit of pro rata pledges over the equities in the Chengdu Project and protective restrictive covenants before the considerations are fully settled.

The Chengdu Transaction and the Other Chengdu Transaction did not constitute notifiable transactions for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Relevant details of the transactions under the Chengdu Agreement, the Other Chengdu Agreement and the Novation Agreement were disclosed in the joint announcement of the Company dated 27th June, 2013.

### **Disposal of interests in a parcel of land in Tianjin, the PRC to Cosmopolitan**

On 27th June, 2013, a conditional sale and purchase agreement was entered into between Regal International (BVI) Holdings Limited ("Regal BVI"), a wholly owned subsidiary of the Company, as the vendor and Fortune City International Investments Limited ("Fortune City"), a wholly owned subsidiary of Cosmopolitan, as the purchaser in relation to the transfer of all the effective interests in a parcel of land located in Tianjin City, the PRC (the "Tianjin Land") to Fortune City, by way of the transfer of all the interests in Grand Praise Investments Limited ("Grand Praise"), a wholly owned subsidiary of Regal BVI, and the shareholder's loans owing by Sure Reward Investments Limited, a wholly owned subsidiary of Grand Praise, to Fortune City (the "Tianjin Agreement") (the "Tianjin Transaction").

The initial consideration for the Tianjin Transaction (the "Tianjin Consideration") was HK\$1,417.5 million (subject to adjustments). The Tianjin Consideration was determined primarily based on the preliminary valuation of the Tianjin Land of RMB1,250 million (equivalent to approximately HK\$1,575 million) as of 31st May, 2013 as appraised by a qualified independent professional valuer jointly engaged by Regal BVI and Fortune City and a 5% discount to the valuation. The Tianjin Consideration are payable by instalments within three years after completion of the Tianjin Transaction in any instalments at the discretion of Fortune City. Before the consideration and the interest accrued are fully settled, Fortune City will pledge its entire equity interests in the companies holding the Tianjin Land in favour of Regal BVI and will undertake to comply with certain restrictive covenants to protect the interests of Regal BVI.

The completion of the Tianjin Transaction is subject to the fulfilment of the conditions of, among others, the obtaining of the approval of the independent shareholders of Cosmopolitan on or before 25th September, 2013 (or such other date as the parties may agree).

The Tianjin Transaction did not constitute a notifiable transaction for the Company under the Listing Rules. Relevant details of the transactions under the Tianjin Agreement were disclosed in the joint announcement of the Company dated 27th June, 2013.

### Disposal of interests in two hotels in Sheung Wan and North Point, Hong Kong to Regal REIT

On 28th June, 2013, a conditional sale and purchase agreement was entered into between, among others, P&R Holdings as the vendor and DB Trustees (Hong Kong) Limited (the "Trustee"), acting in its capacity as trustee of Regal REIT and on behalf of Regal REIT, as the purchaser relating to the disposal by P&R Holdings to Regal REIT of all the shareholding interest in Plentiful Investments Limited ("Plentiful"), a wholly owned subsidiary of P&R Holdings, and all the shareholder's loans owed by the wholly owned subsidiary of Plentiful, Tristan Limited ("Tristan", together with Plentiful, the "Plentiful Group"), to P&R Holdings (the "SW Shareholder Loans") (the "SW Hotel Agreement") (the "SW Hotel Transaction"). Tristan directly owns the hotel development project located at Nos. 132-140 Bonham Strand, Sheung Wan, Hong Kong (the "Sheung Wan Hotel"). The SW Hotel Transaction is expected to be completed in the fourth quarter of 2013 upon the fulfilment (or waiver) of the conditions precedent as set out in the SW Hotel Agreement (the "SW Hotel Completion").

The consideration for the SW Hotel Transaction is HK\$1,580 million, plus a customary adjustment on a dollar-for-dollar basis for the current assets of the Plentiful Group as at the date of completion of the SW Hotel Transaction. The consideration for the SW Hotel Transaction was determined based on the valuation of the Sheung Wan Hotel of HK\$1,580 million on an as-completed basis as of 25th June, 2013 as appraised by the independent valuer jointly appointed by P&R Holdings and Regal REIT, and taking into account completion of the interior fit-out programme of the Sheung Wan Hotel, the SW Shareholder Loans to be acquired by Regal REIT pursuant to the SW Hotel Transaction and that the Plentiful Group shall not have any liabilities other than the SW Shareholder Loans at the SW Hotel Completion.

The Sheung Wan Hotel will have 248 guestrooms and suites and, to be branded as a "iclub by Regal (富薈酒店)" hotel, it will be leased to and operated and managed by the Group.

On 28th June, 2013, an option agreement was entered into between, among others, P&R Holdings as the grantor and the Trustee, acting in its capacity as trustee of Regal REIT and on behalf of Regal REIT, as the grantee relating to the grant of a call option by P&R Holdings to Regal REIT (the "Option") entitling Regal REIT in its sole discretion to acquire all the shareholding interest in Fortune Mine Limited ("Fortune Mine"), a wholly owned subsidiary of P&R Holdings, and all the shareholder's loans owed by the wholly owned subsidiary of Fortune Mine, Wise Decade Investments Limited ("Wise Decade", together with Fortune Mine, the "Fortune Mine Group"), to P&R Holdings (the "NP Shareholder Loans") (the "Option Agreement") (the "NP Hotel Transaction"). Wise Decade directly owns the hotel development project located at Nos. 14-20 Merlin Street, North Point, Hong Kong (the "North Point Hotel"). The Option may only be exercised during the period commencing from the date that the occupation permit for the North Point Hotel is granted (as notified by P&R Holdings to the Trustee) and ending 30 days from such date. The occupation permit for the North Point Hotel is estimated to be granted in the second quarter of 2014. The sale and purchase of the North Point Hotel under the Option Agreement is expected to be completed in the third quarter of 2014 upon the fulfilment (or waiver) of the conditions precedent as set out in the Option Agreement.

The initial exercise price for the Option is HK\$1,650 million, subject to the adjustments as provided in the Option Agreement, which was determined with reference to the valuation of the North Point Hotel on an as-completed basis of HK\$1,650 million as of 25th June, 2013 as appraised by the independent valuer jointly appointed by P&R Holdings and Regal REIT and completion of the interior fit-out programme of the North Point Hotel and taking into account that the NP Shareholder Loans are to be acquired by Regal REIT pursuant to the NP Hotel Transaction (upon exercise of the Option) and that the Fortune Group shall not have any liabilities other than the NP Shareholder Loans at completion of the NP Hotel Transaction.

The North Point Hotel will have 338 guestrooms and, to be branded as a "iclub by Regal (富薈酒店)" hotel, it will be leased to and operated and managed by the Group.

The SW Hotel Transaction, the Option and the exercise of the Option in aggregate constituted a major transaction and a connected transaction for the Company subject to the independent shareholders' approval of the Company under the Listing Rules. Relevant details of the transactions under the SW Hotel Agreement and the Option Agreement were disclosed in the joint announcement of the Company dated 28th June, 2013 and the circular of the Company dated 29th June, 2013.

On 18th July, 2013, the transactions contemplated under the SW Hotel Agreement and the Option Agreement were approved by the independent shareholders of the Company and the independent unitholders of Regal REIT at the respective general meetings of the Company and Regal REIT.

Save as disclosed above, during the period under review, there were no other material acquisitions or disposals of subsidiaries or associates of the Company.

### **Disposal of the subsidiaries holding securities of Cosmopolitan to P&R Holdings**

Subsequent to the end of the reporting period, on 20th August, 2013, a conditional sale and purchase agreement was entered into between Paliburg Development BVI Holdings Limited ("PDBVI") (a wholly owned subsidiary of PHL), Regal BVI and Regal Hotels (Holdings) Limited ("RHH") (both wholly owned subsidiaries of the Company), each as a vendor, and P&R Holdings, as the purchaser, relating to the disposals of the entire issued share capital of, and the shareholder's loans to, among others, Fountain Sky Limited (a wholly owned subsidiary of RHH), Time Crest Investments Limited, Valuegood International Limited and Well Mount Investments Limited (all wholly owned subsidiaries of Regal BVI) (the "Target Companies") to P&R Holdings (the "Cosmopolitan Agreement") (the "Cosmopolitan Transaction"). The Target Companies currently hold 334,000,000 issued ordinary shares of Cosmopolitan and convertible bonds in an aggregate principal amount of HK\$341,450,000, which are convertible into a total of 6,869,583,332 new ordinary shares of Cosmopolitan, issued by the Cosmopolitan group (collectively, the "Relevant Sale Securities").

The aggregate consideration for the Relevant Sale Securities is approximately HK\$504.3 million which was based on an agreed value of HK\$0.07 per each issued or underlying share of Cosmopolitan. The consideration was determined after arm's length negotiation between the parties taking into account the net book value and market price of issued ordinary shares of Cosmopolitan and the business prospects of Cosmopolitan. The considerations shall be payable in cash upon completion of the Cosmopolitan Transaction.

The completion of the Cosmopolitan Transaction is subject to the fulfilment of the conditions of, among others, the obtaining approval by the independent shareholders of the Company on or before 10th September, 2013 (or such other date as the parties may agree). A special general meeting of the Company has been convened to be held on 7th September, 2013 for approving the transactions contemplated under the Cosmopolitan Agreement.

The Cosmopolitan Transaction constituted a discloseable transaction and a connected transaction for the Company subject to reporting, announcement and shareholders' approval requirements under the Listing Rules. Relevant details of the Cosmopolitan Transaction under the Cosmopolitan Agreement were disclosed in the joint announcement of the Company dated 20th August, 2013 and the circular of the Company dated 22nd August, 2013.

### **STAFF AND REMUNERATION POLICY**

The Group employs approximately 2,000 staff in Hong Kong. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

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

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

# Condensed Consolidated Income Statement

		Six months ended 30th June, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2	971.8	1,250.0
Cost of sales		(502.5)	(648.7)
Gross profit		469.3	601.3
Other income	3	45.6	9.1
Administrative expenses		(98.0)	(87.8)
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		(3.0)	9.2
Fair value gains on investment properties, net		8.0	5.5
Realisation of hedge reserve		—	137.2
OPERATING PROFIT BEFORE DEPRECIATION		421.9	674.5
Depreciation		(196.4)	(189.4)
OPERATING PROFIT	2	225.5	485.1
Finance costs	5	(117.6)	(65.2)
Share of losses of:			
Joint ventures		(5.3)	(0.1)
Associates		(1.4)	(1.5)
PROFIT BEFORE TAX		101.2	418.3
Income tax	6	(24.7)	(16.9)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		76.5	401.4
Attributable to:			
Equity holders of the parent		60.5	380.6
Non-controlling interests		16.0	20.8
		76.5	401.4
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		HK\$0.06	HK\$0.38

# Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	HK\$'million	HK\$'million
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	76.5	401.4
OTHER COMPREHENSIVE INCOME/(LOSS):		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investment	0.3	1.7
Cash flow hedges:		
Changes in fair value of cash flow hedges	4.8	26.1
Transfer from hedge reserve to income statement	2.9	(131.3)
	7.7	(105.2)
Exchange differences on translating foreign operations	30.0	(0.7)
Share of other comprehensive income/(loss) of:		
Joint ventures	6.5	(3.8)
An associate	–	(0.1)
Other comprehensive income/(loss) for the period	44.5	(108.1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	121.0	293.3
Attributable to:		
Equity holders of the parent	103.0	264.4
Non-controlling interests	18.0	28.9
	121.0	293.3



# Condensed Consolidated Statement of Financial Position

		30th June, 2013 (Unaudited)	31st December, 2012 (Audited)
	Notes	HK\$'million	HK\$'million
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		13,717.7	13,845.2
Investment properties		956.0	948.0
Investments in joint ventures		1,895.5	1,597.3
Investments in associates		31.1	27.6
Available-for-sale investment		5.3	4.7
Financial assets at fair value through profit or loss		23.7	23.4
Other loan		19.6	18.9
Deposits		18.0	2.3
Derivative financial instruments		5.0	–
<b>Total non-current assets</b>		<b>16,671.9</b>	<b>16,467.4</b>
<b>CURRENT ASSETS</b>			
Properties held for sale		789.1	788.0
Inventories		33.1	25.3
Debtors, deposits and prepayments	9	225.2	843.2
Held-to-maturity investments		144.2	210.8
Financial assets at fair value through profit or loss		938.9	730.3
Derivative financial instruments		11.1	–
Restricted cash		53.4	44.2
Pledged time deposits and bank balances		235.0	321.9
Time deposits		966.6	1,739.2
Cash and bank balances		2,592.8	625.6
		<b>5,989.4</b>	<b>5,328.5</b>
Assets of a disposal group classified as held for sale	13	1,321.1	–
<b>Total current assets</b>		<b>7,310.5</b>	<b>5,328.5</b>
<b>CURRENT LIABILITIES</b>			
Creditors, deposits received and accruals	10	(316.2)	(382.6)
Interest bearing bank borrowings	11	(413.8)	(81.5)
Derivative financial instruments		(1.3)	(2.1)
Tax payable		(81.4)	(41.4)
		<b>(812.7)</b>	<b>(507.6)</b>
Liabilities directly associated with the assets of a disposal group classified as held for sale	13	(6.7)	–
<b>Total current liabilities</b>		<b>(819.4)</b>	<b>(507.6)</b>

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

		30th June, 2013 (Unaudited)	31st December, 2012 (Audited)
	Notes	HK\$'million	HK\$'million
NET CURRENT ASSETS		6,491.1	4,820.9
TOTAL ASSETS LESS CURRENT LIABILITIES		23,163.0	21,288.3
NON-CURRENT LIABILITIES			
Deposits received		(2.5)	(2.5)
Interest bearing bank borrowings	11	(4,784.7)	(4,776.1)
Other borrowings	12	(4,219.0)	(2,293.8)
Derivative financial instruments		–	(2.8)
Deferred tax liabilities		(1,048.4)	(1,065.5)
Total non-current liabilities		(10,054.6)	(8,140.7)
Net assets		13,108.4	13,147.6
EQUITY			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		96.4	96.4
Reserves		11,610.7	11,542.4
Dividends		34.7	96.4
		11,741.8	11,735.2
<b>Non-controlling interests</b>		1,366.6	1,412.4
Total equity		13,108.4	13,147.6

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2013

Note	Attributable to equity holders of the parent												
	Issued share capital (Unaudited) HK\$'m	Share premium account (Unaudited) HK\$'m	Capital redemption reserve (Unaudited) HK\$'m	Hedge reserve (Unaudited) HK\$'m	Capital reserve (Unaudited) HK\$'m	Available-for-sale investment revaluation reserve (Unaudited) HK\$'m	Exchange equalisation reserve (Unaudited) HK\$'m	Retained profits (Unaudited) HK\$'m	Dividend (Unaudited) HK\$'m	A disposal group classified as held for sale (Unaudited) HK\$'m	Total equity (Unaudited) HK\$'m		
At 1st January, 2013	96.4	740.8	11.2	(1.1)	17.1	(0.6)	70.1	10,704.9	96.4	-	11,735.2	1,412.4	13,147.6
Profit for the period	-	-	-	-	-	-	-	60.5	-	-	60.5	16.0	76.5
Other comprehensive income for the period:													
Changes in fair value of available-for-sale investment	-	-	-	-	-	0.3	-	-	-	-	0.3	-	0.3
Changes in fair value of cash flow hedges	-	-	-	3.6	-	-	-	-	-	-	3.6	1.2	4.8
Transfer from hedge reserve to income statement	-	-	-	2.1	-	-	-	-	-	-	2.1	0.8	2.9
Exchange differences on translating foreign operations	-	-	-	-	-	-	30.0	-	-	-	30.0	-	30.0
Share of comprehensive income of joint ventures	-	-	-	-	-	-	6.5	-	-	-	6.5	-	6.5
Total comprehensive income for the period	-	-	-	5.7	-	0.3	36.5	60.5	-	-	103.0	18.0	121.0
Final 2012 dividend declared	-	-	-	-	-	-	-	-	(96.4)	-	(96.4)	(63.8)	(160.2)
Interim 2013 dividend	-	-	-	-	-	-	-	(34.7)	34.7	-	-	-	-
Transfer of amounts recognised in other comprehensive income relating to a disposal group classified as held for sale	-	-	-	-	-	-	(28.7)	-	-	28.7	-	-	-
At 30th June, 2013	96.4	740.8	11.2	4.6	17.1	(0.3)	77.9	10,730.7	34.7	28.7	11,741.8	1,366.6	13,108.4

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

For the six months ended 30th June, 2013

	Attributable to equity holders of the parent											
	Issued share capital (Unaudited) HK\$'m	Share premium account (Unaudited) HK\$'m	Capital redemption reserve (Unaudited) HK\$'m	Hedge reserve (Unaudited) HK\$'m	Capital reserve (Unaudited) HK\$'m	Available-for-sale investment revaluation reserve (Unaudited) HK\$'m	Exchange equalisation reserve (Unaudited) HK\$'m	Retained profits (Unaudited) HK\$'m	Dividend (Unaudited) HK\$'m	Total (Unaudited) HK\$'m	Non-controlling interests (Unaudited) HK\$'m	Total equity (Unaudited) HK\$'m
At 1st January, 2012	100.1	852.4	7.5	113.3	17.1	(1.8)	65.2	10,298.9	90.1	11,542.8	1,460.3	13,003.1
Profit for the period	-	-	-	-	-	-	-	380.6	-	380.6	20.8	401.4
Other comprehensive income/(loss) for the period:												
Changes in fair value of available-for-sale investments	-	-	-	-	-	1.7	-	-	-	1.7	-	1.7
Changes in fair value of cash flow hedges	-	-	-	19.5	-	-	-	-	-	19.5	6.6	26.1
Transfer from hedge reserve to income statement	-	-	-	(132.8)	-	-	-	-	-	(132.8)	1.5	(131.3)
Exchange differences on translating foreign operations	-	-	-	-	-	-	(0.7)	-	-	(0.7)	-	(0.7)
Share of comprehensive loss of:												
Joint ventures	-	-	-	-	-	-	(3.8)	-	-	(3.8)	-	(3.8)
An associate	-	-	-	-	-	-	(0.1)	-	-	(0.1)	-	(0.1)
Total comprehensive income/(loss) for the period	-	-	-	(113.3)	-	1.7	(4.6)	380.6	-	264.4	28.9	293.3
Final 2011 dividend declared	-	-	-	-	-	-	-	1.6	(90.1)	(88.5)	(52.2)	(140.7)
Repurchase and cancellation of ordinary shares	(3.7)	(111.6)	3.7	-	-	-	-	(3.7)	-	(115.3)	-	(115.3)
Interim 2012 dividend	-	-	-	-	-	-	-	(31.8)	31.8	-	-	-
At 30th June, 2012	96.4	740.8	11.2	-	17.1	(0.1)	60.6	10,645.6	31.8	11,608.4	1,437.0	13,040.4

Note

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# Condensed Consolidated Statement of Cash Flows

	Six months ended 30th June, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	HK\$'million	HK\$'million
Net cash flows from/(used in) operating activities	(563.9)	413.2
Net cash flows used in investing activities	(209.5)	(33.0)
Net cash flows from/(used in) financing activities	1,970.2	(313.0)
Net increase in cash and cash equivalents	1,196.8	67.2
Cash and cash equivalents at beginning of period	2,364.8	855.2
Effect of foreign exchange rate changes, net	0.7	(1.0)
Cash and cash equivalents at end of period	<u>3,562.3</u>	<u>921.4</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	2,592.8	392.1
Non-pledged time deposits with original maturity of less than three months when acquired	966.6	529.3
Cash and bank balances attributable to a disposal group classified as held for sale	2.9	–
	<u>3,562.3</u>	<u>921.4</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 consolidated financial statements for the year ended 31st December, 2012, 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, 2013.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Except as disclosed below, the adoption of these new and revised HKFRSs has had no significant financial effect on the Group’s results of operation and financial position.

### **HKAS 1 Presentation of Items of Other Comprehensive Income – Amendments to HKAS 1**

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group’s results of operations or financial position.

### **HKFRS 10 Consolidated Financial Statements and HKAS 27 Separate Financial Statements**

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities. HKFRS 10 replaces the parts of previously existing HKAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor’s returns. HKFRS 10 had no impact on the consolidation of investments held by the Group.

## **HKFRS 11 *Joint Arrangements* and HKAS 28 *Investments in Associates and Joint Ventures***

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e. joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The application of this standard had no impact on the Group's results of operations or financial position.

## **HKFRS 13 *Fair Value Measurement***

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group.

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required in the condensed consolidated interim financial statements for financial instruments; accordingly, the Group provides these disclosures in the notes to the 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 aircraft ownership and leasing business, travel agency services, development and distribution of edutainment products and sale of food products.

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

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

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

### Group

	Hotel operation and hotel ownership		Asset management		Property development and investment		Securities investment		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2013 (Unaudited)	2012 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)	2012 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)	2012 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)	2012 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)	2012 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)	2012 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)	2012 (Unaudited)
	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm
Segment revenue:														
Sales to external customers	942.7	919.1	-	-	5.2	291.1	5.8	5.0	18.1	34.8	-	-	971.8	1,250.0
Intersegment sales	-	-	43.8	38.5	1.7	1.7	-	-	-	-	(45.5)	(40.2)	-	-
<b>Total</b>	<b>942.7</b>	<b>919.1</b>	<b>43.8</b>	<b>38.5</b>	<b>6.9</b>	<b>292.8</b>	<b>5.8</b>	<b>5.0</b>	<b>18.1</b>	<b>34.8</b>	<b>(45.5)</b>	<b>(40.2)</b>	<b>971.8</b>	<b>1,250.0</b>
Segment results before depreciation	420.5	407.6	(6.5)	(5.2)	24.9	140.6	7.2	15.4	1.3	0.1	-	-	447.4	558.5
Depreciation	(194.4)	(188.9)	-	-	(0.1)	(0.1)	-	-	(1.9)	(0.3)	-	-	(196.4)	(189.3)
Segment operating results	226.1	218.7	(6.5)	(5.2)	24.8	140.5	7.2	15.4	(0.6)	(0.2)	-	-	251.0	369.2
Unallocated interest income and unallocated non-operating and corporate gains													11.4	143.1
Unallocated non-operating and corporate expenses													(36.9)	(27.2)
Operating profit													225.5	485.1
Finance costs													(117.6)	(65.2)
Share of losses of:														
Joint ventures					(5.3)	(0.1)	-	-	-	-	-	-	(5.3)	(0.1)
Associates	(0.3)	(0.3)	-	-	(0.4)	(0.6)	-	-	(0.7)	(0.6)	-	-	(1.4)	(1.5)
Profit before tax													101.2	418.3
Income tax													(24.7)	(16.9)
Profit for the period before allocation between equity holders of the parent and non-controlling interests													76.5	401.4
Attributable to:														
Equity holders of the parent													60.5	380.6
Non-controlling interests													16.0	20.8
													76.5	401.4



**3. Other Income**

Other income represents the following items:

	Six months ended 30th June, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	HK\$'million	HK\$'million
Bank interest income	7.9	2.9
Other interest income	7.7	3.2
Sundry income	2.9	3.0
Forfeiture of deposits	27.1	–
	<u>45.6</u>	<u>9.1</u>

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

	Six months ended 30th June, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	HK\$'million	HK\$'million
Profit on disposal of listed investments	1.4	4.0
Profit on disposal of properties	–	142.8
	<u>–</u>	<u>142.8</u>

5. Finance Costs

	Six months ended 30th June, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans wholly repayable within five years	57.1	46.3
Interest on other borrowings wholly repayable within five years	65.1	–
Fair value changes on derivative financial instruments		
- cash flow hedge (transfer from hedge reserve)	2.9	5.9
Amortisation of debt establishment costs	14.6	11.4
Other loan costs	2.3	1.6
	<u>142.0</u>	<u>65.2</u>
Less: Finance costs capitalised	(24.4)	–
	<u>117.6</u>	<u>65.2</u>

6. Income Tax

	Six months ended 30th June, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	HK\$'million	HK\$'million
Group:		
Current - Hong Kong		
Charge for the period	38.3	32.2
Current - Overseas		
Charge for the period	3.4	–
Underprovision/(Overprovision) in prior years	0.1	(0.9)
Deferred	(17.1)	(14.4)
	<u>24.7</u>	<u>16.9</u>
Total tax charge for the period		

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2012 - 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

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

No provision for tax is required for the joint ventures and associates as no assessable profits were earned by the joint ventures and associates during the period (2012 - Nil).

## 7. Dividend

The Directors have declared the payment of an interim dividend of HK3.6 cents (2012 - HK3.3 cents) per ordinary share for the financial year ending 31st December, 2013, absorbing an amount of approximately HK\$34.7 million (2012 - HK\$31.8 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\$60.5 million (2012 - HK\$380.6 million), and on the weighted average of 964.1 million (2012 - 992.5 million) ordinary shares of the Company in issue during the period.

### (b) Diluted earnings per ordinary share

No adjustment has been made to the basic earnings per ordinary share amount presented for the periods ended 30th June, 2013 and 2012 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the periods.

## 9. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$119.4 million (31st December, 2012 - HK\$140.7 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, 2013 (Unaudited)	31st December, 2012 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	93.0	118.1
Between 4 to 6 months	10.8	6.6
Between 7 to 12 months	6.1	7.1
Over 1 year	11.7	11.1
	<u>121.6</u>	<u>142.9</u>
Impairment	(2.2)	(2.2)
	<u>119.4</u>	<u>140.7</u>

## Credit terms

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

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade debtor balance.

Included in the Group's debtors, deposits and prepayments are amounts due from fellow subsidiaries and a joint venture of HK\$2.5 million (31st December, 2012 - HK\$2.7 million) and Nil (31st December, 2012 - HK\$1.0 million), respectively. These balances are unsecured, non-interest bearing and repayable on similar credit terms to those offered to the major customers of the Group.

## 10. Creditors, Deposits received and Accruals

Included in the balance is an amount of HK\$75.0 million (31st December, 2012 - HK\$74.6 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, 2013 (Unaudited)	31st December, 2012 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	74.4	73.1
Between 4 to 6 months	–	1.1
Between 7 to 12 months	0.3	0.1
Over 1 year	0.3	0.3
	<b>75.0</b>	<b>74.6</b>

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

Included in creditors, deposit received and accruals are amounts due to an associate and fellow subsidiaries of HK\$1.9 million (31st December, 2012 - HK\$2.0 million) and HK\$0.8 million (31st December, 2012 - HK\$2.0 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment.

11. Interest Bearing Bank Borrowings

	30th June, 2013 (Unaudited)		31st December, 2012 (Audited)	
	Maturity	HK\$'million	Maturity	HK\$'million
<b>Current</b>				
Bank loans – secured	2013-2014	413.8	2013	81.5
<b>Non-current</b>				
Bank loans – secured	2014-2015	4,784.7	2014-2015	4,776.1
		<u>5,198.5</u>		<u>4,857.6</u>

	30th June, 2013 (Unaudited)	31st December, 2012 (Audited)
	HK\$'million	HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year	413.8	81.5
In the second year	4,784.7	4.8
In the third to fifth years, inclusive	—	4,771.3
	<u>5,198.5</u>	<u>4,857.6</u>

On 7th March, 2012, the Regal REIT group entered into an agreement in respect of a new term loan facility of HK\$4.5 billion (the "Term Loan Facility") for a term of three years. The Term Loan Facility bears interest at Hong Kong Interbank Offered Rates ("HIBOR") plus 2.1% per annum and is repayable in full on 9th March, 2015. The Regal REIT group also entered into interest rate swap arrangements to hedge against the interest rate exposure of the Term Loan Facility for a notional amount of HK\$3.0 billion.

On 23rd July, 2013, the Regal REIT group entered into another banking facility aggregating HK\$4.8 billion, comprised of a term loan of HK\$4.5 billion and a revolving loan facility of HK\$0.3 billion (the "New Facilities") for a term of five years, to replace the Term Loan Facility. The New Facilities bear interest at HIBOR plus 1.62% per annum and are repayable in full on 20th July, 2018.

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

As at the end of the reporting period, the New iClub Facility had an outstanding amount of HK\$331.0 million, a portion of HK\$10.8 million is repayable quarterly and a final repayment portion of HK\$320.2 million is due on 24th February, 2015.

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

- (i) legal charges and debentures over the corresponding properties;
- (ii) an assignment of rental income and all other proceeds arising from and including 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 15 to the condensed consolidated financial statements.

## 12. Other Borrowings

	30th June, 2013 (Unaudited)	31st December, 2012 (Audited)
	HK\$'million	HK\$'million
<b>Non-current</b>		
Unsecured other borrowings repayable in the third to fifth years, inclusive	<u>4,219.0</u>	<u>2,293.8</u>

On 5th October, 2012, RH International Finance Limited (the "MTN Issuer"), a wholly owned subsidiary of the Company, established a US\$1,000 million medium term note programme (the "MTN Programme").

On 19th October, 2012, the MTN Issuer issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$300.0 million at a coupon interest rate of 4.25% per annum. The notes were issued at a discount at 99.444% of the principal amount.

On 11th January, 2013, R-REIT International Finance Limited (the "Regal REIT MTN Issuer"), a wholly owned subsidiary of Regal REIT, established a US\$1,000 million medium term note programme (the "Regal REIT MTN Programme").

On 22nd March, 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme a series of Hong Kong dollar denominated senior unsecured 5-year term notes in the aggregate nominal principal amount of HK\$775.0 million at a coupon interest rate of 4.125% per annum. The notes were issued at a discount at 99.44% of the principal amount.

On 22nd May, 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$150.0 million at a coupon interest rate of 4.10% per annum. The notes were issued at a discount at 99.553% of the principal amount.

### **13. A Disposal Group Classified as Held For Sale**

On 27th June, 2013, the Group entered into a sale and purchase agreement with a wholly owned subsidiary of Cosmopolitan International Holdings Limited ("Cosmopolitan") to dispose of its entire equity interests in Grand Praise Investments Limited ("Grand Praise") and to assign the shareholder loans owing by a subsidiary of Grand Praise for an initial consideration of HK\$1,417.5 million. The principal asset of Grand Praise and its subsidiaries (the "Tianjin Group") is a land site in Tianjin City, the People's Republic of China. The transaction is expected to be completed before the end of 2013 and accordingly, the assets and liabilities of the Tianjin Group were classified under a disposal group held for sale as at 30th June, 2013.

**14. 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, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	HK\$'million	HK\$'million
A fellow subsidiary/A wholly-owned subsidiary of a substantial shareholder, Century City International Holdings Limited: Management fees expenses	10.1	9.9
Fellow subsidiaries/Wholly-owned subsidiaries of a substantial shareholder, Paliburg Holdings Limited ("PHL"):		
Development consultancy fees expenses	2.3	2.8
Service fees expenses in respect of security systems and products and other software	1.2	0.8
Repairs and maintenance fees and construction fees expenses	0.5	4.5
An associate:		
Advertising and promotion fees expenses (including cost reimbursements)	4.8	3.6
A joint venture:		
Interest income	2.1	–
	<u>2.1</u>	<u>–</u>

The nature and terms of the related party transactions set out above were already disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2012.



(b) Outstanding balances with related parties:

	30th June, 2013 (Unaudited)	31st December, 2012 (Audited)
	HK\$'million	HK\$'million
Due from a joint venture	–	1.0
Due from associates	36.7	31.9
Due from fellow subsidiaries	2.5	2.7
Due to an associate	(1.9)	(2.0)
Due to fellow subsidiaries	(0.8)	(2.0)
Loans to joint ventures	1,274.9	975.8

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

	Six months ended 30th June, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	10.9	9.8
Staff retirement scheme contributions	0.7	0.6
Total compensation paid to key management personnel	11.6	10.4

## 15. Pledge of Assets

As at 30th June, 2013, part of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$391.1 million (31st December, 2012 – HK\$380.0 million) were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT, and certain of the Group's property, plant and equipment, investment properties and properties held for sale in the total amount of HK\$14,317.9 million (31st December, 2012 – HK\$14,444.9 million) were also pledged to secure other banking facilities granted to the Group.

## 16. Contingent Liabilities

As at 30th June, 2013, the Group had contingent liabilities not provided for in the financial statements for corporate guarantees provided in respect of attributable share of banking facilities granted to subsidiaries of a joint venture in the amount of HK\$577.3 million (31st December, 2012 - HK\$577.3 million), of which HK\$339.8 million (31st December, 2012 - HK\$317.3 million) was utilised.

## 17. Operating Lease Arrangements

(a) As lessor

The Group leases certain retail space and areas of its hotel properties and aircraft under operating lease arrangements, with leases negotiated for terms ranging from 1 to 6 years. The terms of the leases generally also require the lessees 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. Leases for investment properties are negotiated for terms of 2 to 3 years. The terms of the leases generally also require the lessees to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 30th June, 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its lessees falling due as follows:

	<b>30th June, 2013 (Unaudited)</b>	<b>31st December, 2012 (Audited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Within one year	46.1	32.9
In the second to fifth years, inclusive	86.3	20.9
After five years	13.2	–
	<b>145.6</b>	<b>53.8</b>
	<b>145.6</b>	<b>53.8</b>

(b) As lessee

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

At 30th June, 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30th June, 2013 (Unaudited)</b>	<b>31st December, 2012 (Audited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Land and buildings:		
Within one year	12.0	10.3
In the second to fifth years, inclusive	32.5	26.8
After five years	26.7	25.6
	<u>71.2</u>	<u>62.7</u>
Other equipment:		
Within one year	0.3	0.3
In the second to fifth years, inclusive	0.4	0.4
	<u>0.7</u>	<u>0.7</u>
	<u><u>71.9</u></u>	<u><u>63.4</u></u>

**18. Commitments**

In addition to the operating lease commitments detailed in note 17(b) above, the Group had the following capital commitments at the end of the reporting period:

	<b>30th June, 2013 (Unaudited)</b>	<b>31st December, 2012 (Audited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Contracted, but not provided for:		
Land	–	674.9
Properties	15.7	–
Aircraft	74.8	–
Authorised, but not contracted for:		
Hotel buildings	21.3	40.0
	<u>111.8</u>	<u>714.9</u>

At 30th June, 2013, the Group's share of the maximum capital commitment to P&R Holdings Limited ("P&R Holdings") in respect of its property development projects amounted to HK\$1,900.0 million (31st December, 2012 - HK\$1,900.0 million), of which HK\$1,262.1 million (31st December, 2012 - HK\$961.3 million) has been contributed as shareholder's loan and HK\$577.3 million (31st December, 2012 - HK\$577.3 million) has been provided as guarantees, on a several basis, for banking facilities granted to subsidiaries of P&R Holdings.

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

	<b>30th June, 2013 (Unaudited)</b>	<b>31st December, 2012 (Audited)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Contracted, but not provided for	777.9	470.8
Authorised, but not contracted for	460.8	294.6
	<u>1,238.7</u>	<u>765.4</u>

## 19. Fair Value and Fair Value Hierarchy

As at the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities approximated to their fair values.

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

*Assets measured at fair value as at 30th June, 2013*

	Level 1 (Unaudited) HK\$'million	Level 2 (Unaudited) HK\$'million	Level 3 (Unaudited) HK\$'million	Total (Unaudited) HK\$'million
Available-for-sale investment:				
Unlisted equity investment	–	–	5.3	5.3
Derivative financial instruments	–	16.1	–	16.1
Financial assets at fair value through profit or loss:				
Listed equity investments	307.2	–	–	307.2
Listed debt investments	–	57.1	–	57.1
Unlisted debt investments	–	410.7	–	410.7
Structured deposits	–	187.6	–	187.6
	<b>307.2</b>	<b>671.5</b>	<b>5.3</b>	<b>984.0</b>

The movements in fair value measurements in Level 3 during the period are as follows:

	<b>2013 (Unaudited)</b>
	<b>HK\$'million</b>
Available-for-sale investment – unlisted:	
At 1st January	4.7
Purchases	0.3
Total gain recognised in other comprehensive income	0.3
At 30th June	<u>5.3</u>

For recurring fair value measurement categorised within Level 3, there were no realised gains/losses recorded during the period.

*Liabilities measured at fair value as at 30th June, 2013*

	<b>Level 1 (Unaudited) HK\$'million</b>	<b>Level 2 (Unaudited) HK\$'million</b>	<b>Level 3 (Unaudited) HK\$'million</b>	<b>Total (Unaudited) HK\$'million</b>
Derivative financial instruments	–	1.3	–	1.3

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

### Valuation techniques

The fair values of listed equity investments are based on quoted market prices.

The unlisted equity investment is carried at net asset value provided by a financial institution.

The fair values of the derivative financial instruments, including interest rate swaps, foreign exchange forward contracts and foreign currency options contracts, are determined based on discounted cash flow models or market values provided by financial institutions.

The fair values of listed debt investments and structured deposits are determined based on the market values provided by financial institutions.

The fair values of the unlisted debt investments have been estimated by an independent professional valuer using valuation techniques, including discounted cash flows and binomial option pricing models, based on the quoted market price of the underlying listed security.

### 20. 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.

There were no share options granted, exercised or outstanding under the Share Option Scheme during the reporting period.

### 21. Events after the reporting period

- (a) As announced on 28th June, 2013, P&R Holdings has entered into a Share Purchase Agreement and an Option Agreement with Regal REIT with respect to the proposed disposals of two of its hotel projects under development in Sheung Wan and North Point, respectively.

Subsequent to the end of the reporting period, the proposed transactions have received the approvals by the independent unitholders of Regal REIT and the independent shareholders of the Company at their respective general meetings held on 18th July, 2013. The deposit and refundable cash collateral of HK\$1,938.0 million and an option fee of HK\$10.0 million have since been paid by Regal REIT to P&R Holdings under the terms of the Share Purchase Agreement and the Option Agreement. P&R Holdings will pay interest to Regal REIT on the deposit and refundable cash collateral received at a rate of 4.3047% per annum from the dates of payment up to the respective dates when the deposit or the refundable cash collateral are refunded to Regal REIT.

- (b) Subsequent to the end of the reporting period, on 23rd July, 2013, the Regal REIT group entered into the new facility agreement (the "New Facility Agreement") for the New Facilities (note 11). The final maturity of the New Facilities will be on 20th July, 2018, which is approximately five years from the date of the New Facility Agreement. The new term loan facility will be wholly used to early refinance the existing term loan facility of the same principal amount to take benefit of a longer loan term and lower interest costs, while the revolving facility will be used for general corporate funding purposes of the Regal REIT group. Moreover, the New Facilities will only be secured on three of the five initial hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel. Upon drawdown of the new term loan facility and repayment of the existing term loan facility, two of the initial hotels, namely, Regal Kowloon Hotel and Regal Oriental Hotel, will be free of mortgages and held on an unencumbered basis.
- (c) Subsequent to the end of the reporting period, the Group and a wholly owned subsidiary of PHL have entered into agreements with P&R Holdings to sell their holdings in the issued shares of Cosmopolitan and the convertible bonds of the Cosmopolitan group to P&R Holdings, and at the same time, each of the Group and a wholly owned subsidiary of PHL has also agreed to provide P&R Holdings with a revolving credit facility for an amount of up to HK\$1,000.0 million. Details of the above disposal and facility agreements are contained in the Company's circular dated 22nd August, 2013.

### 22. Approval of the Unaudited Condensed Consolidated Financial Statements

These unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 26th August, 2013.

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2013, 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 (the "Listing Rules"), were as follows:

The Company/ Name of Associated Corporation	Name of Director	Class of shares held	Personal interests	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2013)
				Corporate interests	Family/Other interests		
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) issued	24,200	494,835,261 (Note c)	260,700	495,120,161	
		(ii) underlying	–	27,542,000 (Note d)	–	27,542,000	
					Total (i) & (ii):	522,662,161 (54.21%)	
	Dr. Francis Choi Chee Ming	Ordinary (issued)	50,240,000	–	–	50,240,000 (5.21%)	
	Miss Lo Po Man	Ordinary (issued)	300,000	–	269,169 (Note e)	569,169 (0.06%)	
	Mr. Allen Wan Tze Wai	Ordinary (issued)	10,200	–	–	10,200 (0.001%)	
2. Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	99,587,396	1,769,164,691 (Note a)	380,683	1,869,132,770 (58.18%)	
	Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)	
	Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.003%)	



## 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, 2013)
				Personal interests	Corporate interests	Family/Other interests	
2.	CCIHL	Mr. Ng Siu Chan	Ordinary (issued)	–	–	3,521,973	3,521,973 (0.11%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	24,000	–	–	24,000 (0.001%)
		Ms. Belinda Yeung Bik Yiu	Ordinary (issued)	200	–	–	200 (0.000%)
3.	Paliburg Holdings Limited ("PHL")	Mr. Lo Yuk Sui	Ordinary (issued)	85,484,014	739,970,803 (Note b)	15,000	825,469,817 (74.03%)
		Mr. Donald Fan Tung	Ordinary (issued)	556	–	–	556 (0.000%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
		Mr. Ng Siu Chan	Ordinary (issued)	–	–	80,474	80,474 (0.007%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	204,200	–	–	204,200 (0.02%)
4.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note f)	–	1,000 (100%)
5.	Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	–	2,434,282,102 (Note g)	–	2,434,282,102 (74.73%)

**Notes:**

- (a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo") and a company, namely Master City Limited, 99.9% owned by Mr. Lo.
- (b) The interests in 693,234,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.16% shareholding interests.

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

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

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

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

- (c) The interests in 421,400 issued ordinary shares of the Company were held through companies wholly owned by CCIHL in which Mr. Lo held 58.16% shareholding interests, and the interests in the other 494,413,861 issued ordinary shares of the Company were held through companies wholly owned by PHL, in which CCIHL held 62.17% shareholding interests.
- (d) These derivative interests in underlying 27,542,000 ordinary shares of the Company were held by a wholly owned subsidiary of PHL through certain equity derivative contracts on ordinary shares of the Company, which will be settled in cash only.
- (e) The interests in 269,169 issued ordinary shares of the Company were held by Miss Lo Po Man as the beneficiary of a trust.
- (f) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 58.16% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.
- (g) The interests in 2,428,262,739 units of Regal REIT were held through wholly owned subsidiaries of the Company. The interests in 732,363 units of Regal REIT were held through wholly owned subsidiaries of PHL. The interests in 5,287,000 units of Regal REIT were held through wholly owned subsidiaries of CCIHL. PHL, in which CCIHL held 62.17% shareholding interests, held 51.28% shareholding interests in the Company. Mr. Lo held 58.16% shareholding interests in CCIHL.

Save as disclosed herein, as at 30th June, 2013, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

During the period, no right has been granted to, or exercised by, the following persons to subscribe for shares in or debentures of the Company under the share option scheme of the Company named as "The Regal Hotels International Holdings Limited Share Option Scheme" (the "Share Option Scheme"), and there were no options held by such persons under the Share Option Scheme:

- (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, 2013, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares held	Total number of ordinary shares (issued and underlying) held	Approximate percentage of issued ordinary shares as at 30th June, 2013
CCIHL (Note i)	494,835,261	27,542,000	522,377,261	54.18%
Century City BVI Holdings Limited ("CCBVI") (Note ii)	494,835,261	27,542,000	522,377,261	54.18%
PHL (Note iii)	494,413,861	27,542,000	521,955,861	54.14%
Paliburg Development BVI Holdings Limited (Note iv)	494,413,861	27,542,000	521,955,861	54.14%
Guo Yui Investments Limited (Note iv)	180,930,466	–	180,930,466	18.77%
Paliburg BVI Holdings Limited (Note iv)	230,870,324	–	230,870,324	23.95%
Taylor Investments Ltd. (Note iv)	154,232,305	–	154,232,305	16.00%
H.P. Nominees Limited (Note iv)	32,072,885	27,542,000	59,614,885	6.18%
Glaser Holdings Limited (Note iv)	58,682,832	–	58,682,832	6.09%

**Notes:**

- (i) The interests in these ordinary shares held by CCIHL were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) CCBVI is a wholly owned subsidiary of CCIHL and its interests in the ordinary shares of the Company were included in the interests held by CCIHL.
- (iii) PHL is a listed subsidiary of CCIHL, which held 62.17% 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, 2013, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

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

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

**CHANGE IN INFORMATION OF DIRECTORS**

The change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the annual report of the Company for the financial year ended 31st December, 2012 is set out below:

**Name of Director****Details of change***Independent Non-Executive Director:*

- |                                |  |
|--------------------------------|--|
| Professor Japhet Sebastian Law | <ul style="list-style-type: none"> <li>• Resigned as an independent non-executive director of Cypress Jade Agricultural Holdings Limited, a company listed on the Stock Exchange, with effect from 18th July, 2013.</li> </ul> |
|--------------------------------|--|

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

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

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

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

Details of the financial assistance provided to affiliated companies by the Group as at 30th June, 2013 are set out below:

Name of Affiliated Companies		Principal Amount of Advances (HK\$'million)	Interest Receivable (HK\$'million)	Guarantee given for Banking Facilities	
				(i) Principal Amount of Banking Facilities (HK\$'million)	(ii) Amount of Banking Facilities Drawdown (HK\$'million)
8D International (BVI) Limited	(A)	1.6	–	Nil	Nil
8D Matrix Limited	(B)	9.0	–	Nil	Nil
Advance Fame Investments Limited	(C)	216.7	12.8	Nil	Nil
Bright Future (HK) Limited	(D)	5.6	–	Nil	Nil
Faith Crown Holdings Limited	(E)	12.8	–	Nil	Nil
Hang Fok Properties Limited	(F)	19.8	–	Nil	Nil
P&R Holdings Limited	(G)	1,032.6	–	(H)(i) 577.3	(H)(ii) 339.8
				Total: (A) to (H)(i)	<u>1,888.2</u>
				(A) to (G) & (H)(ii)	<u>1,650.7</u>

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

8D Matrix Limited ("8D Matrix") is a 30% owned associate of the Company, which is involved in advertising and promotion businesses. The remaining shareholding interests in 8D Matrix are owned as to 10% indirectly by CCIHL and 60% indirectly by Mr. Lo through his associates (as defined in the Listing Rules). The advances were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D Matrix, for the purpose of financing the working capital of 8D Matrix. The advances are unsecured, interest-free and have no fixed terms of repayment.

Advance Fame Investments Limited ("Advance Fame"), a wholly owned subsidiary of P&R Holdings Limited ("P&R Holdings") (which is a 50% owned joint venture of the Company), acquired a site located at Lot No.4309 in Demarcation District No.124, Tan Kwai Tsuen Road, Yuen Long, New Territories, Hong Kong at a land premium of HK\$361.0 million through a government public auction held in September 2011. The remaining 50% shareholding interest in P&R Holdings is held by PHL, the immediate listed holding company of the Company, through its wholly owned subsidiaries. The site is planned for a residential development (the "Yuen Long Project"). Further information relating to the Yuen Long Project is disclosed in the section headed "Business Review" in the preceding Management Discussion and Analysis ("MD&A"). The advances to Advance Fame are provided by a wholly owned subsidiary of the Company in the form of shareholder's loans in proportion to the Company's shareholding interests in Advance Fame held through P&R Holdings for the purpose of funding the working capital requirements of Advance Fame. The advances to Advance Fame are unsecured, bear interest at a fixed rate of 4% per annum and have no fixed terms of repayment.

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

Faith Crown Holdings Limited ("Faith Crown"), a 50% owned joint venture of the Company, presently holds 30% effective interests in a site in Xindu District, Chengdu, the PRC, which was previously acquired at a public land auction, (the "Chengdu Project"), following the completion of an unconditional sale and purchase agreement dated 30th June, 2011 in respect of the transfer of 70% effective interests in the Chengdu Project to P&R Holdings on 14th July, 2011. The remaining 50% shareholding interest in Faith Crown is indirectly held by Cosmopolitan International Holdings Limited ("Cosmopolitan"), which is a company listed in Hong Kong and is not a connected person (as defined in the Listing Rules) of the Company. The Company holds, through its wholly owned subsidiaries, 2.83% shareholding interests in Cosmopolitan and certain convertible bonds issued by the Cosmopolitan group. The Chengdu Project is a mixed use development planned to consist of hotel, commercial, office and residential components. Further information relating to the Chengdu Project is disclosed in the preceding Chairman's Statement and MD&A. The advances to Faith Crown are provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interests in Faith Crown for the purpose of funding the working capital requirements of Faith Crown. The advances to Faith Crown are unsecured, interest-free and have no fixed terms of repayment.

Hang Fok Properties Limited ("Hang Fok"), a 50% owned associate of the Company, holds certain shareholding interests in two investee companies (the "Investee Companies"), which were established as Sino-foreign cooperative joint ventures in the PRC and principally engaged in the development project of a property complex at Chao Yang Men Wai Da Jie in the Central Business District of Beijing, the PRC. The remaining 50% shareholding interest in Hang Fok is indirectly held by PHL. The advances to Hang Fok were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in Hang Fok, for the purpose of funding the working capital requirements of Hang Fok and its investment in the Investee Companies. The advances to Hang Fok are unsecured, interest-free and have no fixed term of repayment. Additional information relating to the investment in Hang Fok was disclosed in the audited consolidated financial statements contained in the annual report of the Company for the year ended 31st December, 2012.

P&R Holdings principally engages in the development of real estate projects for sale and/or leasing. P&R Holdings group hold interests in a number of property development projects in Hong Kong and Mainland China (including the Yuen Long Project and the Chengdu Project). Information relating to the investment of P&R Holdings in such property development projects are disclosed in the section headed "Business Review" in the preceding MD&A. The maximum total capital commitment to P&R Holdings is HK\$3,800 million, which is to be contributed on a pro-rata basis in accordance with the respective shareholdings of the Company and PHL in P&R Holdings, and the maximum capital commitment for each of the Company and PHL is HK\$1,900 million. The advances to P&R Holdings were provided by a wholly owned subsidiary of the Company in the form of shareholders' loan in proportion to its shareholding interest in P&R Holdings. The advances to P&R Holdings are unsecured, interest-free and have no fixed terms of repayment. The guarantees were provided by the Company each on a several basis in proportion to its shareholding interests in P&R Holdings and were given in respect of the respective bank loan facilities of, in aggregate, HK\$1,154.6 million made available to three wholly owned subsidiaries of P&R Holdings for financing their hotel development projects in Hong Kong.

Calculated on the basis shown above, as at 30th June, 2013, the aggregate amount of financial assistance provided to and bank guarantees given for affiliated companies by the Group in the respective sums of (a) HK\$1,888.2 million (based on the total available amount of the banking facilities) and (b) HK\$1,650.7 million (based on the total amount of banking facilities drawdown) represented (a) 7.9% and (b) 6.9% of the consolidated total assets of the Group of HK\$23,982.4 million, calculated by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2013.

Save as disclosed above, there were no other financial assistance provided to or guarantees given for affiliated companies by the Group as at 30th June, 2013, which were discloseable pursuant to Rule 13.16 of Chapter 13 of the Listing Rules.

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

	<b>Combined statement of financial position (HK\$'million)</b>	<b>The Group's attributable interest (HK\$'million)</b>
Non-current assets	2,502.6	1,250.1
Current assets	3,334.8	1,663.5
Current liabilities	(436.6)	(217.8)
Non-current liabilities	(3,800.1)	(1,893.0)
	<u>1,600.7</u>	<u>802.8</u>
Non-controlling interests	(370.3)	(185.1)
	<u>1,230.4</u>	<u>617.7</u>
Net assets attributable to equity holders of the parent		

## CORPORATE GOVERNANCE

### Corporate Governance Code

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30th June, 2013, except that:

- (1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals, due to practical necessity to cater to the Group's corporate operating structure.
- (2) The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Bye-laws of the Company, all Directors (including the Non-Executive Director and the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

### Code of Conduct for Securities Transactions by Directors

The Company has adopted the "Code for Securities Transactions by Directors of Regal Hotels International Holdings Limited" (the "Regal Code"), on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the Model Code and the Regal Code during the six months ended 30th June, 2013.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2013.

## REVIEW OF RESULTS

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

Mr. Wong Chi Keung (Chairman of the Committee) (*Independent Non-Executive Director*)  
 Dr. Francis Choi Chee Ming (*Vice Chairman and Non-Executive Director*)  
 Ms. Alice Kan Lai Kuen (*Independent Non-Executive Director*)  
 Professor Japhet Sebastian Law (*Independent Non-Executive Director*)  
 Mr. Ng Siu Chan (*Independent Non-Executive Director*)

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group, auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30th June, 2013, in conjunction with the external auditors. The review report of the external auditors is set out on page 56 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 22 to 46 which comprises the condensed consolidated statement of financial position as at 30th June, 2013 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*

22/F CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

26th August, 2013

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