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)

ANNOUNCEMENT OF 2012 INTERIM RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2012	Six months ended 30th June, 2011	% Change
	(Unaudited)	(Unaudited)	
	HK$'M	HK$'M	
Revenue	**1,250.0**	930.4	**+34.4%**
Gross profit	**601.3**	382.6	**+57.2%**
Operating profit before depreciation and finance costs	**674.5**	66.2	**+918.9%**
Profit for the period attributable to equity holders of the parent	**380.6**	420.9	**-9.6%**
Earnings per ordinary share attributable to equity holders of the parent	**HK$0.38**	HK$0.42	**-9.5%**
Interim dividend per ordinary share	**HK3.3 cents**	HK3.0 cents	**+10.0%**

	As at 30th June, 2012	As at 31st December, 2011	
	(Unaudited)	(Unaudited)	
Net asset value per ordinary share after non-controlling interests			
Book	**HK$12.04**	HK$11.53	**+4.4%**
***Adjusted**	**HK$15.93**	HK$14.80	**+7.6%**

*compiled, for the purpose of reference, on an adjusted basis to restate the Group's hotel property portfolio at its market value at 30th June, 2012 with the relevant deferred tax liabilities added back

- **The core hotel business of the Group continued to enjoy healthy growth and generated increased profits.**
- **Operating profit before depreciation and finance costs for the period under review amounted to HK$674.5 million, substantially above the corresponding amount of HK$66.2 million attained in 2011.**
- **As gains of over HK$600 million were recorded in the first six months of 2011 from share of profits of jointly controlled entities, the overall attributable profit attained in the interim period last year was comparatively higher than that for the period under review.**
- **The combined average occupancy for the five initial Regal Hotels in Hong Kong was about 87.5 %, which was in line with the industry average, with achieved average room rate improving by about 15.5% over the same comparative period. Aggregate net property income for the first six months amounted to HK$406.1 million, which represented a year-on-year increase of about 13.4% and exceeded the prorated base rent by approximately HK$83.6 million.**
- **The Regal iClub Hotel in Wanchai, the sixth Regal Hotel in Hong Kong, recorded a high average occupancy of about 96.7%, with the average achieved room rate also improved by about 11.2%.**
- **The contract for the sale of the two front-row houses in Regalia Bay, Stanley was completed during the period. The Group still retains a total of 19 houses in Regalia Bay, three of which are presently under leases to third parties.**
- **P&R Holdings Limited, a jointly controlled entity 50% owned by the Group, is undertaking four wholly owned property projects in Hong Kong and one majority-owned composite development project in Chengdu, Sichuan, China. The projects are on the whole progressing steadily.**
- **Apart from the six Regal Hotels in Hong Kong owned by Regal REIT, the Group is providing management services to a total of 7 operating hotel properties and 8 hotel projects under development in China, spanning across 11 cities in 8 provinces and 1 municipality. Various new management contracts are under negotiations which, when concluded, will further add to the Group's hotel network.**
- **The Directors are confident of the future prospects of the hotel business in Hong Kong and, with its solid financial strength and extensive experience, the Group will continue to seek appropriate opportunities to further expand its core business portfolio.**

FINANCIAL RESULTS

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

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

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

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

BUSINESS OVERVIEW

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

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

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

HOTELS

MARKET OVERVIEW

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

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

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

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

HOTEL OWNERSHIP

REGAL REAL ESTATE INVESTMENT TRUST

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

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

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

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

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

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

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

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

HOTEL OPERATIONS

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

HOTEL MANAGEMENT

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

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

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

PROPERTIES

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

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

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

OTHER INVESTMENTS

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

OUTLOOK

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise hotel ownership business undertaken through 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 and the interest in the retained houses in Regalia Bay in Stanley, and other investment businesses.

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

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the above sections headed “Business Overview” and “Outlook” and in this sub-section.

Joint Venture – P&R Holdings Limited

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

Hong Kong

Nos.132-140 Bonham Strand, Sheung Wan

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

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

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

Nos.14-20 Merlin Street, North Point

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

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

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

Mainland China

Composite development project in Xindu District, Chengdu, Sichuan

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

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

Regal (Chongqing) Equity Investment Fund

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

FINANCIAL REVIEW

ASSETS VALUE

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

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

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

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

Cash Flow

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

Borrowings and Gearing

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

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

Details of the maturity profile of the borrowings of the Group as of 30th June, 2012 are shown in the condensed consolidated financial statements ("Interim Financial Statements") contained in the interim report for the six months ended 30th June, 2012 of the Company to be published before 30th September, 2012.

Pledge of Assets

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

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2012 are shown in the Interim Financial Statements.

Contingent Liabilities

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

DIVIDEND

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

CLOSURE OF REGISTER

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

HALF YEAR RESULTS

Condensed Consolidated Income Statement

	Six months ended 30th June, 2012 (Unaudited) HK$'M	Six months ended 30th June, 2011 (Unaudited) HK$'M
REVENUE (Note 2)	**1,250.0**	930.4
Cost of sales	**(648.7)**	(547.8)
Gross profit	**601.3**	382.6
Other income and gains (Note 3)	**9.1**	58.0
Administrative expenses	**(87.8)**	(72.9)
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	**9.2**	(387.8)
Fair value gains on investment properties, net	**5.5**	86.3
Realisation of hedge reserve	**137.2**	–
OPERATING PROFIT BEFORE DEPRECIATION	**674.5**	66.2
Depreciation	**(189.4)**	(181.4)
OPERATING PROFIT/(LOSS) (Notes 2 & 4)	**485.1**	(115.2)
Finance costs (Note 5)	**(65.2)**	(95.1)
Share of profits and losses of:		
Jointly controlled entities	**(0.1)**	653.5
Associates	**(1.5)**	(1.2)
PROFIT BEFORE TAX	**418.3**	442.0
Income tax expense (Note 6)	**(16.9)**	(12.7)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**401.4**	429.3

Condensed Consolidated Income Statement (Cont'd)

	Six months ended 30th June, 2012	Six months ended 30th June, 2011
	(Unaudited)	(Unaudited)
	HK$'M	HK$'M
Attributable to:		
Equity holders of the parent	**380.6**	420.9
Non-controlling interests	**20.8**	8.4
	401.4	429.3
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic and diluted	**HK$0.38**	HK$0.42

Condensed Consolidated Statement of Comprehensive Income

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

Condensed Consolidated Statement of Financial Position

	30th June, 2012 (Unaudited) HK$'M	31st December, 2011 (Audited) HK$'M
NON-CURRENT ASSETS		
Property, plant and equipment	**13,872.1**	14,041.4
Investment properties	**892.0**	886.0
Investments in jointly controlled entities	**1,662.3**	1,689.6
Investments in associates	**26.9**	16.7
Available-for-sale investments	**20.4**	18.0
Financial assets at fair value through profit or loss	**24.7**	508.6
Other loan	**18.3**	17.6
Total non-current assets	**16,516.7**	17,177.9
CURRENT ASSETS		
Properties held for sale	**786.6**	914.3
Hotel inventories	**25.8**	26.0
Debtors, deposits and prepayments (Note 9)	**364.1**	208.8
Other loan	**15.0**	14.5
Held-to-maturity investments	**147.4**	45.1
Available-for-sale investment	**7.8**	7.7
Financial assets at fair value through profit or loss	**720.5**	240.5
Restricted cash	**17.7**	69.2
Pledged time deposits and bank balances	**238.8**	301.6
Time deposits	**529.3**	569.2
Cash and bank balances	**392.1**	286.0
Total current assets	**3,245.1**	2,682.9

Condensed Consolidated Statement of Financial Position (Cont'd)

	30th June, 2012 (Unaudited) HK$'M	31st December, 2011 (Audited) HK$'M
CURRENT LIABILITIES		
Creditors and accruals (Note 10)	**(257.7)**	(372.8)
Interest bearing bank borrowings	**(172.7)**	(4,731.1)
Derivative financial instruments	–	(32.0)
Tax payable	**(25.2)**	(1.4)
Total current liabilities	**(455.6)**	(5,137.3)
NET CURRENT ASSETS/(LIABILITIES)	**2,789.5**	(2,454.4)
TOTAL ASSETS LESS CURRENT LIABILITIES	**19,306.2**	14,723.5
NON-CURRENT LIABILITIES		
Interest bearing bank borrowings	**(5,186.9)**	(627.1)
Deferred tax liabilities	**(1,078.9)**	(1,093.3)
Total non-current liabilities	**(6,265.8)**	(1,720.4)
Net assets	**13,040.4**	13,003.1
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**96.4**	100.1
Reserves	**11,475.2**	11,352.6
Dividends	**31.8**	90.1
	11,603.4	11,542.8
Non-controlling interests	**1,437.0**	1,460.3
Total equity	**13,040.4**	13,003.1

Notes:

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2011, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2012.

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

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

2. OPERATING SEGMENT INFORMATION

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

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

(b) the asset management segment engages in the provision of asset management services to Regal REIT;

(c) the property development and investment segment includes investments in properties for sale and for rental income, and the provision of property agency and management services;

(d) the securities investment segment engages in securities trading and investment businesses; and

(e) the others segment mainly comprises travel agency services and sale of food products.

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

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

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

Group

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Securities investment		Others		Eliminations		Consolidated	
	Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Segment revenue:														
Sales to external customers	919.1	785.9	-	-	291.1	102.3	5.0	0.9	34.8	41.3	-	-	1,250.0	930.4
Intersegment sales	-	5.1	38.5	32.7	1.7	1.7	-	-	-	-	(40.2)	(39.5)	-	-
Total	919.1	791.0	38.5	32.7	292.8	104.0	5.0	0.9	34.8	41.3	(40.2)	(39.5)	1,250.0	930.4
Segment results before depreciation	407.6	368.4	(5.2)	(4.7)	140.6	96.3	15.4	(387.1)	0.1	0.3	-	-	558.5	73.2
Depreciation	(188.9)	(180.4)	-	(0.2)	(0.1)	(0.1)	-	-	(0.3)	(0.7)	-	-	(189.3)	(181.4)
Segment operating results	218.7	188.0	(5.2)	(4.9)	140.5	96.2	15.4	(387.1)	(0.2)	(0.4)	-	-	369.2	(108.2)
Unallocated interest income and unallocated non-operating and corporate gains													143.1	8.7
Unallocated non-operating and corporate expenses, net													(27.2)	(15.7)
Operating profit/(loss)													485.1	(115.2)
Finance costs													(65.2)	(95.1)
Share of profits and losses of:														
Jointly controlled entities	-	-	-	-	(0.1)	653.5	-	-	-	-	-	-	(0.1)	653.5
Associates	(0.3)	(0.2)	-	-	(0.6)	(0.8)	-	-	(0.6)	(0.2)	-	-	(1.5)	(1.2)
Profit before tax													418.3	442.0
Income tax expense													(16.9)	(12.7)
Profit for the period before allocation between equity holders of the parent and non-controlling interests													401.4	429.3
Attributable to:														
Equity holders of the parent													380.6	420.9
Non-controlling interests													20.8	8.4
													401.4	429.3
Other segment information:														
Other interest income	1.2	-	-	-	0.3	-	1.7	-	-	-				

3. Other income and gains represent the following items:

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

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

	Six months ended 30th June, 2012 (Unaudited) HK$'M	Six months ended 30th June, 2011 (Unaudited) HK$'M
Profit/(loss) on disposal of listed investments	**4.0**	(1.1)
Profit on disposal of properties	**142.8**	15.3

5. Finance costs of the Group are as follows:

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

6. The income tax charge for the period arose as follows:

	Six months ended 30th June, 2012 (Unaudited) HK$'M	Six months ended 30th June, 2011 (Unaudited) HK$'M
Group:		
Current – Hong Kong		
Charge for the period	**32.2**	18.9
Current – Overseas		
Over provision in prior years	**(0.9)**	(0.1)
Deferred	**(14.4)**	(6.1)
Total tax charge for the period	**16.9**	12.7

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2011 – 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

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

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

7. Dividend:

	For year ending 31st December, 2012	**For year ended 31st December, 2011**
	HK$'M	**HK$'M**
Interim – HK3.3 cents (2011 – HK3.0 cents) per ordinary share	**31.8**	30.0

8. The calculation of basic earnings per ordinary share is based on the profit for the period attributable to equity holders of the parent of HK$380.6 million (2011 – HK$420.9 million), and on the weighted average of 992.5 million (2011 – 1,001.4 million) ordinary shares of the Company in issue during the period.

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

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

9. Included in debtors, deposits and prepayments is an amount of HK$119.8 million (31st December, 2011 – HK$131.5 million) representing the trade debtors of the Group. The aged analysis of such debtors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2012	**31st December, 2011**
	(Unaudited)	**(Audited)**
	HK$'M	**HK$'M**
Outstanding balances with ages:		
Within 3 months	**99.8**	117.2
Between 4 to 6 months	**12.4**	8.2
Between 7 to 12 months	**3.2**	3.0
Over 1 year	**5.7**	4.4
	121.1	132.8
Impairment	**(1.3)**	(1.3)
	119.8	131.5

Credit terms

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

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

10. Included in creditors and accruals is an amount of HK$51.1 million (31st December, 2011 – HK$75.9 million) representing the trade creditors of the Group. The aged analysis of such creditors as at the end of the reporting period, based on the invoice date, is as follows:

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

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

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

During the six months ended 30th June, 2012, the Company repurchased a total of 37,344,000 ordinary shares of the Company at aggregate purchase prices of HK$115,259,720 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") through the implementation of an on-market programme of repurchases of up to 38,886,400 ordinary shares of the Company at a maximum price of HK$3.80 per share (the "RH Share Repurchase Programme"). Details of the repurchases of such ordinary shares were as follows:

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

The RH Share Repurchase Programme was operative for 90 days from the business day immediately following the date of a joint announcement dated 20th April, 2012 of the Company, i.e. 23rd April, 2012, until 21st July, 2012 or the date when the maximum of 38,886,400 ordinary shares were repurchased, whichever was earlier. The RH Share Repurchase Programme ended on 21st July, 2012 and a total of 37,344,000 ordinary shares were repurchased by the Company. All the repurchased ordinary shares were cancelled during the period. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled.

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

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

REVIEW OF RESULTS

The Group's condensed consolidated interim financial statements for the six months ended 30th June, 2012 have not been audited, but have been reviewed by Ernst & Young, the Company's external auditors, whose review report is contained in the Company's interim report for the six months ended 30th June, 2012 to be despatched to shareholders.

The Audit Committee has reviewed the Group's condensed consolidated interim financial statements for the six months ended 30th June, 2012, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices (effective until 31st March, 2012) and the Corporate Governance Code (effective from 1st April, 2012) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30th June, 2012, except that:

1. The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals, due to practical necessity to cater to the Group's corporate operating structure.

2. The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Bye-laws of the Company, all Directors (including the Non-Executive Director and the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

3. The Non-Executive Director of the Company was unable to attend the Annual General Meeting of the Company held in May 2012 due to other engagement.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises the following members:

Executive Directors:
Mr. LO Yuk Sui
(Chairman and Chief Executive Officer)
Ms. Belinda YEUNG Bik Yiu
(Chief Operating Officer)
Mr. Donald FAN Tung
Mr. Jimmy LO Chun To
Miss LO Po Man
Mr. Kenneth NG Kwai Kai
Mr. Allen WAN Tze Wai

Non-Executive Director:
Dr. Francis CHOI Chee Ming, GBS, JP
(Vice Chairman)

Independent Non-Executive Directors:
Ms. Alice KAN Lai Kuen
Professor Japhet Sebastian LAW
Mr. NG Siu Chan
Mr. WONG Chi Keung

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 27th August, 2012