

2015 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)

Contents

2	Corporate Information
3	Directors' Profile
6	Chairman's Statement
11	Management Discussion and Analysis
18	Condensed Consolidated Financial Statements
18	Condensed Consolidated Statement of Profit or Loss
19	Condensed Consolidated Statement of Comprehensive Income
20	Condensed Consolidated Statement of Financial Position
22	Condensed Consolidated Statement of Changes in Equity
24	Condensed Consolidated Statement of Cash Flows
25	Notes to Condensed Consolidated Financial Statements
45	Other Information
56	Report on Review of Interim Financial Information

Corporate Information

DIRECTORS

Executive Directors

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Lo Po Man

(Vice Chairman and Managing Director)

Belinda Yeung Bik Yiu

(Chief Operating Officer)

Donald Fan Tung

Jimmy Lo Chun To

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

United Overseas Bank Limited, Hong Kong Branch

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited

The Belvedere Building, 69 Pitts Bay Road

Pembroke HM08, Bermuda

BRANCH REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wan Chai

Hong Kong

REGISTERED OFFICE

The Belvedere Building, 69 Pitts Bay Road

Pembroke HM08, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street

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Directors' Profile

Mr. Lo Yuk Sui, aged 70; *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 an executive director, the chairman and the chief executive officer of Century City International Holdings Limited (“CCIHL”) (the ultimate listed holding company of the Company), Paliburg Holdings Limited (“PHL”) (the immediate listed holding company of the Company) and Cosmopolitan International Holdings Limited (“Cosmopolitan”) (the listed fellow subsidiary of the Company), and a non-executive director and the 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 Miss Lo Po Man and Mr. Jimmy Lo Chun To.

Miss Lo Po Man, aged 35; *Vice Chairman and Managing Director* — Joined the Group in 2000 and appointed to the Board in 2004. Miss Lo has been a Vice Chairman and the Managing Director of the Company since 2013. She is also an executive director and a vice chairman of CCIHL, an executive director of PHL, an executive director and a vice chairman of Cosmopolitan, and a non-executive director and the vice chairman of RPML. Miss Lo graduated from Duke University, North Carolina, the United States, with a Bachelor's Degree in Psychology. Miss Lo is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing function of the Group and also undertakes responsibilities in the business development of the Century City Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Dr. Francis Choi Chee Ming, *GBS, JP*, aged 69; *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's 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 deputy chairman and non-executive director of Town Health International Medical Group Limited, a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Ms. Belinda Yeung Bik Yiu, aged 57; *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, Board Member of the Hong Kong Tourism Board, First Vice Chairman of the Federation of Hong Kong Hotel Owners, Fellow of The Hong Kong Polytechnic University (“PolyU”), Chairman of the Industry Advisory Committee of PolyU's School of Hotel & Tourism Management and Honorary Fellow of the Vocational Training Council.

Directors' Profile (Cont'd)

Mr. Donald Fan Tung, aged 58; *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 60; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. Ms. Kan is also an independent non-executive director of Cosmopolitan. 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 and Asia Investment Research 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 also an independent non-executive director of China Engene International (Holdings) Limited, Shima 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 63; *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, Shanghai La Chapelle Fashion Co., Ltd., Shougang Fushan Resources Group 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 41; *Executive Director* — Appointed to the Board in 1999. Mr. Jimmy Lo is also an executive director and a vice chairman of CCIHL, an executive director, the vice chairman and the managing director of PHL, an executive director and a vice chairman and the managing director of Cosmopolitan, and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. He joined the Century City Group in 1998. Mr. Jimmy Lo is primarily involved in overseeing the Group's property projects in the People's Republic of China (the "PRC") and, in addition, undertakes responsibilities in the business development of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Mr. Kenneth Ng Kwai Kai, aged 60; *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 Cosmopolitan, and a non-executive director of RPML.

Mr. Ng Siu Chan, aged 85; *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 56; *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's 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 60; *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, Fortunet e-Commerce Group Limited, Golden Eagle Retail Group Limited, TPV Technology Limited, Yuan Heng Gas Holdings Limited and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 32 years of experience in finance, accounting and management.

Chairman's Statement

Dear shareholders,

I am pleased to present herewith the 2015 Interim Report of the Company.

FINANCIAL RESULTS

For the six months ended 30th June, 2015, the Group attained an unaudited consolidated profit attributable to shareholders of HK\$123.8 million, as compared to HK\$167.1 million recorded for the same period in 2014.

Despite the challenging business environment encountered by the tourism industry in Hong Kong in the period under review, the Group has maintained steady results in respect of its overall business operations. The operating profit before depreciation, finance costs and tax of the Group for the half year amounted to HK\$579.2 million, which slightly exceeded the comparative profit of HK\$573.3 million recorded in 2014. Depreciation charges on the Group's hotel properties in Hong Kong for the period amounted to HK\$225.7 million (2014 – HK\$202.7 million) which, though having no impact on cash flows, have adversely affected the reported profit.

As the Group's operating hotel properties, which are all held through Regal Real Estate Investment Trust, are stated in the Group's consolidated financial statements net of accumulated depreciation, their carrying values are substantially below their market values. Accordingly, shareholders could refer to the paragraph under "Assets Value" in the section headed "Management Discussion and Analysis" in this Interim Report which showed, for the purpose of reference, the adjusted net asset value per share of the Company, on the basis that all such hotel properties were to be stated at their independent professional valuations as at 30th June, 2015. As at 30th June, 2015, the adjusted net asset value per share of the Company was HK\$18.94, which is lower than its comparative amount of HK\$20.17 as at 31st December, 2014, mainly due to the reduction in the fair values of the hotel properties.

BUSINESS OVERVIEW

HOTELS

MARKET OVERVIEW

For the period under review, most of the advanced world economies sustained gradual recoveries. The International Monetary Fund has projected global growth at 3.3% in 2015, which is marginally lower than in 2014, with a gradual pickup in advanced economies and a slowdown in emerging market and developing economies. While the economy in the United States is expected to continue to strengthen, it is generally believed that the US Dollar interest rate may revert to an upward trend and if its interest rate indeed begins to rise in the not too distant future, it may have a significant impact on the global economy. In the emerging market economies, the continued slowdown reflected several factors, including lower commodity prices and tighter external financial conditions, structural bottlenecks, rebalancing in China, and economic distress related to geopolitical factors. Through various accommodative fiscal policies to support domestic demand, China was able to maintain a growth rate of 7% year-on-year in its GDP for both the first and second quarters of 2015. China remains one of the highest growth economies globally and a key economic partner to Hong Kong.

Meanwhile, Hong Kong's economy expanded moderately by 2.6% in the first half of 2015 and the GDP for the whole year is forecast to grow by 2% to 3% in real terms. In the same period, total visitors to Hong Kong amounted to over 29.3 million, representing a modest increase of 2.8% year-on-year, with visitors from Mainland China accounting for about 78% of the total headcount. In this total headcount, overnight visitors amounted to 12.7 million, which actually decreased by 3.8% year-on-year, primarily due to the substantial decline in the number of visitors from Mainland China under the Individual Visit Scheme since March 2015. At the same time, the value of total retail sales in Hong Kong contracted by 1.6% year-on-year, with the adverse change most notable in the high end consumer goods sector.

Against this backdrop, the average hotel room occupancy for all the surveyed hotels under different categories in Hong Kong for the half year ended 30th June dropped from 89% in 2014 to 85% in 2015, with the average achieved room rate also shrinking by 8.7% over the same comparative period, based on information published by the Hong Kong Tourism Board.

The setback in Hong Kong's tourism and related business sectors in recent months can be attributed to a number of factors, including the strengthening of the Hong Kong Dollar, the lowering of spending by stay-over visitors, the spill-over effects from the Occupy Central movement and, more recently, the anti-parallel trading activities that have deterred many Mainland travellers from visiting Hong Kong. The implementation of the "one trip per week" policy for Shenzhen residents, who are mostly same day visitors, has, however, had no significant impact on the local hotel market.

HOTEL OWNERSHIP

REGAL REAL ESTATE INVESTMENT TRUST

As at 30th June, 2015, the Group held 74.6% of the outstanding units of Regal REIT and Regal Portfolio Management Limited, a wholly owned subsidiary of the Group, acts as the REIT Manager.

For the six months ended 30th June, 2015, Regal REIT recorded an unaudited consolidated loss before distribution to unitholders of HK\$1,376.9 million, as compared to the profit of HK\$319.6 million attained in the corresponding period in 2014. When reviewing these comparative results of Regal REIT, it should be noted that the loss incurred by Regal REIT was solely attributable to the reduction of HK\$1,631.4 million in the fair value of Regal REIT's investment properties portfolio based on their independent market valuations as at 30th June, 2015, as compared to those last prevailing as at 31st December, 2014. If the fair value changes are excluded, the core profit before distribution to the unitholders of Regal REIT for the period under review would amount to HK\$254.6 million, an increase of approximately 3.6% over HK\$245.6 million attained for the corresponding period in 2014.

The five initial Regal Hotels, which are operating as full-service hotels under the "Regal" brand name, were initially leased by Regal REIT to a wholly owned subsidiary of the Group for terms up to 31st December, 2015. At an extraordinary general meeting of Regal REIT held on 14th April, 2015, the independent unitholders approved the extension of the lease agreements for the five initial Regal Hotels for another 5 years to 31st December, 2020, with the market rental packages for the extended term continuing to be determined annually by a jointly appointed independent professional property valuer. The market rental review for 2016 is being conducted by the independent professional property valuer and will be determined before the end of September 2015.

At that same general meeting, the unitholders of Regal REIT also approved revisions to the trust deed of Regal REIT to align with the amendments to the REIT Code that became effective in August 2014. The objectives of the revisions were principally to provide additional flexibility and discretion to Regal REIT, allowing it to invest in certain financial instruments and to undertake property development activities under certain thresholds. With the widening of its investment boundaries, Regal REIT is placed in a more advantageous position when pursuing investment opportunities in the future.

Apart from the five initial Regal Hotels, Regal REIT also owns the three other hotels in Hong Kong that are operating under the "iclub by Regal" brand name. The "iclub" brand is a new line of hotels developed by the Group, which are typically positioned as upscale select-service hotels, with contemporary and stylish décor, and equipped with tech-savvy facilities.

The first hotel under the "iclub" brand was the iclub Wan Chai Hotel, which has been self-operated by Regal REIT since 2011. This hotel has since its opening been well received by individual and business travellers, but due to the stiff market competition arising as a result of the various market factors mentioned above, its operating performance in the period under review has also been adversely affected. Though this hotel managed to maintain virtually full occupancy during the period, the average achieved room rate retracted by 22.2%. Aggregate net property income (NPI) from this property, including increased lease rentals from the non-hotel portions, amounted to HK\$11.5 million for the first half year, which was a reduction of approximately 20.0% as compared with the same period last year.

The other two iclub hotels, namely, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel, have also been leased to the same lessee of the Group under initial lease terms up to 31st December 2019, with an option to Regal REIT to extend the leases for another five years. Rentals for the first three years of the lease terms are fixed, while the rentals for the remainder of the lease terms will be determined annually through independent market rental reviews.

HOTEL OPERATIONS

Due to the setback encountered by the tourism industry in Hong Kong in the period under review, the five initial Regal Hotels in Hong Kong attained a combined average occupancy rate of 83.0%, a decrease of 9.9 percentage points as compared with the same period last year. Their combined average room rate over the same period also decreased by 3.7%, resulting in a reduction in RevPAR (Revenue per Available Room) of 14.0% year-on-year. Although the room business of these hotels has been adversely affected, the food and beverage businesses for the first half year have conversely achieved substantial improvement and generated total revenue of HK\$302.5 million, reflecting a year-on-year increase of 12.4%. Aggregate NPI for these five hotels for the period amounted to HK\$372.6 million, as compared with HK\$447.2 million attained in the same period in 2014, which is slightly below the prorated base rent of HK\$381.5 million payable to Regal REIT under the leases.

The occupancy levels of the other two new iclub hotels at Sheung Wan and Fortress Hill during the half year under review were 91.2% and 73.6%, respectively. Although these occupancy levels are considered satisfactory for new start-up hotels under the prevailing market conditions, there are still much rooms for improvement. As previously mentioned, any shortfall in the income from the operation of these two hotels below the lease payments payable by the lessee during the first three years of the lease terms will be fully reimbursed by P&R Holdings Limited.

To combat the competitive environment, the Group will continue to invest resources to enhancing its market network and positioning and, in the meantime, will further streamline its business operations to contain costs.

The Group acquired, in October 2014, through a wholly owned subsidiary the La Mola Hotel & Conference Centre in Spain, which is a 4-star luxury hotel with about 186 rooms situated on the outskirts of Barcelona neighbouring a major category golf course. The hotel is currently self-managed by the Group under an external franchise arrangement. The Group is determining for this hotel an operating mode that can best suit its market position and, at the same time, is also planning a renovation programme to upgrade this hotel property.

HOTEL MANAGEMENT

Regal Hotels International Limited, the wholly owned management arm of the Group, is the hotel manager providing hotel management services to all the five full-service Regal Hotels and the three select-service iclub Hotels owned by Regal REIT in Hong Kong.

In China, the Group is providing hotel management services to seven operating hotels, including four in Shanghai, one in Xi'an and two in Dezhou, including the latest Regal Kangbo Hotel and Residence in Dezhou which was just opened in early August 2015. Two more hotels to be managed by the Group, namely, the Regal Financial Center Hotel in Foshan and the iclub Yuhong Hotel in Zhengzhou, are scheduled to be opened within the fourth quarter of 2015. Six other hotels are in the pipeline, which are planned to come on stream in 2016 and 2017.

In addition, the Group is also directly managing the La Mola Hotel & Conference Centre in Barcelona, Spain that it acquired in 2014.

PROPERTIES

During the period under review, the property market in Hong Kong overall remained stable, despite the hefty stamp duty levied by the Hong Kong Government to deter speculative activities. Newly built residential apartments, particularly those smaller-sized units that cater to small families, continued to be in very strong demand, with residential property price indices generally reaching new highs.

The Group's property development businesses are presently undertaken through P&R Holdings, a 50:50 joint venture with Paliburg Holdings Limited, the immediate listed holding company of the Group.

P&R Holdings formally launched in June 2015 the presale of the apartment block, named Domus, in the residential project at Tan Kwai Tsuen Road in Yuen Long, and all the 134 units were sold in one day. The 36 luxurious garden houses, which constitute the main component of the project and named Casa Regalia, are planned to be marketed for sale within the next few months.

Earlier this month, P&R Holdings further launched the sale programme for the ten residential duplex units remaining in Rainbow Lodge in Yuen Long. The market response was equally very favourable and all the ten units were sold within a short period of time.

To replenish its land bank after the sale of the two iclub hotel developments in Sheung Wan and Fortress Hill to Regal REIT, P&R Holdings successfully secured from the Urban Renewal Authority in June 2015 the contract for the development of a new hotel project located at Anchor Street/Fuk Tsun Street in Tai Kok Tsui, Kowloon, which is planned to be developed into a multi-storey hotel building comprising about 288 guest rooms, with ancillary accommodation.

Further details on the development projects and properties of P&R Holdings, including those undertaken in China by Cosmopolitan International Holdings Limited, the listed subsidiary of P&R Holdings, are contained in the section headed "Management Discussion and Analysis" in this Interim Report.

Of the 19 retained luxury garden houses in Regalia Bay, Stanley, one of the houses was recently sold in May 2015, pending completion of the sale and purchase. The Group may lease out some more of these retained houses for rental income, pending their gradual disposals at satisfactory prices.

OTHER INVESTMENTS

The Group maintains a sizable investment portfolio comprising primarily listed securities, investment funds, bonds as well as treasury and yield enhancement products, including the holding of approximately 10% interest in the issued shares of Asia Standard Hotel Group Limited, a company listed in Hong Kong principally engaged in hotel and investment businesses. This investment portfolio has on the whole appreciated in value during the period under review.

The Group completed the acquisition of a fleet of twelve Embraer aircraft in February 2015 for an aggregate purchase price of US\$34.5 million. One of these Embraer aircraft, an ERJ 170 model aircraft, was sold in June 2015 and generated attractive return as compared to its acquisition cost. Together with the other two aircraft previously acquired, being one Airbus 321-211 which is wholly owned and another Airbus A321-200 which is effectively 85%-owned, the Group now owns a portfolio of thirteen aircraft, twelve of which are under leases to airline operators operating in different parts of the world, yielding satisfactory rental income. The lease for the one remaining Embraer aircraft expired recently and negotiations are being conducted for its re-lease or sale.

The Group intends to further expand its aircraft ownership and leasing business and is reviewing from time to time new investment opportunities for the acquisition of additional aircraft. The Group is also considering certain restructuring proposals for the holding of these assets, with a view to ultimately establishing this new line of business as an independent operating business unit of the Group.

OUTLOOK

Although the second half of the year is traditionally the high season for the local hotel industry, the outlook of the hotel businesses for the coming few months continues to be full of challenges. The tourism related industries hope that more Mainland cities will be included in the Individual Visit Scheme to open up new sources of overnight visitors to Hong Kong. On the other hand, Hong Kong will need to put in additional resources to expand its tourist attractions and the Hong Kong community as a whole should also work more closely together to re-cultivate a harmonious environment to maintaining Hong Kong's position as one of the most favourite tourist and shopping destinations in Asia as well as in the world, making it worthy of its long-held reputation.

The Group believes that the recent setback experienced by the tourism market in Hong Kong should be temporary and that the prospects of the hotel businesses in Hong Kong in the long term will remain favourable. The REIT Manager will continue to prudently pursue accretive investment opportunities for Regal REIT, both locally and overseas, with a view to further strengthening its recurring income base.

Apart from the strategic controlling interest in Regal REIT, the Group has invested substantial resources in P&R Holdings, through which the property development business of the Group is undertaken. Many of the projects of P&R Holdings are being gradually completed and it is anticipated that substantial profits and cash flows will be contributed to the Group in the coming few years.

The Directors are optimistic that, with its solid financial strength, the Group will continue to achieve steady progress in the years ahead.

LO YUK SUI

Chairman

Hong Kong
25th August, 2015

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, aircraft ownership and leasing business and other investments including financial assets investments.

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 hotel and property sectors and the 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, and in this section.

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 section.

JOINT VENTURE – P&R HOLDINGS LIMITED

P&R Holdings is a 50:50 owned joint venture established with Paliburg Holdings Limited ("PHL"), 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. The business scope of P&R Holdings is the development of real estate projects for sale and/or leasing, the undertaking of related investment and financing activities, and the acquisition or making of any investments (directly or indirectly) in the financial assets 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 and properties owned by the P&R Holdings group is set out below:

Hong Kong

Apart from the Shun Ning Road development project in Sham Shui Po, Kowloon and the latest Anchor Street/Fuk Tsun Street development project in Tai Kok Tsui, Kowloon, which are being undertaken pursuant to the development contracts awarded by the Urban Renewal Authority of Hong Kong, all of the following ongoing development projects and properties are wholly owned by P&R Holdings group.

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

This residential project has a site area of approximately 11,192 square metres (120,470 square feet) and will provide a total of 170 units, comprising 36 luxurious garden houses and a low-rise apartment block with 134 units, having aggregate gross floor area of approximately 11,192 square metres (120,470 square feet). The superstructure works have been completed and the occupation permit is expected to be issued in the third quarter of 2015. The presale programme for the units in the apartment block, named Domus, was formally launched in June 2015 and all the 134 units were sold in one day. The sale programme for the 36 garden houses, which constitute the main component of the development and named Casa Regalia, is planned to be launched within the next few months.

Management Discussion and Analysis (Cont'd)

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

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and is planned for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet). The foundation works have been completed and the technical difficulties encountered in relation to the adjoining building are being resolved. Some further delay in the construction works is anticipated.

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

The project has an aggregate site area of approximately 700 square metres (7,535 square feet) and is being developed into a hotel with 340 guestrooms, having total gross floor area of approximately 6,298 square metres (67,790 square feet) and covered floor area of approximately 9,490 square metres (102,160 square feet). The foundation works have been completed and the superstructure works are progressing smoothly. This hotel development project is scheduled to be completed in the first half of 2016.

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

This development site has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site is planned to be developed into a shopping mall and the general building plans have been approved. The foundation works are proceeding and currently expected to be completed in the first quarter of 2016. The project is scheduled to be completed in 2017 and is intended to be retained for rental income.

Sha Tin Town Lot No.578, Area 56A, Kau To, Sha Tin, New Territories

The project has a site area of 17,476 square metres (188,100 square feet) and is planned for a luxurious residential development comprising 7 mid-rise apartment blocks with about 136 units, 24 detached garden houses and 198 carparking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The general building plans for the development have been approved and the site formation works and foundation works are progressing. This development is scheduled to be completed in 2017.

Nos.69-83 Shun Ning Road, Sham Shui Po, Kowloon

This is a joint venture project awarded by the Urban Renewal Authority of Hong Kong through a tender process in March 2014. The land has a site area of 824.9 square metres (8,879 square feet) and is planned for a commercial/residential development with total gross floor area of 7,159 square metres (77,059 square feet), providing 155 residential units, 2 storeys of shops and 1 storey of basement carpark. The general building plans have been approved and foundation works commenced. The development is scheduled to be completed in 2017.

Anchor Street/Fuk Tsun Street, Tai Kok Tsui, Kowloon

This is a hotel development project also awarded by the Urban Renewal Authority of Hong Kong through a tender process in June 2015. The project has a site area of 725.5 square metres (7,809 square feet) and total permissible gross floor area of approximately 6,529 square metres (70,278 square feet) and is planned to be developed into a multi-storey hotel building comprising about 288 guest rooms, with ancillary accommodation. The general building plans are being finalised and will be submitted to the Building Authority for approval shortly. Further details with regards to this development project are contained in the announcement of the Company dated 17th June, 2015.

Rainbow Lodge, 9 Ping Shan Lane, Tong Yan San Tsuen, Yuen Long, New Territories

These properties comprise ten residential duplex units with gross area of approximately 1,832 square metres (19,720 square feet) and 14 car parks in a completed residential development. To prepare for the planned disposals, the tenancies for those units that were previously under lease have been terminated, and the sale programme launched in August 2015. The market response was very favourable and all the ten residential units and 13 car parks were sold within a short period of time.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Cosmopolitan is a listed subsidiary of P&R Holdings. Further information relating to the property projects currently undertaken by the Cosmopolitan group in the People's Republic of China, all of which are wholly owned, is set out below:

Property Development

Chengdu Project

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, service apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres. The first stage of the development includes a hotel with 306 hotel rooms and extensive facilities and three residential towers with about 340 residential units with car parking spaces and ancillary commercial accommodation. The construction works for these three residential towers are presently expected to be completed in the third quarter of 2016 and units presale is anticipated to be launched within the next few months. Having considered the current local market environment, a series of business remodeling works are being planned for the hotel, which is now anticipated to be completed in phases from late 2016. The second stage of the development comprises six residential towers with about 960 units, the construction works for which have commenced and are expected to be completed in the second quarter of 2017. The other components comprised within the overall development will continue to be developed in stages.

Tianjin Project

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres, which is planned for a mixed use development comprising commercial, office and residential components with total gross floor area of about 145,000 square metres. The piling works for the project have already been completed and basement excavation works have commenced. Presale of the two residential towers with about 250 residential units is anticipated to be launched within the next few months. The entire development is now anticipated to be completed in stages from 2017.

Management Discussion and Analysis (Cont'd)

Xinjiang Project

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Cosmopolitan group has re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site will be available for commercial development after the requisite inspection, land grant listing and tender procedures are completed. The inspection and measurement of the reforested area by the relevant government authorities is still ongoing and certain remedial re-forestation works will be undertaken to meet the requirements of the government authorities. In the meantime, the Cosmopolitan group is working on the design of the master plan to prepare for the land grant procedures. It is hoped that the final procedures leading to the land grant listing and tender of the development land would be concluded as soon as practicable. Should the Cosmopolitan group successfully secure the development land and depending on the permitted land use, the Cosmopolitan group preliminarily plans to develop on the land, in stages, a large scale mixed use development comprising residential, hotel, recreational and commercial properties.

Property Investment

Beijing Tongzhou Project

As previously reported, certain conditions required to be fulfilled by the counterparty with respect to the co-operation agreement entered into in 2014 for the captioned project have not been satisfied and the co-operation agreement has lapsed. The Cosmopolitan group has determined that the captioned project will not be further pursued.

ASSOCIATE – HANG FOK PROPERTIES LIMITED

Hang Fok is an entity that is 50% beneficially owned by each of the Paliburg group and the Group. Hang Fok holds equity interests in a joint venture project company involved in a development project in the Central Business District in Beijing, the PRC. As previously reported, Hang Fok was engaged in a series of legal actions in the PRC with the other joint venture parties in the Beijing project, some of which were initiated by Hang Fok to protect its equity interests in the Beijing project. Appropriate provisions had been made by Hang Fok in the prior years and the interest held by the Group in the project was carried in the consolidated financial statements at an insignificant amount as at 31st December, 2013. In the process of the legal actions taken, the other joint venture parties have funded the joint venture project company and procured the latter to deposit an amount of approximately RMB195 million into the court in the PRC in August 2014, as repayment proceeds of certain of the shareholder's loans, plus accrued interest thereon, made by Hang Fok to the joint venture project company, which is pending collection by Hang Fok. Accordingly, Hang Fok had recorded a recovery of loans receivable and related interest income of approximately HK\$159.0 million and HK\$84.2 million respectively, and the share attributable to the Group was reflected in the results of the Group in the financial year ended 31st December, 2014. The Group will continue to exercise strenuous efforts with a view to salvaging the value of the Group's interest in this development project.

FINANCIAL REVIEW

ASSETS VALUE

The Group's hotel properties in Hong Kong are owned by Regal REIT and, with the exception of iclub Wan Chai Hotel, iclub Sheung Wan Hotel and iclub Fortress Hill Hotel, 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 deducting accumulated depreciation. The market valuations of these hotel properties have since appreciated substantially but have not been reflected in the Group's financial statements. Moreover, the iclub Sheung Wan Hotel and iclub Fortress Hill Hotel were stated in the Group's financial statements at their fair values at the time of acquisition net of the unrealised gain attributable to the Group and are also subject to depreciation. For the purpose of providing supplementary information, if the Group's entire hotel property portfolio in Hong Kong is restated in the condensed consolidated financial statements at its market value as at 30th June, 2015, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$18.94 per share, as follows:

	As at 30th June, 2015	
	HK\$'M	HK\$ per ordinary share
Book net assets attributable to equity holders of the parent	11,957.3	12.94
Adjustment to restate the Group's hotel property portfolio at its market value and add back the relevant deferred tax liabilities	5,542.9	6.00
Unaudited adjusted net assets attributable to equity holders of the parent	17,500.2	18.94

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 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 Hong Kong dollar is pegged to the US dollar, the exchange risks are considered to be insignificant and no currency hedging has been deployed. As regards the Group's overseas investments which are based in currencies other than US dollar and Hong Kong dollar, the Group will consider hedging part or all of the investment amounts into US dollars or Hong Kong dollars to contain the Group's exposure to currency fluctuation.

Cash Flows

During the period under review, there were net cash flows generated from operating activities of HK\$433.9 million (2014 – HK\$285.5 million). Net interest payment for the period amounted to HK\$100.5 million (2014 – HK\$80.0 million).

Management Discussion and Analysis (Cont'd)

Borrowings and Gearing

As at 30th June, 2015, the Group had cash and bank balances and deposits of HK\$1,370.8 million (31st December, 2014 – HK\$1,818.0 million) and the Group's borrowings net of cash and bank balances and deposits amounted to HK\$9,351.6 million (31st December, 2014 – HK\$9,289.3 million).

As at 30th June, 2015, the gearing ratio of the Group was 36.7% (31st December, 2014 – 35.9%), representing the Group's borrowings net of cash and bank balances and deposits of HK\$9,351.6 million (31st December, 2014 – HK\$9,289.3 million) as compared to the total assets of the Group of HK\$25,487.1 million (31st December, 2014 – HK\$25,849.9 million).

On the basis of the adjusted total assets as at 30th June, 2015 of HK\$32,340.3 million (31st December, 2014 – HK\$34,209.2 million) with the Group's hotel portfolio restated at its market value, the gearing ratio would be 28.9% (31st December, 2014 – 27.2%).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2015 are shown in notes 11 and 12 to the condensed consolidated financial statements.

Pledge of Assets

As at 30th June, 2015, certain 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\$458.3 million (31st December, 2014 – HK\$454.6 million) were pledged to secure bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT, and certain of the Group's property, plant and equipment, investment properties, properties held for sale, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, time deposits and bank balances in the total amount of HK\$11,454.8 million (31st December, 2014 – HK\$11,780.0 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, 2015 are shown in note 18 to the condensed consolidated financial statements.

Contingent Liabilities

As at 30th June, 2015, 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\$2,697.5 million (31st December, 2014 – HK\$2,363.0 million), of which HK\$1,235.7 million (31st December, 2014 – HK\$1,100.2 million) was utilised.

The above 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 share capital of the Company.

DIVIDEND

The Directors have declared the payment of an interim dividend of HK4.0 cents (2014 – HK4.0 cents) per ordinary share for the financial year ending 31st December, 2015, absorbing an amount of approximately HK\$37.0 million (2014 – HK\$37.0 million) and will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 9th October, 2015.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Wednesday, 7th October, 2015 to Friday, 9th October, 2015, 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, 6th October, 2015. The relevant dividend warrants are expected to be despatched on or about 23rd October, 2015.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

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

STAFF AND REMUNERATION POLICY

The Group employs approximately 1,970 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 maintained 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. The life of the share option scheme of the Company ended on 15th June, 2015.

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2, 3	1,251.6	1,057.3
Cost of sales		(692.5)	(546.3)
Gross profit		559.1	511.0
Other income and gain	3	69.9	105.6
Fair value gains on financial assets at fair value through profit or loss, net		43.5	28.7
Fair value gains/(losses) on investment properties, net		14.3	(10.0)
Fair value gain upon reclassification of a property held for sale to an investment property		–	58.0
Administrative expenses		(107.6)	(120.0)
OPERATING PROFIT BEFORE DEPRECIATION		579.2	573.3
Depreciation		(255.1)	(215.4)
OPERATING PROFIT	2, 4	324.1	357.9
Finance costs	5	(166.4)	(162.0)
Share of profits and losses of:			
Joint ventures		18.8	(30.9)
Associates		(12.5)	(9.0)
PROFIT BEFORE TAX		164.0	156.0
Income tax	6	(20.3)	34.2
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		143.7	190.2
Attributable to:			
Equity holders of the parent		123.8	167.1
Non-controlling interests		19.9	23.1
		143.7	190.2
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		HK13.40 cents	HK17.89 cents

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	143.7	190.2
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 investments	5.8	14.8
Cash flow hedges:		
Changes in fair value of cash flow hedges	(0.3)	(4.4)
Transfer from hedge reserve to condensed consolidated statement of profit or loss	1.0	3.1
	0.7	(1.3)
Exchange differences on translating foreign operations	(8.0)	(3.6)
Share of other comprehensive income/(loss) of:		
A joint venture	0.8	(22.6)
An associate	–	(0.2)
Other comprehensive loss for the period	(0.7)	(12.9)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	143.0	177.3
Attributable to:		
Equity holders of the parent	123.0	154.6
Non-controlling interests	20.0	22.7
	143.0	177.3

Condensed Consolidated Statement of Financial Position

		30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	Notes	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment		16,010.3	16,052.8
Investment properties		1,089.0	1,074.0
Investments in joint ventures		3,329.9	3,258.5
Investments in associates		128.8	131.1
Available-for-sale investments		116.6	106.8
Financial asset at fair value through profit or loss		1.9	1.9
Debtors and deposits	9	1,381.5	1,390.0
Deferred tax assets		62.4	62.4
Total non-current assets		<u>22,120.4</u>	<u>22,077.5</u>
CURRENT ASSETS			
Properties held for sale		469.4	533.5
Inventories		34.0	35.7
Debtors, deposits and prepayments	9	401.2	266.8
Held-to-maturity investments		344.6	378.1
Financial assets at fair value through profit or loss		739.4	727.1
Other loan		6.9	13.2
Derivative financial instruments		0.4	–
Restricted cash		38.1	47.2
Pledged time deposits and bank balances		187.2	327.4
Time deposits		475.6	435.4
Cash and bank balances		669.9	1,008.0
Total current assets		<u>3,366.7</u>	<u>3,772.4</u>
CURRENT LIABILITIES			
Creditors, deposits received and accruals	10	(409.5)	(426.6)
Interest bearing bank borrowings	11	(118.6)	(510.9)
Derivative financial instruments		–	(3.4)
Tax payable		(77.5)	(53.1)
Total current liabilities		<u>(605.6)</u>	<u>(994.0)</u>

Condensed Consolidated Statement of Financial Position (Cont'd)

		30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	Notes	HK\$'million	HK\$'million
NET CURRENT ASSETS		<u>2,761.1</u>	<u>2,778.4</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>24,881.5</u>	<u>24,855.9</u>
NON-CURRENT LIABILITIES			
Creditors and deposits received	10	(107.4)	(27.8)
Interest bearing bank borrowings	11	(6,366.2)	(6,362.1)
Other borrowings	12	(4,237.6)	(4,234.3)
Deferred tax liabilities		<u>(1,014.1)</u>	<u>(1,034.7)</u>
Total non-current liabilities		<u>(11,725.3)</u>	<u>(11,658.9)</u>
Net assets		<u>13,156.2</u>	<u>13,197.0</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		92.4	92.4
Reserves		11,827.9	11,741.9
Dividends		<u>37.0</u>	<u>110.9</u>
		<u>11,957.3</u>	<u>11,945.2</u>
Non-controlling interests		<u>1,198.9</u>	<u>1,251.8</u>
Total equity		<u>13,156.2</u>	<u>13,197.0</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2015

Note	Attributable to equity holders of the parent										Total equity (Unaudited) HK\$m	
	Issued 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
At 1st January, 2015	92.4	554.0	15.2	(0.6)	33.5	13.0	42.1	11,084.7	110.9	11,945.2	1,251.8	13,197.0
Profit for the period	-	-	-	-	-	-	-	123.8	-	123.8	19.9	143.7
Other comprehensive income/(loss) for the period:												
Changes in fair value of available-for-sale investments	-	-	-	-	-	5.8	-	-	-	5.8	-	5.8
Cash flow hedges	-	-	-	0.6	-	-	-	-	-	0.6	0.1	0.7
Exchange differences on translating foreign operations	-	-	-	-	-	-	(8.0)	-	-	(8.0)	-	(8.0)
Share of other comprehensive income of a joint venture	-	-	-	-	-	-	0.8	-	-	0.8	-	0.8
Total comprehensive income/(loss) for the period	-	-	-	0.6	-	5.8	(7.2)	123.8	-	123.0	20.0	143.0
Final 2014 dividend declared	-	-	-	-	-	-	-	-	(110.9)	(110.9)	(72.9)	(183.8)
Interim 2015 dividend	-	-	-	-	-	-	-	(37.0)	37.0	-	-	-
At 30th June, 2015	92.4	554.0	15.2	-	33.5	18.8	34.9	11,171.5	37.0	11,957.3	1,198.9	13,156.2

7

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

For the six months ended 30th June, 2015

Note	Attributable to equity holders of the parent										Total equity (Unaudited) HK\$'m
	Issued 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		Dividend (Unaudited) HK\$'m	Total (Unaudited) HK\$'m	Non-controlling interests (Unaudited) HK\$'m	
						revaluation reserve (Unaudited) HK\$'m	exchange equalisation reserve (Unaudited) HK\$'m				
	94.4	6,480.0	13.2	(2.1)	17.6	(0.6)	79.3	100.8	11,774.9	1,336.9	13,111.8
At 1st January, 2014											
Profit for the period	-	-	-	-	-	-	167.1	-	167.1	23.1	190.2
Other comprehensive income/(loss) for the period:											
Changes in fair value of available-for-sale investments	-	-	-	-	-	14.8	-	-	14.8	-	14.8
Cash flow hedges	-	-	-	(0.9)	-	-	-	-	(0.9)	(0.4)	(1.3)
Exchange differences on translating foreign operations	-	-	-	-	-	-	(3.6)	-	(3.6)	-	(3.6)
Share of other comprehensive loss of:											
A joint venture	-	-	-	-	-	-	(27.6)	-	(27.6)	-	(27.6)
An associate	-	-	-	-	-	-	(0.2)	-	(0.2)	-	(0.2)
Total comprehensive income/(loss) for the period	-	-	-	(0.9)	-	14.8	(26.4)	167.1	154.6	22.7	177.3
Final 2013 dividend declared	-	-	-	-	-	-	-	(100.8)	(100.8)	(68.7)	(169.5)
Interim 2014 dividend	-	-	-	-	-	-	-	37.0	-	-	-
Repurchase and cancellation of ordinary shares	(1.5)	(72.7)	1.5	-	-	-	-	-	(74.2)	-	(74.2)
Distribution to a non-controlling shareholder	-	-	-	-	-	-	-	-	-	(1.3)	(1.3)
At 30th June, 2014	92.9	5,753.3	14.7	(3.0)	17.6	14.2	52.9	37.0	11,754.5	1,289.6	13,044.1

Condensed Consolidated Statement of Cash Flows

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
Net cash flows from operating activities	433.9	285.5
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment properties	(0.7)	–
Purchases of items of property, plant and equipment	(191.9)	(673.2)
Proceeds from disposal of items of property, plant and equipment	64.0	–
Deposits paid for purchases of items of property, plant and equipment	(3.4)	–
Purchases of available-for-sale investments	(4.0)	(24.7)
Purchases of held-to-maturity investments	(537.7)	(558.9)
Proceeds from redemption of held-to-maturity investments	571.2	339.9
Advances to a joint venture	(446.4)	(480.6)
Repayment from a joint venture	364.7	939.5
Advances to associates	(10.3)	(12.3)
Repayment from an associate	0.1	1.9
Interest received	43.9	61.5
Decrease in other loan receivable	6.6	–
Decrease in pledged time deposits and bank balances	140.2	30.1
Decrease in restricted cash	6.6	7.9
Net cash flows from/(used in) investing activities	2.9	(368.9)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase and cancellation of ordinary shares	–	(74.2)
Drawdown of new bank loans	312.9	940.2
Repayment of bank loans	(708.0)	(439.1)
Interest paid	(153.1)	(146.4)
Payment of loan and other costs	(2.7)	(10.4)
Dividends paid	(110.4)	(100.5)
Dividends paid to non-controlling shareholders	(72.6)	(68.7)
Distribution to a non-controlling shareholder	–	(1.3)
Decrease in restricted cash	2.4	0.3
Net cash flows from/(used in) financing activities	(731.5)	99.9
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(294.7)	16.5
Cash and cash equivalents at beginning of period	1,443.4	1,303.1
Effect of foreign exchange rate changes, net	(3.2)	(3.9)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,145.5	1,315.7
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	669.9	346.7
Non-pledged time deposits with original maturity of less than three months when acquired	475.6	969.0
	1,145.5	1,315.7

Notes to Condensed Consolidated Financial Statements

1. Accounting Policies

The condensed consolidated 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 financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31st December, 2014, 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, 2015.

Amendments to HKAS 19 <i>Annual Improvements</i> <i>2010-2012 Cycle</i>	<i>Defined Benefit Plans: Employee Contributions</i> Amendments to a number of HKFRSs
<i>Annual Improvements</i> <i>2011-2013 Cycle</i>	Amendments to a number of HKFRSs

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

2. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has six 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 financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments;
- (e) the aircraft ownership and leasing segment engages in the aircraft ownership and leasing for rental income; and
- (f) the others segment mainly comprises travel agency services, sale of food products and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

Notes to Condensed Consolidated Financial Statements (Cont'd)

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.

Following the acquisition of additional aircraft during the current period, the Group has increased its focus on the aircraft ownership and leasing business. A change on the reporting structure of operating segments was made for facilitating management to make decisions about operating matters, resources allocation and performance assessment. Accordingly, an additional reportable operating segment of "Aircraft ownership and leasing" was separately disclosed and certain comparative amounts previously reported under the reportable operating segment of "Others" have been reclassified and restated to conform with the current period's presentation.

Notes to Condensed Consolidated Financial Statements (Cont'd)

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

	Hotel operation and management and hotel ownership															
	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2015 (Unaudited)	2014 (Unaudited)	Six months ended 30th June, 2015 (Unaudited)	2014 (Unaudited)	Six months ended 30th June, 2015 (Unaudited)	2014 (Unaudited)	Six months ended 30th June, 2015 (Unaudited)	2014 (Unaudited)	Six months ended 30th June, 2015 (Unaudited)	2014 (Unaudited)	Six months ended 30th June, 2015 (Unaudited)	2014 (Unaudited)	Six months ended 30th June, 2015 (Unaudited)	2014 (Unaudited)	Six months ended 30th June, 2015 (Unaudited)	2014 (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	HKS'm	HKS'm	HKS'm
Segment revenue:	1,091	1,091	-	-	126.9	6.6	24.0	3.7	46.6	16.7	14.2	11.2	-	-	1,251.6	1,057.3
Sales to external customers	-	-	50.6	64.2	2.9	2.9	-	-	-	-	0.7	-	(54.2)	(61.1)	-	-
Intersegment sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,091	1,091	50.6	64.2	129.8	9.5	24.0	3.7	46.6	16.7	14.9	11.2	(54.2)	(61.1)	1,251.6	1,057.3
Segment results before depreciation	380	509	(5.4)	(5.4)	98.5	78.0	73.1	34.7	56.0	14.7	(2.9)	(3.4)	-	-	599.3	619.5
Depreciation	(23.2)	(206.2)	(0.2)	-	(3.0)	(0.1)	-	-	(20.2)	(8.3)	(0.5)	(0.8)	-	-	(155.1)	(215.4)
Segment operating results	198	297	(5.6)	(5.4)	95.5	77.9	73.1	34.7	35.8	6.4	(3.4)	(4.2)	-	-	344.2	404.1
Unallocated interest income and unallocated non-operating and corporate gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9.0	7.6
Unallocated non-operating and corporate expenses, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(24.1)	(53.8)
Operating profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	344.1	357.9
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(166.4)	(162.0)
Share of profits and losses of:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Joint ventures	-	-	-	-	18.8	(30.9)	-	-	-	-	-	-	-	-	18.8	(30.9)
Associates	-	-	-	-	0.7	(0.2)	-	-	-	-	(3.2)	(8.8)	-	-	(12.5)	(9.0)
Profit before tax	-	-	-	-	105.0	46.8	73.1	34.7	35.8	6.4	(6.6)	(13.0)	-	-	164.0	156.0
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(20.3)	34.2
Profit for the period before allocation between equity holders of the parent and non-controlling interests	-	-	-	-	105.0	46.8	73.1	34.7	35.8	6.4	(6.6)	(13.0)	-	-	143.7	190.2
Attributable to:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity holders of the parent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	123.8	167.1
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19.9	23.1
															163.7	190.2

Notes to Condensed Consolidated Financial Statements (Cont'd)

3. Revenue, Other Income and Gain

Revenue (which is also the Group's turnover), other income and gain are analysed as follows:

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
<u>Revenue</u>		
Hotel operations and management services	1,012.7	993.8
Other operations, including estate management, estate agency, travel agency and sale of food products	14.9	11.7
Rental income:		
Hotel properties	23.8	23.0
Investment properties	8.3	7.0
Aircraft	46.6	16.7
Others	1.3	1.4
Net gain/(loss) from sale of financial assets at fair value through profit or loss	13.4	(3.2)
Net gain/(loss) on settlement of derivative financial instruments	0.9	(1.0)
Interest income from financial assets at fair value through profit or loss	8.7	5.8
Dividend income from listed investments	1.0	2.1
Sale of a property	120.0	–
	<u>1,251.6</u>	<u>1,057.3</u>
<u>Other income and gain</u>		
Bank interest income	8.2	7.2
Other interest income	46.6	68.8
Gain on disposal of items of property, plant and equipment, net	14.7	–
Others	0.4	29.6
	<u>69.9</u>	<u>105.6</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

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

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
Profit/(Loss) from sale of financial assets at fair value through profit or loss	13.4	(3.2)
Profit/(Loss) on settlement of derivative financial instruments	0.9	(1.0)
Profit on disposal of a property	49.6	–
	<u> </u>	<u> </u>

5. Finance Costs

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans wholly repayable within five years	60.0	54.0
Interest on other borrowings wholly repayable within five years	91.2	91.1
Amortisation of debt establishment costs	11.5	11.3
	<u> </u>	<u> </u>
Total interest expenses on financial liabilities not at fair value through profit or loss	162.7	156.4
Fair value changes on derivative financial instruments – cash flow hedges (transfer from hedge reserve)	1.0	3.1
Other loan costs	2.7	2.5
	<u> </u>	<u> </u>
	<u>166.4</u>	<u>162.0</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

6. Income Tax

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
Current – Hong Kong		
Charge for the period	41.1	42.1
Overprovision in prior years	(1.7)	–
Current – Overseas		
Charge for the period	0.3	0.3
Deferred	(19.4)	(76.6)
Total tax charge/(credit) for the period	<u>20.3</u>	<u>(34.2)</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2014 - 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 was required for the joint ventures and associates as no assessable profits were earned by the joint ventures and associates during the period (2014 - Nil).

7. Dividend

The Directors have declared the payment of an interim dividend of HK4.0 cents (2014 - HK4.0 cents) per ordinary share for the financial year ending 31st December, 2015, absorbing an amount of approximately HK\$37.0 million (2014 - HK\$37.0 million).

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

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the period attributable to equity holders of the parent of HK\$123.8 million (2014 - HK\$167.1 million), and on the weighted average of 924.1 million (2014 - 934.2 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, 2015 and 2014 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the periods.

Notes to Condensed Consolidated Financial Statements (Cont'd)

9. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$1,603.2 million (31st December, 2014 - HK\$1,498.2 million) representing the trade debtors of the Group. The aged analysis of these debtors as at the end of the reporting period is as follows:

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	212.4	112.0
Between 4 to 6 months	5.4	4.1
Between 7 to 12 months	4.8	2.7
Over 1 year	1,382.9	1,381.7
	<u>1,605.5</u>	<u>1,500.5</u>
Impairment	(2.3)	(2.3)
	<u><u>1,603.2</u></u>	<u><u>1,498.2</u></u>

Credit terms

Included in the trade debtors of the Group is a sum of HK\$1,372.7 million (31st December, 2014 - HK\$1,372.7 million) due from the Cosmopolitan International Holdings Limited group in respect of the disposal of properties under development in Tianjin which is scheduled to be settled on or before 13th September, 2016 and is interest bearing at 5% per annum. Before this trade debt and related accrued interest are fully settled, the trade debtor pledges its entire equity interests in the relevant holding company of the properties under development in favour of the Group.

Other trade debtors generally have credit terms of 30 to 90 days. The Group does not hold any collateral or other credit enhancements over its other trade debtor balance and other trade debtors are non-interest bearing. Trade debtors 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.

Included in the Group's debtors, deposits and prepayments are amounts due from fellow subsidiaries of HK\$1,431.5 million (31st December, 2014 - HK\$1,398.3 million).

Notes to Condensed Consolidated Financial Statements (Cont'd)

10. Creditors, Deposits Received and Accruals

Included in the balance is an amount of HK\$83.4 million (31st December, 2014 - HK\$93.0 million) representing the trade creditors of the Group. The aged analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	82.6	92.1
Between 4 to 6 months	0.4	0.2
Between 7 to 12 months	0.1	0.3
Over 1 year	0.3	0.4
	<u>83.4</u>	<u>93.0</u>

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

Included in creditors, deposits received and accruals are amounts due to an associate and fellow subsidiaries of HK\$2.8 million (31st December, 2014 - HK\$1.6 million) and HK\$1.5 million (31st December, 2014 - HK\$2.9 million), respectively, which have similar credit terms to those offered by the associate and those fellow subsidiaries to their major customers.

Notes to Condensed Consolidated Financial Statements (Cont'd)

11. Interest Bearing Bank Borrowings

	30th June, 2015 (Unaudited)		31st December, 2014 (Audited)	
	Maturity	HK\$'million	Maturity	HK\$'million
Current				
Bank loans – secured	2015-2016	118.6	2015	510.9
Non-current				
Bank loans – secured	2016-2019	6,366.2	2016-2019	6,362.1
		<u>6,484.8</u>		<u>6,873.0</u>

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'million	HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year	118.6	510.9
In the second year	187.4	191.4
In the third to fifth years, inclusive	6,178.8	6,170.7
	<u>6,484.8</u>	<u>6,873.0</u>

The agreement for term loan facilities of HK\$4,500.0 million and a revolving loan facility of up to HK\$300.0 million (the "2013 IH Facilities") was entered into on 23rd July, 2013 by Regal REIT, through its wholly owned subsidiaries, namely, Bauhinia Hotels Limited and Rich Day Investments Limited as the borrowers, for a term of five years to July 2018, and is secured by three of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel. As at 30th June, 2015, the outstanding amount on the 2013 IH Facilities was HK\$4,500.0 million comprised solely of the full amount of the term loan facilities. On 23rd July, 2015, Regal REIT group cancelled the HK\$300.0 million revolving loan facility under the 2013 IH Facilities as there are other unutilised revolving loan facilities available which bear lower rates of interest. The Regal REIT group entered into interest rate swap arrangements to hedge against interest rate exposure for the term loan facilities for a notional amount of HK\$3.0 billion. The interest rate swaps expired on 9th March, 2015.

On 22nd December, 2014, a term loan facility agreement for a principal amount of HK\$440.0 million (the "2014 WC Facility"), which is secured by the iclub Wan Chai Hotel, was entered into for a term of five years to December 2019. The 2014 WC Facility was fully drawn with the proceeds being applied mainly for the repayment of the previous term loan facility entered into during 2012. As at 30th June, 2015, the outstanding amount on the 2014 WC Facility was HK\$440.0 million.

Notes to Condensed Consolidated Financial Statements (Cont'd)

On 10th February, 2014, Regal REIT group, through its wholly owned subsidiary, Tristan Limited, arranged for a bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving loan facility of up to HK\$158.0 million (the "2014 SW Facilities"), which is secured by the iclub Sheung Wan Hotel. The 2014 SW Facilities have a term of five years to February 2019. As at 30th June, 2015, the utilised 2014 SW Facilities were comprised of the full term loan amount of HK\$632.0 million only.

On 28th July, 2014, Regal REIT group, through its wholly owned subsidiary, Wise Decade Investments Limited, arranged for another bilateral loan facility of up to HK\$825.0 million, comprised of a term loan facility of HK\$660.0 million and a revolving loan facility of up to HK\$165.0 million (the "2014 FH Facilities"), which is secured by the iclub Fortress Hill Hotel. The 2014 FH Facilities have a term of five years to July 2019. As at 30th June, 2015, the utilised 2014 FH Facilities were comprised of the full term loan amount of HK\$660.0 million and part of the revolving loan facility amounting to HK\$65.0 million.

As at 30th June, 2015, the outstanding loan facilities of Regal REIT group bear interest at the Hong Kong Interbank Offered Rates plus an interest margin ranging from 1.4% per annum to 1.62% per annum (31st December, 2014: ranging from 1.4% per annum to 1.62% per annum).

Bank borrowings under the 2013 IH Facilities, the 2014 WC Facility, the 2014 SW Facilities and the 2014 FH Facilities are guaranteed by Regal REIT and/or certain individual companies of the Regal REIT group on a joint and several basis.

The Regal REIT group's interest bearing bank borrowings are also 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 each relevant rental account, sales proceeds account and other control accounts of the Regal REIT group, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Regal REIT group; and
- (v) an equitable charge over the shares in the relevant companies of the Regal REIT group.

The Group's other bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 15 to the condensed consolidated financial statements. They bear interest at HIBOR plus 1.5% per annum (31st December, 2014 - HIBOR plus 1.5% per annum) except for bank loans of HK\$45.7 million (31st December, 2014 - HK\$230.0 million), in aggregate, which bear interest at the bank's cost of fund plus 0.75% per annum (31st December, 2014 - the bank's cost of fund plus 0.75% per annum).

All interest bearing bank borrowings are denominated in Hong Kong dollars except for bank loans of HK\$26.8 million (31st December, 2014 - HK\$209.5 million), in aggregate, which are denominated in United States dollars and a bank loan of HK\$18.9 million (31st December, 2014 - HK\$20.5 million) which is denominated in Euro.

Notes to Condensed Consolidated Financial Statements (Cont'd)

12. Other Borrowings

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'million	HK\$'million
Non-current		
Unsecured other borrowings repayable in the third to fifth years, inclusive	<u>4,237.6</u>	<u>4,234.3</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. Note to the condensed consolidated statement of cash flows

Major non-cash transactions

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
Security deposits, maintenance liabilities and other liabilities assumed in purchases of aircraft	<u>103.6</u>	<u>—</u>
Security deposit and maintenance liabilities settled upon disposal of an aircraft	<u>35.4</u>	<u>—</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

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, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
Fellow subsidiaries:		
Management fees	16.3	13.3
Service fees in respect of security systems and products and other software	0.7	0.6
Repairs and maintenance fees and construction fees	0.2	0.1
An associate:		
Advertising and promotion fees (including cost reimbursements)	7.5	4.2
A joint venture:		
Gross interest income	68.1	87.5
Acquisition of the iclub Sheung Wan Hotel and related current assets	—	1,581.1
	<u> </u>	<u> </u>

The nature and terms of the above related party transactions were already disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2014.

Notes to Condensed Consolidated Financial Statements (Cont'd)

(b) Outstanding balances with related parties:

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'million	HK\$'million
Due from fellow subsidiaries	1,431.5	1,398.3
Due to an associate	(2.8)	(1.6)
Due to fellow subsidiaries	(1.5)	(2.9)
Loans to a joint venture	1,975.9	1,894.2
Due from a joint venture	11.5	13.4
Due from associates	57.2	47.0
	<u> </u>	<u> </u>

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

	Six months ended 30th June, 2015 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	12.5	13.1
Staff retirement scheme contributions	0.8	0.7
	<u> </u>	<u> </u>
Total compensation paid to key management personnel	<u>13.3</u>	<u>13.8</u>

15. Pledge of Assets

As at 30th June, 2015, certain 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\$458.3 million (31st December, 2014 - HK\$454.6 million) were pledged to secure bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT, and certain of the Group's property, plant and equipment, investment properties, properties held for sale, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, time deposits and bank balances in the total amount of HK\$11,454.8 million (31st December, 2014 - HK\$11,780.0 million) were also pledged to secure other banking facilities granted to the Group.

Notes to Condensed Consolidated Financial Statements (Cont'd)

16. Contingent Liabilities

As at 30th June, 2015, 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\$2,697.5 million (31st December, 2014 - HK\$2,363.0 million), of which HK\$1,235.7 million (31st December, 2014 - HK\$1,100.2 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 tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

The Group also leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms of 2 to 3 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 30th June, 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'million	HK\$'million
Within one year	133.6	87.2
In the second to fifth years, inclusive	189.7	141.5
	<u>323.3</u>	<u>228.7</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

(b) As lessee

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

At 30th June, 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'million	HK\$'million
Land and buildings:		
Within one year	12.2	10.6
In the second to fifth years, inclusive	5.7	3.2
After five years	0.3	0.5
	<u>18.2</u>	<u>14.3</u>
Other equipment:		
Within one year	0.3	0.3
In the second to fifth years, inclusive	0.7	0.7
	<u>1.0</u>	<u>1.0</u>
	<u>19.2</u>	<u>15.3</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

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:

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'million	HK\$'million
Contracted, but not provided for:		
Aircraft	–	253.7
Furniture, fixtures and equipment	2.4	–
	<u>2.4</u>	<u>–</u>
	2.4	253.7
Authorised, but not contracted for:		
Hotel buildings	95.3	110.6
	<u>97.7</u>	<u>110.6</u>
	<u>97.7</u>	<u>364.3</u>

At 30th June, 2015, the Group's share of maximum capital commitment as agreed for P&R Holdings Limited ("P&R Holdings") in respect of its property development projects amounted to HK\$2,800.0 million (31st December, 2014 - HK\$1,900.0 million) (the "P&R Capital Commitment"). At 30th June, 2015, shareholder's loans in an aggregate amount of HK\$501.4 million (31st December, 2014 - HK\$913.0 million) has been contributed, of which Nil (31st December, 2014 - Nil) has been provided under the P&R Capital Commitment. In addition, a total amount of HK\$2,697.5 million (31st December, 2014 - HK\$2,363.0 million) has been provided as guarantees, on a several basis, for banking facilities granted to certain subsidiaries of P&R Holdings, of which HK\$2,400.0 million (31st December, 2014 - HK\$1,900.0 million) has been provided under the P&R Capital Commitment.

In addition, three (31st December, 2014 - three) loan facilities totalling HK\$2,212.6 million (31st December, 2014 - HK\$2,212.6 million) have been granted to P&R Holdings, of which HK\$1,474.5 million (31st December, 2014 - HK\$981.2 million) has been utilised, which bear interest at fixed rates of 4% to 5% per annum (2014 - 4% to 5% per annum).

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

	30th June, 2015 (Unaudited)	31st December, 2014 (Audited)
	HK\$'million	HK\$'million
Contracted, but not provided for	1,310.2	1,272.5
Authorised, but not contracted for	1,162.9	1,219.1
	<u>2,473.1</u>	<u>2,491.6</u>

19. Fair Value and Fair Value Hierarchy of Financial Instruments

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.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. Independent professional valuers are engaged for the valuation as appropriate. The valuation is reviewed and approved by management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value as at 30th June, 2015

	Fair value measurement using			Total (Unaudited) HK\$'million
	Quoted prices in active markets Level 1 (Unaudited) HK\$'million	Significant observable inputs Level 2 (Unaudited) HK\$'million	Significant unobservable inputs Level 3 (Unaudited) HK\$'million	
Available-for-sale investments:				
Unlisted equity investments	–	–	112.7	112.7
Financial assets at fair value through profit or loss:				
Listed equity investments	498.3	17.2	–	515.5
Listed debt investments	–	223.9	–	223.9
Structured deposit	–	1.9	–	1.9
Derivative financial instruments	–	0.4	–	0.4
	498.3	243.4	112.7	854.4

Notes to Condensed Consolidated Financial Statements (Cont'd)

Assets measured at fair value as at 31st December, 2014

	Fair value measurement using			Total (Audited) HK\$'million
	Quoted prices in active markets Level 1 (Audited) HK\$'million	Significant observable inputs Level 2 (Audited) HK\$'million	Significant unobservable inputs Level 3 (Audited) HK\$'million	
Available-for-sale investments:				
Unlisted equity investments	–	–	106.8	106.8
Financial assets at fair value through profit or loss:				
Listed equity investments	494.9	17.0	–	511.9
Listed debt investments	–	215.2	–	215.2
Structured deposit	–	1.9	–	1.9
	<u>494.9</u>	<u>234.1</u>	<u>106.8</u>	<u>835.8</u>

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

	2015 (Unaudited) HK\$'million	2014 (Audited) HK\$'million
Available-for-sale investments – unlisted:		
At 1st January	106.8	9.1
Purchases	0.1	84.1
Total gain recognised in other comprehensive income	5.8	13.6
At 30th June/31st December	<u>112.7</u>	<u>106.8</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

Liabilities measured at fair value as at 31st December, 2014

	Fair value measurement using			Total (Audited) HK\$'million
	Quoted prices in active markets Level 1 (Audited) HK\$'million	Significant observable inputs Level 2 (Audited) HK\$'million	Significant unobservable inputs Level 3 (Audited) HK\$'million	
Derivative financial instruments	–	3.4	–	3.4

The Group did not have any financial liabilities measured at fair value as at 30th June, 2015.

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 for both financial assets and financial liabilities (31st December, 2014 - Nil).

Valuation techniques

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

The unlisted equity investments are carried at net asset values provided by financial institutions or related administrators.

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

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

20. Share Options

The Company operated 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 previously granted under the Share Option Scheme did not confer rights on the holders to dividends or to vote at shareholders' meetings. The life of the Share Option Scheme ended on 15th June, 2015.

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

21. 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 25th August, 2015.

Other Information

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2015, 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	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2015)
				Personal interests	Corporate interests	Family/Other interests	
1.	The Company	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	610,881,261 (Note c)	260,700	611,166,161 (66.14%)
		Miss Lo Po Man	Ordinary (issued)	300,000	–	269,169 (Note d)	569,169 (0.06%)
		Dr. Francis Choi Chee Ming	Ordinary (issued)	50,240,000	–	–	50,240,000 (5.44%)
		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)	103,787,396	1,769,164,691 (Note a)	380,683	1,873,332,770 (58.47%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
		Ms. Belinda Yeung Bik Yiu	Ordinary (issued)	200	–	–	200 (0.000%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		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%)

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, 2015)
				Personal interests	Corporate interests	Family/Other interests	
3.	Paliburg Holdings Limited ("PHL")	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,376,803 (Note b)	15,000	830,469,817 (74.51%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		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%)
		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)	200	–	–	200 (0.000%)
4.	Cosmopolitan International Holdings Limited ("Cosmopolitan")	Mr. Lo Yuk Sui	Ordinary (i) (issued)	–	2,826,776,716 (Note e)	–	2,826,776,716
			Ordinary (ii) (unissued)	–	4,683,461,057 (Note f)	–	4,683,461,057
							<hr/>
							Total: 7,510,237,773 (176.69%)
				Preference (issued)	–	2,004,889,629 (Note f)	–
		Miss Lo Po Man	Ordinary (issued)	1,380,000	–	–	1,380,000 (0.03%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.05%)

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, 2015)
				Corporate interests	Family/Other interests		
5. Regal REIT Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	-	2,443,033,102 (Note g)	-	2,443,033,102 (74.99%)	
6. 8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	1,000 (Note h)	-	1,000 (100%)	

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 693,640,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.46% shareholding interests as at 30th June, 2015.

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

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

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

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

- (c) The interests in 421,400 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.46% shareholding interests as at 30th June, 2015. The interests in 593,515,861 issued ordinary shares of the Company were held through companies wholly owned by PHL, in which CCIHL held 62.23% shareholding interests as at 30th June, 2015. The interests in the other 16,944,000 issued ordinary shares of the Company were held through a wholly owned subsidiary of Cosmopolitan, in which P&R Holdings Limited ("P&R Holdings") (which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries) held 64.26% shareholding interests as at 30th June, 2015. PHL held 66.06% shareholding interests in the Company as at 30th June, 2015.

Other Information (Cont'd)

- (d) The interests in 269,169 issued ordinary shares of the Company were held by Miss Lo Po Man as the beneficiary of a trust.
- (e) The interests in 2,731,316,716 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries. The interests in the other 95,460,000 issued shares of Cosmopolitan were held through wholly owned subsidiaries of the Company. PHL, in which CCIHL held 62.23% shareholding interests as at 30th June, 2015, held 66.06% shareholding interests in the Company as at 30th June, 2015. Mr. Lo held 58.46% shareholding interests in CCIHL as at 30th June, 2015.
- (f) The interests in 4,683,461,057 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.23% shareholding interests as at 30th June, 2015, held 66.06% shareholding interests in the Company as at 30th June, 2015. Mr. Lo held 58.46% shareholding interests in CCIHL as at 30th June, 2015.

The interests in 2,004,889,629 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 2,004,889,629 convertible preference shares of Cosmopolitan, convertible into new ordinary shares of Cosmopolitan on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 1,428,571,428 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in the convertible bonds in the principal amount of HK\$500,000,000 issued by a wholly owned subsidiary of Cosmopolitan. The convertible bonds are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.35 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

The interests in 1,250,000,000 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in the possible subscription for the optional convertible bonds in a principal amount of HK\$500,000,000 to be issued by a wholly owned subsidiary of Cosmopolitan pursuant to the subscription agreement dated 30th April, 2014 (as supplemented by a supplemental agreement dated 19th June, 2014) entered into between Cosmopolitan and P&R Holdings. The optional convertible bonds, if subscribed for and issued, will be convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.40 per ordinary share (subject to adjustments in accordance with the terms of the optional convertible bonds).

- (g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly owned subsidiary of Cosmopolitan. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly owned subsidiaries of the Company. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of PHL. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. Cosmopolitan was held as to 64.26% shareholding interests by P&R Holdings, which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries, as at 30th June, 2015. PHL, in which CCIHL held 62.23% shareholding interests as at 30th June, 2015, held 66.06% shareholding interests in the Company as at 30th June, 2015. Mr. Lo held 58.46% shareholding interests in CCIHL as at 30th June, 2015.
- (h) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 58.46% shareholding interests as at 30th June, 2015, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 30th June, 2015, 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 "Regal Share Option Scheme"), and there were no options held by such persons under the Regal Share Option Scheme:

- (i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) any participant under the Regal 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 Regal Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2015, 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, 2015
CCIHL (Note i)	610,881,261	–	610,881,261	66.11%
Century City BVI Holdings Limited ("CCBVI") (Note ii)	610,881,261	–	610,881,261	66.11%
PHL (Note iii)	610,459,861	–	610,459,861	66.06%
Paliburg Development BVI Holdings Limited (Note iv)	610,459,861	–	610,459,861	66.06%
Guo Yui Investments Limited (Note iv)	271,140,466	–	271,140,466	29.34%
Paliburg BVI Holdings Limited (Note iv)	230,870,324	–	230,870,324	24.98%
Taylor Investments Ltd. (Note iv)	154,232,305	–	154,232,305	16.69%
Glaser Holdings Limited (Note iv)	58,682,832	–	58,682,832	6.35%

Notes:

- (i) The interests in the ordinary shares of the Company 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 62.23% shareholding interests in PHL as at 30th June, 2015, 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, 2015, 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, Miss Lo Po Man, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, 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, Miss Lo Po Man, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To 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, 2014 is set out below:

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

Mr. Wong Chi Keung	Appointed as an independent non-executive director and a member of the audit committee of Changfeng Axle (China) Company Limited (name changed to Fortunet e-Commerce Group Limited with effect from 28th May, 2015), a company listed on the Stock Exchange, with effect from 25th March, 2015.
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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, 2015 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)	7.9	–	Nil	Nil
8D Matrix Limited	(B)	40.6	–	Nil	Nil
Bright Future (HK) Limited	(C)	5.6	–	Nil	Nil
Yieldtop Holdings Limited	(D)	2.3	–	Nil	Nil
P&R Holdings Limited	(E)	<u>1,975.9</u>	(F) <u>11.5</u>	(G)(i) <u>2,697.5</u>	(G)(ii) <u>1,235.7</u>
				Total: (A) to (G)(i)	<u>4,741.3</u>
				(A) to (F) & (G)(ii)	<u>3,279.5</u>

8D International (BVI) Limited ("8D-BVI") is a 30% owned associate of the Company, which was 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 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 owns a wholly owned subsidiary involved in advertising and promotion businesses. 8D Matrix also owns two wholly owned subsidiaries, Century Innovative Technology Limited and 深圳市世紀創意科技有限公司 (collectively, "Century Innovative Technology"), which are principally engaged in the online education, entertainment and technology business based on the "Bodhi and Friends" characters. 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 and Century Innovative Technology. The advances are unsecured, interest-free and have no fixed terms of repayment.

Bright Future (HK) Limited ("Bright Future"), a 50% owned associate of the Company, owns a 90% effective equity interest in a foreign enterprise engaged in the operation of a hotel in Qinghai in the People's Republic of China (the "PRC") which was disposed of in the prior year. 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.

Yieldtop Holdings Limited ("Yieldtop"), 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 Yieldtop is indirectly held by PHL. The advances to Yieldtop were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in Yieldtop, for the purpose of funding the working capital requirements of Yieldtop and its investment in the Investee Companies. The advances to Yieldtop are unsecured, interest-free and have no fixed terms of repayment.

P&R Holdings principally engages in the development of real estate projects for sale and/or leasing and the undertaking of related investment and financing activities. P&R Holdings group holds, through its wholly owned subsidiaries, interests in a number of property development projects in Hong Kong and also holds, through Cosmopolitan (the listed subsidiary of P&R Holdings), interests in certain property development projects in Mainland China. Information relating to the investment of P&R Holdings group in such property development projects are disclosed in the preceding Management Discussion and Analysis. The advances to P&R Holdings were provided by a wholly owned subsidiary of the Company in the form of shareholder's loans 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 except for an aggregate amount of HK\$1,474.5 million, which bears interest at a fixed rate of 4% to 5% per annum. The guarantees were provided by the Company 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\$2,697.5 million made available to five wholly owned subsidiaries of P&R Holdings for financing their development projects in Hong Kong. Further information relating to the Group's share of the maximum capital commitment to P&R Holdings, the shareholder's loans provided by the Group under such commitment and the several guarantees provided by the Company for securing banking facilities granted to certain wholly owned subsidiaries of P&R Holdings is set out in note 18 to the condensed consolidated financial statements.

Calculated on the basis shown above, as at 30th June, 2015, 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\$4,741.3 million (based on the total available amount of the banking facilities) and (b) HK\$3,279.5 million (based on the total amount of banking facilities drawdown) represented (a) 18.6% and (b) 12.9% of the consolidated total assets of the Group of HK\$25,487.1 million, calculated by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2015.

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, 2015, which were discloseable pursuant to Rule 13.16 of Chapter 13 of the Listing Rules.

Other Information (Cont'd)

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

	Combined statement of financial position (HK\$'million)	The Group's attributable interest (HK\$'million)
Non-current assets	4,865.6	2,430.2
Current assets	8,509.1	4,251.1
Current liabilities	(1,023.8)	(511.1)
Non-current liabilities	(8,995.4)	(4,465.3)
	<u>3,355.5</u>	<u>1,704.9</u>
Non-controlling interests	(383.5)	(191.7)
Net assets attributable to equity holders of the parent	<u>2,972.0</u>	<u>1,513.2</u>

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, 2015, 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, 2015.

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, 2015.

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, GBS, JP (*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, 2015, 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 18 to 44 which comprises the condensed consolidated statement of financial position as at 30th June, 2015 and the related condensed consolidated statement of profit or loss, 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

25th August, 2015



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