



2014 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
20	Condensed Consolidated Financial Statements
20	Condensed Consolidated Statement of Profit or Loss
21	Condensed Consolidated Statement of Comprehensive Income
22	Condensed Consolidated Statement of Financial Position
24	Condensed Consolidated Statement of Changes in Equity
26	Condensed Consolidated Statement of Cash Flows
27	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

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Directors' Profile

Mr. Lo Yuk Sui, aged 69; *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 34; *Vice Chairman and Managing Director* — Joined the Group in 2000 and appointed to the Board in 2004. Miss Lo has been elected as a Vice Chairman and appointed as the Managing Director in 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 68; *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 vice chairman and non-executive director of Town Health International Medical Group Limited (formerly known as Town Health International Investments Limited), a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Ms. Belinda Yeung Bik Yiu, aged 56; *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, First Vice Chairman of the Federation of Hong Kong Hotel Owners, Fellow of The Hong Kong Polytechnic University (“PolyU”) and Chairman of the Industry Advisory Committee of PolyU's School of Hotel & Tourism Management.

Directors' Profile (Cont'd)

Mr. Donald Fan Tung, aged 57; *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 59; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. She 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, Asia Investment Research Limited and Lotus Asset Management Limited. She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is also an independent non-executive director of China Engin 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 62; *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 on 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, 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 40; 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 84; 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 55; 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 59; 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, Golden Eagle Retail Group Limited, TPV Technology Limited, Yuan Heng Gas Holdings Limited (formerly known as Ngai Lik Industrial Holdings Limited) and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management.

Chairman's Statement

Dear shareholders,

I am pleased to present herewith the 2014 Interim Report of the Company.

FINANCIAL RESULTS

For the six months ended 30th June, 2014, the Group achieved an unaudited consolidated profit attributable to shareholders of HK\$167.1 million, an increase of about 1.8 times over the HK\$60.5 million attained for the comparative period last year.

During the period under review, the Group's core hotel business has achieved satisfactory performance. The gross operating profits for the five initial Regal Hotels and the iclub Wan Chai Hotel for the first six months amounted to HK\$476.0 million, which represents an increase of 8.9% over the corresponding period in 2013. However, as previously explained, as all the Group's hotel properties, which are owned through Regal Real Estate Investment Trust, are effectively self-operated within the Group, they are required to be stated in the Group's consolidated financial statements at cost less accumulated depreciation under the currently applicable accounting standards. Accordingly, total depreciation charges on the Group's hotel properties for the period amounted to HK\$202.7 million which, though having no immediate cash flow impact, have adversely affected the amount of profit reported.

Shareholders could also 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, that if all the Group's hotel properties were to be stated in the Group's unaudited financial statements under review at their appraised market values as at 30th June, 2014, the adjusted net asset value per share of the Company as at 30th June, 2014 would have amounted to HK\$19.67.

DIVIDEND

The Directors have declared the payment of an interim dividend of HK4.0 cents per ordinary share for the financial year ending 31st December, 2014, representing an increase of 11.1% over the interim dividend of HK3.6 cents per ordinary share paid for the last financial year. This interim dividend will absorb an amount of approximately HK\$37.0 million (2013 – HK\$34.7 million) and will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 10th October, 2014.

BUSINESS OVERVIEW

HOTELS

MARKET OVERVIEW

The pace of recovery in the global economy during the period under review was slower than expected but is anticipated to pick up in the latter part of 2014. In China, the central government authorities have implemented limited and targeted policy measures to support economic activities in the second half of the year and the growth in its GDP in 2014 is projected to be around 7.4%. Meanwhile, Hong Kong's economy expanded moderately in the first half of 2014 and its GDP for the year as a whole is now forecast to grow between 2% to 3%. Nevertheless, there are still concerns on potential downside risks, which could be caused by the persistent financial weakness in some economies in the Euro area and Latin America, the raising of long term interest rates and the increased geopolitical tensions in certain regions.

In the first half of 2014, total visitors to Hong Kong amounted to over 28.5 million, which is an increase of 12.5% year-on-year, with visitors from Mainland China accounting for over 76% of the total headcount. Although consumer spending by Mainland visitors in the retail market has contracted somewhat during this period, particularly on high end luxury goods, the hotel market in Hong Kong has continued to perform well. Based on the information published by the Hong Kong Tourism Board, the average hotel room occupancy for all the surveyed hotels under different categories in Hong Kong for the half year ended 30th June has risen from 87% in 2013 to 89% in 2014, with the average achieved room rate also gaining by 2.8% over the same comparative period.

HOTEL OWNERSHIP

REGAL REAL ESTATE INVESTMENT TRUST

As at 30th June, 2014, 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, 2014, Regal REIT attained an unaudited consolidated profit before distribution to unitholders of HK\$319.6 million, as compared to the profit of HK\$335.4 million recorded in the corresponding period in 2013. Based on the market valuations as of 30th June, 2014, there was an increase of HK\$74.0 million in the fair value of Regal REIT's investment properties portfolio reflected in the results for the period under review, while for the comparative period last year, a gain of HK\$124.8 million was reported for such fair value changes. If the fair value changes are excluded, the core profit before distribution to unitholders for the period would amount to HK\$245.6 million, representing an increase of 16.6% over the HK\$210.6 million attained for the corresponding period in 2013.

The five initial Regal Hotels are under lease to a wholly owned subsidiary of the Company. Under the annual market rental review, the base rent for 2014 has been determined at HK\$743.0 million, with equal sharing of the excess of their aggregate net property income over the annual base rent.

Apart from the five initial Regal Hotels, Regal REIT also owns three other hotels in Hong Kong, all 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 operated under the "iclub" brand was the "iclub Wan Chai Hotel", which was formerly named as the "Regal iClub Hotel", in Wanchai and is self-operated by Regal REIT. The operating performance of iclub Wan Chai Hotel in the first half of 2014 was satisfactory, with occupancy having maintained at virtually 100% and, despite keen competition, has achieved a growth in RevPAR (Revenue per Available Room) of 2.5% as compared to the same period last year.

As mentioned in the 2013 Annual Report, Regal REIT completed the acquisition of the new hotel located at Nos.132-140 Bonham Strand, Sheung Wan in February 2014 from P&R Holdings Limited pursuant to the terms of the Share Purchase Agreement, which has been leased to the Group effective from the date of completion. The hotel, comprising 34 storeys with 248 guestrooms and suites, is named as the "iclub Sheung Wan Hotel" and has commenced business operations in June 2014.

Subsequent to the half year end date, on 28th July, 2014, Regal REIT further completed the acquisition of another new hotel located at Nos.14-20 Merlin Street, North Point, pursuant to the terms of the Option Agreement with P&R Holdings. The total consideration for the acquisition was HK\$1,651.4 million, comprising the final exercise price of HK\$1,650.0 million, based on an updated valuation of the hotel property as of 30th April, 2014 by an independent valuer, and current assets adjustment of HK\$1.4 million. The hotel has similarly been leased to the Group commencing from the date of acquisition. The hotel has 32 storeys with 338 guestrooms and will be named as the "iclub Fortress Hill Hotel". Business operations are anticipated to commence in September this year and this will be the third "iclub" hotel of Regal REIT in Hong Kong.

Apart from strengthening the overall properties portfolio of Regal REIT, the two new "iclub" hotels are also expected to provide accretions to the distributable income of Regal REIT, particularly under the current low interest rate environment. When the iclub Fortress Hill Hotel comes on stream, the total number of hotels owned by Regal REIT in Hong Kong will increase to eight and the total hotel room inventory will have an aggregate of about 4,570 guestrooms and suites.

HOTEL OPERATIONS

A wholly owned subsidiary of the Group has since 2007 been operating the five initial Regal Hotels as lessee. Benefiting from the continuing influx of visitors to Hong Kong, these five hotels achieved during the period under review a combined average occupancy of 92.9%, representing an increase of 6.4% over the 87.3% recorded in the same period last year. At the same time, the combined average room rate gained by 2.9%, which overall resulted in an increase in RevPAR of 9.5% year-on-year. The aggregate net property income for the period amounted to HK\$447.2 million, which exceeded the prorated base rent for the six months of HK\$371.5 million by HK\$75.7 million, 50% of which will be shared by Regal REIT as variable rent under the market rental package. As the latter part of the year is traditionally the busier season for the hotel market in Hong Kong, it is expected that the operating results of these hotels in the second half of 2014 will be even more satisfactory.

The rental review for the initial Regal Hotels for 2015 by the independent professional property valuer has been completed and the aggregate annual base rent for 2015 was determined at HK\$763 million, representing an increase of 2.7% over the annual base rent in 2014, with the excess of the aggregate net property income over the aggregate base rent continuing to be shared equally between Regal REIT as the lessors and the Group as the lessee. In the meanwhile, discussions are being conducted with Regal REIT on the renewal of the existing leases for the initial Regal Hotels, which are due to expire on 31st December, 2015 under their prevailing terms.

As mentioned above, the Group has further leased from Regal REIT the two new "iclub" hotels that it acquired from P&R Holdings, each for a fixed term from the respective dates of acquisition to 31st December, 2019 and extendable at the option of Regal REIT for another 5 years. The rentals under each of these leases for the first three years will be fixed and there will be market rental reviews annually for the determination of the rentals for the residual terms. As part of the overall arrangements, P&R Holdings will reimburse the lessee for the shortfall, if any, of the net operating income of the hotels below the rental payments during the first three years of the leases.

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 initial Regal Hotels and the three "iclub" hotels owned by Regal REIT in Hong Kong.

In the People's Republic of China, the Group is providing hotel management services to five operating hotels, including four in Shanghai and one in Shandong, while the new Regal Airport Hotel in Xi'an is scheduled to be opened before the end of this year. Moreover, management contracts have been signed for various other hotels being planned or under construction and the Group will continue to work on securing new management contracts with a view to further expanding its hotel network in Mainland China.

PROPERTIES

After a relatively stagnant period, the residential property market in Hong Kong recently regained some momentum with the release of the penned up demand, especially for the smaller-sized apartment units. While the Hong Kong Government is continuing with its ongoing land sales programme to boost supply, the underlying demands for different types of properties in Hong Kong are strong and the outlook of the local real estate sector remains positive.

The property development business of the Group is now principally undertaken through P&R Holdings, a joint venture that is equally owned by the Group and Paliburg Holdings Limited, the immediate listed holding company of the Group.

As mentioned above, P&R Holdings has disposed of its two hotel developments, namely, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel, to Regal REIT in February and July this year at total considerations of HK\$1,581.1 million and HK\$1,651.4 million, respectively. Though these transactions have generated substantial profits and cash flow to P&R Holdings, the profits associated with such disposals have not been reflected in the Group's financial statements due to elimination under the current corporate holding structure.

Apart from the two hotel developments sold, P&R Holdings is undertaking a total of six property projects in Hong Kong, encompassing residential, commercial, hotel, and shopping mall developments. P&R Holdings also holds ten residential duplex units and fourteen car parks in Rainbow Lodge located in Tong Yan San Tsuen, Yuen Long which it acquired from Cosmopolitan International Holdings Limited in September 2013, and a sale programme is planned to be launched for the disposal of these residential units.

Furthermore, as previously reported, P&R Holdings now owns a controlling shareholding interest in Cosmopolitan, whose business activities are mainly focused on property development and investment in the PRC. The property projects that Cosmopolitan is currently undertaking include two large-scale composite development projects in Chengdu, Sichuan Province and Tianjin and a re-forestation and land grant project in Urumqi, Xinjiang Uygur Autonomous Region.

Further details on the ongoing projects and properties owned by P&R Holdings and Cosmopolitan are contained in the section headed "Management Discussion and Analysis" in this Interim Report.

The Group is retaining 19 houses in Regalia Bay, Stanley, five of which have been leased to third parties. Pending sale at satisfactory price, the Group may consider leasing out further houses for rental income.

OTHER INVESTMENTS

The Group maintains a substantial portfolio of investments comprising listed financial assets and other investments, including investment funds, bonds as well as treasury and yield enhancement products, some of which are denominated in Renminbi. The Group's investment portfolio as a whole contributed satisfactory profits during the period under review.

Lately in August 2014, the Group entered into agreements to subscribe for shares in HS Group Sponsor Fund Ltd. up to an aggregate consideration of US\$15 million, payable in cash on capital calls by the investment manager of the fund. The fund was recently established to invest in hedge funds managed primarily by investment managers that pursue a variety of alternative investment strategies with an emphasis in Asia.

With a view to diversifying its income source, the Group has embarked on investing in the aircraft ownership and leasing business. The Group presently owns two aircraft, both Airbus A321 model, one wholly owned and the other effectively 85% owned, which have been leased to two separate airline operators generating relatively attractive returns. The Group is concurrently reviewing a number of potential investment proposals and might consider increasing its investment in this business sector.

OUTLOOK

The directors of the REIT Manager are optimistic on the outlook of the hotel industry in Hong Kong and will seek to maintain Regal REIT's strategic position as one of the pre-eminent hotel owners in Hong Kong, with a diversified portfolio of full-service and select-service hotels. Regal REIT will continue to review accretive acquisition opportunities that can serve to enhance its market positioning in Hong Kong as well as other suitable opportunities outside of Hong Kong which can complement and facilitate its business growth in the long term.

The Securities and Futures Commission has recently released the Consultation Conclusions on Amendments to the Code on Real Estate Investment Trusts, which are working towards allowing a higher degree of flexibility to REITs in Hong Kong to invest in property development and financial instruments. These amendments, when they become effective, are expected to enhance the competitiveness of REITs in Hong Kong as well as the attractiveness of the REIT market as a whole.

Hotel properties in Hong Kong remain to be the predominant component in the Group's assets portfolio. As the tourist industry in Hong Kong continues to prosper, it is expected that the Group's core hotel business operation will generate increasing revenue and profit contribution. The Group has over the past year substantially invested in the property sector, through P&R Holdings, as well as in other investments, all with the objective to strengthen its earnings base. The Directors are confident that when these new investments gradually mature over the next few years, the Group's profitability and capital value will be further enhanced.

LO YUK SUI

Chairman

Hong Kong
26th August, 2014

Management Discussion and Analysis

BUSINESS REVIEW

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

The performance of the Group's hotel, property and other investment businesses as well as that of Regal REIT during the period under review, the commentary on the 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 financial 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, awarded by the Urban Renewal Authority of Hong Kong, all the following development projects and properties are wholly owned by P&R Holdings group.

Nos. 14-20 Merlin Street, North Point

This development project has an aggregate site area of approximately 457 square metres (4,915 square feet) and has been developed into a hotel with about 338 guestrooms, with total gross floor area of approximately 6,849 square metres (73,721 square feet) and covered floor area of approximately 9,393 square metres (101,105 square feet). The occupation permit for the hotel building was issued in May 2014 and the relevant hotel licence is anticipated to be obtained in September 2014.

This property has been sold to Regal REIT on 28th July, 2014, pursuant to the Option Agreement as mentioned in the section headed "Business Overview" in the preceding Chairman's Statement.

Management Discussion and Analysis (Cont'd)

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

This development project has a site area of approximately 11,192 square metres (120,470 square feet) and is planned for a residential development with 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 are progressing steadily and the project is scheduled to be completed in the first quarter of 2015. A sale programme for this project is being planned and may be launched within the next six months.

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

The properties have an aggregate site area of approximately 345 square metres (3,710 square feet) and are planned for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 5,236 square 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 but due to some technical difficulties relating to the adjoining property, the progress of the construction works has been delayed.

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

The properties have 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 are near completion and the superstructure works are expected to be proceeded with shortly. This hotel development project is scheduled to be completed in 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 expected to commence before the end of this year and the development is scheduled to be completed in 2017. The project is intended to be retained for rental income after completion.

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

This development site has a site area of 17,476 square metres (188,100 square feet). The project is planned for a luxurious residential development comprising 7 mid-rise apartment blocks with about 138 units, 21 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 site formation works are expected to commence in the fourth quarter of 2014. 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 and foundation plans have already been submitted for approval and the development is scheduled to be completed in 2017.

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

These existing properties were acquired from Cosmopolitan in September 2013, which 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. Presently, 5 of the duplex units have been leased to third parties for rental income and a sale programme is planned to be launched for the disposal of these residential units.

Mainland China

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

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

Cosmopolitan International Holdings Limited

Cosmopolitan International Holdings Limited ("Cosmopolitan") is a listed subsidiary of P&R Holdings. Further information relating to the property development projects being undertaken by the Cosmopolitan group in Mainland China, all of which are wholly owned, is set out below:

Property Development

Chengdu Project

This property development project is located in Chengdu, Sichuan Province, the PRC. It is a mixed use development project consisting of hotel, commercial, office, service apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres, and the project is being developed in stages spanning over a period to 2017. The first stage of the development, which 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, is expected to be completed in 2015. Presale of these residential units included in the first stage is anticipated to be launched in the fourth quarter of 2014.

Tianjin Project

Located in Tianjin, the PRC, this property development project entails a development site with total site area of about 31,700 square metres, which is presently planned to include commercial, office, hotel 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 the entire development is anticipated to be completed in stages before the end of 2017.

Management Discussion and Analysis (Cont'd)

Xinjiang Project

The Cosmopolitan group is engaged in 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 PRC. 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 are already in progress. 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 in stages on the land a large scale mixed use development comprising residential, hotel, recreational and commercial properties. Cosmopolitan has recently applied for an increase of US\$10 million in the registered capital of the wholly owned subsidiary engaged in the Xinjiang Project and the requisite approval has been obtained from the relevant government authorities.

Wuxi Project

With a view to expanding the Cosmopolitan group's property portfolio and business coverage in the PRC, the Cosmopolitan group entered into in October 2013 a Co-operation Agreement for Business and Investment Encouragement with Wuxi Huishan District People's Government and Wuxi Metro Xizhang Area Commission for a parcel of land of about 937 mu (equivalent to approximately 624,700 square metres) located in Huishan District, Wuxi, Jiangsu Province, the PRC. The Co-operation Agreement for the Wuxi Project is subject to certain terms to be agreed by the parties within six months of the date of the agreement. As at the date of this Interim Report, the Cosmopolitan group has not reached agreement in respect of certain terms with Wuxi Huishan District People's Government and Wuxi Metro Xizhang Area Commission. The Cosmopolitan group is continuing its negotiations with the relevant parties on the outstanding terms under the Co-operation Agreement.

Property Investment

Beijing Tongzhou Project

A wholly owned subsidiary of Cosmopolitan established in Beijing, the PRC, has entered into an agreement in February 2014 to subscribe for 82.5% equity interest in a company which is involved in a primary development project located in Tongzhou District, Beijing, the PRC. The principal purpose of the project is to develop buildings for the purposes of housing resettlement under PRC government policies. The total site area planned to be developed under the project is approximately 181,000 square metres and the planned above-ground construction area is approximately 412,000 square metres. The Cosmopolitan group's investment in the Tongzhou Project, if concluded, is expected to generate returns on satisfactory terms, which will have support from the PRC government. Moreover, the undertaking of the project is also expected to strengthen the Cosmopolitan group's experience in the management of primary land development projects and foster its relationship with the PRC government authorities in furtherance of its future strategic business development in the PRC. The Cosmopolitan group has recently applied for an increase of approximately RMB200 million in the registered capital of the Beijing subsidiary, with a view to strengthening the capital base of the Beijing subsidiary for potential investment in other property development and investment projects in the PRC. In the meantime, the Beijing subsidiary is negotiating a supplemental agreement with the relevant party to further agree on the timing and conditions for the Beijing subsidiary to complete the subscription of equity interest in the aforesaid investee company.

FINANCIAL REVIEW

ASSETS VALUE

The Group's hotel properties are owned by Regal REIT and, with the exception of iclub Wan Chai Hotel and iclub Sheung Wan 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. For the purpose of providing supplementary information, if the Group's entire hotel property portfolio is restated in the consolidated financial statements at its market value as at 30th June, 2014, the unaudited adjusted net asset value of the ordinary shares of the Company would increase to HK\$19.67 per share, as follows:

	As at 30th June, 2014	
	HK\$'M	HK\$ per ordinary share
Book net assets attributable to equity holders of the parent	11,754.5	12.66
Adjustment to restate the Group's hotel property portfolio at its market value and add back the relevant deferred tax liabilities	6,511.5	7.01
Unaudited adjusted net assets attributable to equity holders of the parent	<u>18,266.0</u>	<u>19.67</u>

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 US dollars are pegged to the Hong Kong dollars, the exchange risks are considered to be insignificant and no currency hedging has been deployed.

Cash Flow

During the period under review, there were net cash flows generated from operating activities of HK\$285.5 million (2013 – net cash flows used in operating activities of HK\$563.9 million). Net interest payment for the period amounted to HK\$80.0 million (2013 – HK\$101.3 million).

Borrowings and Gearing

As at 30th June, 2014, the Group's borrowings net of cash and bank balances and deposits amounted to HK\$8,473.4 million (31st December, 2013 – HK\$7,942.4 million).

As at 30th June, 2014, the gearing ratio of the Group was 34.2% (31st December, 2013 – 32.6%), representing the Group's borrowings net of cash and bank balances and deposits of HK\$8,473.4 million (31st December, 2013 – HK\$7,942.4 million) as compared to the total assets of the Group of HK\$24,754.0 million (31st December, 2013 – HK\$24,333.8 million).

Management Discussion and Analysis (Cont'd)

On the basis of the adjusted total assets as at 30th June, 2014 of HK\$32,835.2 million (31st December, 2013 – HK\$31,719.5 million) with the Group's hotel portfolio restated at its market value, the gearing ratio would be 25.8% (31st December, 2013 – 25.0%).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2014 are shown in notes 11 and 12 to the condensed consolidated financial statements.

Pledge of Assets

As at 30th June, 2014, part of the Group's time deposits and deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$409.4 million (31st December, 2013 – HK\$428.5 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, financial assets at fair value through profit or loss, held-to-maturity investments, time deposits and bank balances in the total amount of HK\$10,646.4 million (31st December, 2013 – HK\$9,500.6 million) were also pledged to secure other banking facilities granted to the Group.

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

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2014 are shown in note 18 to the condensed consolidated financial statements.

Contingent Liabilities

As at 30th June, 2014, 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\$1,654.0 million (31st December, 2013 – HK\$1,224.0 million), of which HK\$1,278.5 million (31st December, 2013 – HK\$807.0 million) was utilised.

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

Share Capital

During the period under review, the Company repurchased a total of 15,438,000 ordinary shares of the Company at aggregate purchase prices of HK\$74,014,620 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Except for 2,388,000 repurchased ordinary shares which were cancelled subsequent to the period end date, all other repurchased ordinary shares were cancelled during the period.

Further details of the repurchase by the Company of its ordinary shares during the period are disclosed under the subsection headed "Purchase, Sale or Redemption of the Company's Listed Securities" under the section headed "Other Information" in this Interim Report.

Subsequent to the period end date, the Company further repurchased a total of 4,488,000 ordinary shares of the Company at an aggregate purchase price of HK\$21,720,040 on the Stock Exchange. All these repurchased ordinary shares, together with the abovementioned 2,388,000 ordinary shares repurchased but not cancelled during the period, were cancelled before the date of this report.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Wednesday, 8th October, 2014 to Friday, 10th October, 2014, 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, 7th October, 2014. The relevant dividend warrants are expected to be despatched on or about 24th October, 2014.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

Acquisition of P&R Holdings' interests in two hotels in Sheung Wan and North Point, Hong Kong by Regal REIT

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

The consideration for the SW Hotel Transaction was HK\$1,580.0 million (the "SW Hotel Purchase Price"), plus a customary adjustment on a dollar-for-dollar basis for the current assets of the Plentiful Group as at the date of completion of the SW Hotel Transaction. The consideration for the SW Hotel Transaction was determined based on the valuation of the Sheung Wan Hotel of HK\$1,580.0 million on an as-completed basis as of 25th June, 2013 as appraised by the independent valuer jointly appointed by P&R Holdings and Regal REIT, and taking into account completion of the interior fit-out programme of the Sheung Wan Hotel, the SW Shareholder Loans to be acquired by Regal REIT pursuant to the SW Hotel Transaction and that the Plentiful Group would not have any liabilities other than the SW Shareholder Loans at the completion of the SW Hotel Transaction.

The SW Hotel Transaction was completed on 10th February, 2014 after the fulfilment of the conditions precedent as set out in the SW Hotel Agreement (the "SW Hotel Completion").

The Sheung Wan Hotel is named as "iclub Sheung Wan Hotel" and has 248 guestrooms and suites. The iclub Sheung Wan Hotel was leased to a wholly owned subsidiary of the Group (the "Hotel Operator") for use in hotel operations upon the SW Hotel Completion. The hotel manager of the initial Regal Hotels and iclub Hotels (the "Hotel Manager"), which is also a wholly owned subsidiary of the Group, was also appointed as the new hotel manager for the iclub Sheung Wan Hotel.

Management Discussion and Analysis (Cont'd)

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

The initial exercise price for the Option was HK\$1,650.0 million, subject to the adjustments as provided in the Option Agreement, which was determined with reference to the valuation of the North Point Hotel on an as-completed basis of HK\$1,650.0 million as of 25th June, 2013 as appraised by Savills Valuation and Professional Services Limited, the independent valuer jointly appointed by P&R Holdings and Regal REIT, and completion of the interior fit-out programme of the North Point Hotel and taking into account that the NP Shareholder Loans were to be acquired by Regal REIT pursuant to the NP Hotel Transaction (upon exercise of the Option) and that the Fortune Mine Group should not have any liabilities other than the NP Shareholder Loans at completion of the NP Hotel Transaction.

Following obtaining the occupation permit of the North Point Hotel in May 2014, the Option was conditionally exercised by Regal REIT in May 2014. Subsequent to the period under review, the exercise of the Option was approved by the independent shareholders of the Company at its special general meeting held on 14th July, 2014.

On 28th July, 2014, Regal REIT completed the acquisition of the North Point Hotel at a final total consideration of approximately HK\$1,651.4 million, comprising the purchase price of HK\$1,650.0 million, based on the valuation of the North Point Hotel on an as-completed basis as of 30th April, 2014 as appraised by the independent valuer and a current asset adjustment of HK\$1.4 million.

The North Point Hotel is named as "iclub Fortress Hill Hotel" and has 338 guestrooms. Upon completion of the NP Hotel Transaction, the iclub Fortress Hill Hotel was leased to the Hotel Operator, and the Hotel Manager was also appointed as the hotel manager for the iclub Fortress Hill Hotel.

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

STAFF AND REMUNERATION POLICY

The Group employs approximately 2,090 staff in Hong Kong. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

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

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

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2, 3	1,057.3	971.8
Cost of sales		(546.3)	(502.5)
Gross profit		511.0	469.3
Other income	3	105.6	45.6
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		28.7	(3.0)
Fair value gains/(losses) on investment properties, net		(10.0)	8.0
Fair value gain upon reclassification of a property held for sale to an investment property		58.0	–
Administrative expenses		(120.0)	(98.0)
OPERATING PROFIT BEFORE DEPRECIATION		573.3	421.9
Depreciation		(215.4)	(196.4)
OPERATING PROFIT	2, 4	357.9	225.5
Finance costs	5	(162.0)	(117.6)
Share of losses of:			
Joint ventures		(30.9)	(5.3)
Associates		(9.0)	(1.4)
PROFIT BEFORE TAX		156.0	101.2
Income tax	6	34.2	(24.7)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		190.2	76.5
Attributable to:			
Equity holders of the parent		167.1	60.5
Non-controlling interests		23.1	16.0
		190.2	76.5
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		HK17.89 cents	HK6.28 cents

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	HK\$'million	HK\$'million
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	190.2	76.5
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	14.8	0.3
Cash flow hedges:		
Changes in fair value of cash flow hedges	(4.4)	4.8
Transfer from hedge reserve to the statement of profit or loss	3.1	2.9
	(1.3)	7.7
Exchange differences on translating foreign operations	(3.6)	30.0
Share of other comprehensive income/(loss) of:		
Joint ventures	(22.6)	6.5
An associate	(0.2)	–
Other comprehensive income/(loss) for the period	(12.9)	44.5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	177.3	121.0
Attributable to:		
Equity holders of the parent	154.6	103.0
Non-controlling interests	22.7	18.0
	177.3	121.0

Condensed Consolidated Statement of Financial Position

		30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	Notes	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment		14,681.0	13,704.2
Investment properties		1,057.0	947.0
Investments in joint ventures		2,558.0	2,664.5
Investments in associates		22.3	21.1
Available-for-sale investments		48.6	9.1
Financial asset at fair value through profit or loss		1.9	–
Other loan		6.4	5.9
Debtors and deposits	9	1,430.5	2,344.0
Deferred tax assets		62.0	–
Total non-current assets		19,867.7	19,695.8
CURRENT ASSETS			
Properties held for sale		728.9	790.6
Inventories		32.9	33.6
Debtors, deposits and prepayments	9	1,255.9	1,237.4
Held-to-maturity investments		407.4	188.4
Financial assets at fair value through profit or loss		693.9	580.9
Other loan		6.4	6.4
Derivative financial instruments		–	14.2
Restricted cash		43.8	51.9
Pledged time deposits and bank balances		401.4	431.5
Time deposits		969.0	857.3
Cash and bank balances		346.7	445.8
Total current assets		4,886.3	4,638.0
CURRENT LIABILITIES			
Creditors, deposits received and accruals	10	(362.4)	(391.0)
Interest bearing bank borrowings	11	(738.2)	(333.5)
Derivative financial instruments		(6.6)	–
Tax payable		(57.9)	(43.0)
Total current liabilities		(1,165.1)	(767.5)

Condensed Consolidated Statement of Financial Position (Cont'd)

		30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	Notes	HK\$'million	HK\$'million
NET CURRENT ASSETS		3,721.2	3,870.5
TOTAL ASSETS LESS CURRENT LIABILITIES		23,588.9	23,566.3
NON-CURRENT LIABILITIES			
Creditors and deposits received		(22.2)	(13.9)
Interest bearing bank borrowings	11	(5,269.0)	(5,171.9)
Other borrowings	12	(4,227.1)	(4,223.5)
Derivative financial instruments		–	(4.1)
Deferred tax liabilities		(1,026.5)	(1,041.1)
Total non-current liabilities		(10,544.8)	(10,454.5)
Net assets		13,044.1	13,111.8
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		92.9	94.4
Reserves		11,624.6	11,579.7
Dividends		37.0	100.8
		11,754.5	11,774.9
Non-controlling interests		1,289.6	1,336.9
Total equity		13,044.1	13,111.8

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2014

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, 2014	94.4	6,480.0	13.2	(2.1)	17.6	(0.6)	79.3	10,824.3	100.8	11,774.9	1,336.9	13,111.8
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)	37.0	-	-	-
Repurchase and cancellation of ordinary shares	(1.5)	(72.7)	1.5	-	-	-	-	(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	10,952.9	37.0	11,754.5	1,289.6	13,044.1

7

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

For the six months ended 30th June, 2014

	Attributable to equity holders of the parent												
	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	A disposal group classified as held for sale (Unaudited) HK\$'m	Total equity (Unaudited) HK\$'m		
At 1st January, 2013	96.4	740.8	11.2	(1.1)	17.1	(0.6)	70.1	10,704.9	96.4	-	11,735.2	1,412.4	13,147.6
Profit for the period	-	-	-	-	-	-	-	60.5	-	-	60.5	16.0	76.5
Other comprehensive income for the period:													
Changes in fair value of available-for-sale investment	-	-	-	-	-	0.3	-	-	-	-	0.3	-	0.3
Cash flow hedges	-	-	-	5.7	-	-	-	-	-	-	5.7	2.0	7.7
Exchange differences on translating foreign operations	-	-	-	-	-	-	30.0	-	-	-	30.0	-	30.0
Share of other comprehensive income of joint ventures	-	-	-	-	-	-	6.5	-	-	-	6.5	-	6.5
Total comprehensive income for the period	-	-	-	5.7	-	0.3	36.5	60.5	-	-	103.0	18.0	121.0
Final 2012 dividend declared	-	-	-	-	-	-	-	-	(96.4)	-	(96.4)	(63.8)	(160.2)
Interim 2013 dividend	-	-	-	-	-	-	-	(34.7)	34.7	-	-	-	-
Transfer of amounts recognised in other comprehensive income relating to a disposal group classified as held for sale	-	-	-	-	-	-	(28.7)	-	-	28.7	-	-	-
At 30th June, 2013	96.4	740.8	11.2	4.6	17.1	(0.3)	77.9	10,730.7	34.7	28.7	11,741.8	1,366.6	13,108.4

7

Condensed Consolidated Statement of Cash Flows

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	HK\$'million	HK\$'million
Net cash flows from/(used in) operating activities	285.5	(563.9)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(673.2)	(72.5)
Purchases of available-for-sale investments	(24.7)	(0.3)
Purchases of held-to-maturity investments	(558.9)	(201.8)
Proceeds from redemption of held-to-maturity investments	339.9	268.9
Advances to joint ventures	(480.6)	(299.1)
Repayment from joint ventures	939.5	2.0
Advances to associates	(12.3)	(4.8)
Repayment from an associate	1.9	–
Interest received	61.5	15.8
Dividends received from listed investments	–	4.2
Decrease in pledged time deposits and bank balances	30.1	86.9
Decrease/(increase) in restricted cash	7.9	(8.8)
Net cash flows used in investing activities	(368.9)	(209.5)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase and cancellation of ordinary shares	(74.2)	–
Increase in other borrowings	–	1,930.0
Drawdown of new bank loans	940.2	332.0
Repayments of bank loans	(439.1)	(3.6)
Interest paid	(146.4)	(117.1)
Payment of loan and other costs	(10.4)	(10.7)
Dividends paid	(100.5)	(96.2)
Dividends paid to non-controlling shareholders	(68.7)	(63.8)
Distribution to a non-controlling shareholder	(1.3)	–
Decrease/(increase) in restricted cash	0.3	(0.4)
Net cash flows from financing activities	99.9	1,970.2
Net increase in cash and cash equivalents	16.5	1,196.8
Cash and cash equivalents at beginning of period	1,303.1	2,364.8
Effect of foreign exchange rate changes, net	(3.9)	0.7
Cash and cash equivalents at end of period	1,315.7	3,562.3
Analysis of balances of cash and cash equivalents		
Cash and bank balances	346.7	2,592.8
Non-pledged time deposits with original maturity of less than three months when acquired	969.0	966.6
Cash and bank balances attributable to a disposal group classified as held for sale	–	2.9
	1,315.7	3,562.3

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, 2013, 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, 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> – <i>Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> – <i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

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

2. Operating Segment Information

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

- (a) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income through Regal Real Estate Investment Trust (“Regal REIT”);
- (b) the asset management segment engages in the provision of asset management services to Regal REIT;
- (c) the property development and investment segment includes investments in properties for sale and for rental income, and the provision of property agency and management services;
- (d) the financial assets investments segment engages in the trading of financial assets at fair value through profit or loss and other financial assets investments; and
- (e) the others segment mainly comprises aircraft ownership and leasing business, travel agency services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

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

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

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

Group

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2014 (Unaudited)	2013 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)	2013 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)	2013 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)	2013 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)	2013 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)	2013 (Unaudited)	Six months ended 30th June, 2014 (Unaudited)	2013 (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	1,019.1	942.7	-	-	6.6	5.2	3.7	5.8	27.9	18.1	-	-	1,057.3	971.8
Intersegment sales	-	-	64.2	43.8	2.9	1.7	-	-	-	-	(67.1)	(45.5)	-	-
Total	1,019.1	942.7	64.2	43.8	9.5	6.9	3.7	5.8	27.9	18.1	(67.1)	(45.5)	1,057.3	971.8
Segment results before depreciation	500.9	420.5	(5.4)	(6.5)	78.0	24.9	34.7	7.2	11.3	1.3	-	-	619.5	447.4
Depreciation	(206.2)	(194.4)	-	-	(0.1)	(0.1)	-	-	(9.1)	(1.9)	-	-	(215.4)	(196.4)
Segment operating results	294.7	226.1	(5.4)	(6.5)	77.9	24.8	34.7	7.2	2.2	(0.6)	-	-	404.1	251.0
Unallocated interest income and unallocated non-operating and corporate gains													7.6	11.4
Unallocated non-operating and corporate expenses													(53.8)	(36.9)
Operating profit													357.9	225.5
Finance costs													(162.0)	(117.6)
Share of losses of:														
Joint ventures	-	-	-	-	(30.9)	(5.3)	-	-	-	-	-	-	(30.9)	(5.3)
Associates	-	(0.3)	-	-	(0.2)	(0.4)	-	-	(8.8)	(0.7)	-	-	(9.0)	(1.4)
Profit before tax													156.0	101.2
Income tax													34.2	(24.7)
Profit for the period before allocation between equity holders of the parent and non-controlling interests													190.2	76.5
Attributable to:														
Equity holders of the parent													167.1	60.5
Non-controlling interests													23.1	16.0
													190.2	76.5

Notes to Condensed Consolidated Financial Statements (Cont'd)

3. Revenue and Other Income

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

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	HK\$'million	HK\$'million
<u>Revenue</u>		
Hotel operations and management services	993.8	922.4
Other operations, including estate management, estate agency, travel agency and sale of food products	11.7	14.9
Rental income:		
Hotel properties	23.0	17.8
Properties held for sale	1.4	–
Investment properties	7.0	7.2
Aircraft	16.7	3.7
Gain/(Loss) from sale of financial assets at fair value through profit or loss	(3.2)	1.6
Loss on settlement of derivative financial instruments	(1.0)	–
Interest income from financial assets at fair value through profit or loss	5.8	–
Dividend income from listed investments	2.1	4.2
	<u>1,057.3</u>	<u>971.8</u>
<u>Other income</u>		
Bank interest income	7.2	7.9
Other interest income	68.8	7.7
Forfeiture of deposits	–	27.1
Others	29.6	2.9
	<u>105.6</u>	<u>45.6</u>

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

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	HK\$'million	HK\$'million
Profit/(Loss) from sale of financial assets at fair value through profit or loss	(3.2)	1.6
Loss on settlement of derivative financial instruments	(1.0)	–
	<u>(4.2)</u>	<u>1.6</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

5. Finance Costs

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans wholly repayable within five years	54.0	57.1
Interest on other borrowings wholly repayable within five years	91.1	65.1
Fair value changes on derivative financial instruments		
– cash flow hedge (transfer from hedge reserve)	3.1	2.9
Amortisation of debt establishment costs	11.3	14.6
Other loan costs	2.5	2.3
	162.0	142.0
Less: Finance costs capitalised	–	(24.4)
	162.0	117.6

6. Income Tax

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	HK\$'million	HK\$'million
Group:		
Current – Hong Kong		
Charge for the period	42.1	38.3
Current – Overseas		
Charge for the period	0.3	3.4
Underprovision in prior years	–	0.1
Deferred	(76.6)	(17.1)
Total tax charge/(credit) for the period	(34.2)	24.7

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2013 - 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 (2013 - Nil).

7. Dividend

The Directors have declared the payment of an interim dividend of HK4.0 cents (2013 - HK3.6 cents) per ordinary share for the financial year ending 31st December, 2014, absorbing an amount of approximately HK\$37.0 million (2013 - HK\$34.7 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\$167.1 million (2013 - HK\$60.5 million), and on the weighted average of 934.2 million (2013 - 964.1 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, 2014 and 2013 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the periods.

9. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$1,493.2 million (31st December, 2013 - HK\$1,502.9 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, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	98.9	110.1
Between 4 to 6 months	6.5	1,382.0
Between 7 to 12 months	1,378.0	3.9
Over 1 year	12.0	9.1
	1,495.4	1,505.1
Impairment	(2.2)	(2.2)
	1,493.2	1,502.9

Credit terms

Included in the trade debtors of the Group is a sum of HK\$1,372.7 million (31st December, 2013 - HK\$1,372.7 million) from the Cosmopolitan International Holdings Limited ("Cosmopolitan") group in respect of the disposal of properties under development in Tianjin which is scheduled to be settled by 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 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\$2,439.6 million (31st December, 2013 - HK\$3,361.2 million).

10. Creditors, Deposits Received and Accruals

Included in the balance is an amount of HK\$66.1 million (31st December, 2013 - HK\$77.1 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, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	65.5	76.4
Between 4 to 6 months	0.2	0.2
Between 7 to 12 months	-	-
Over 1 year	0.4	0.5
	66.1	77.1
	66.1	77.1

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\$1.8 million (31st December, 2013 - HK\$3.0 million) and HK\$7.4 million (31st December, 2013 - HK\$2.7 million), respectively, which are unsecured, non-interest bearing and have similar credit terms to those offered by the associate and those fellow subsidiaries to their major customers or on demand.

11. Interest Bearing Bank Borrowings

	30th June, 2014 (Unaudited)		31st December, 2013 (Audited)	
	Maturity	HK\$'million	Maturity	HK\$'million
Current				
Bank loans – secured	2014-2015	738.2	2014	333.5
Non-current				
Bank loans – secured	2015-2018	5,269.0	2015-2018	5,171.9
		6,007.2		5,505.4

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'million	HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year	738.2	333.5
In the second year	7.9	327.8
In the third to fifth years, inclusive	5,261.1	4,844.1
	6,007.2	5,505.4

The agreement for a term loan facility up to HK\$4,500.0 million and a revolving facility of up to HK\$300.0 million (the "2013 Loan 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 Regal Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel. As at 30th June, 2014, the outstanding amount on the 2013 Loan Facilities was HK\$4,600.0 million, comprised of the full amount of the term loan facilities and HK\$100.0 million of the revolving facility. The term loan facility was wholly used to early refinance the previous term loan facility for the same principal amount, while the revolving facility is being used for general corporate funding needs of Regal REIT. The Regal REIT group entered into interest rate swap arrangements to hedge against interest rate exposure for the term loan facility for a notional amount of HK\$3.0 billion.

Regal REIT, through its wholly-owned subsidiary, Sonnix Limited, has a bilateral loan facility of HK\$340.0 million (the "iclub Facility") for iclub Wan Chai Hotel. The iclub Facility has a term of three years to February 2015 and has no interest rate hedging in place. As at 30th June, 2014, the outstanding loan facility amounted to HK\$323.8 million, of which HK\$3.6 million is repayable quarterly and the balance of HK\$320.2 million is due on 24th February, 2015.

Notes to Condensed Consolidated Financial Statements (Cont'd)

On 10th February, 2014, Regal REIT, through its wholly-owned subsidiary, Tristan Limited, arranged for another bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving facility of HK\$158.0 million, for the iclub Sheung Wan Hotel (the "2014 SW Facilities"). The 2014 SW Facilities have a term of five years to February 2019 and have no interest rate hedging in place. As at 30th June, 2014, the utilised 2014 SW Facilities were comprised of the full term loan amount and HK\$100.0 million under the revolving facility.

The loan facilities of Regal REIT group bear interest at the Hong Kong Interbank Offered Rates ("HIBOR") plus an interest margin ranging from 1.45% per annum to 2.6% per annum.

Bank borrowings under the 2013 Loan Facilities, the iclub Facility and the 2014 SW Facilities are guaranteed by Regal REIT and 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 the relevant rental account, sale proceeds account and other control accounts of 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 pledge of the Group's certain assets as further detailed in note 15 to the condensed consolidated financial statements. They bear interest at HIBOR plus 1.5% per annum (31st December, 2013 - HIBOR plus 1.5% per annum) except for bank loans of HK\$208.0 million (31st December, 2013 - HK\$170.8 million) which bear interest at the bank's cost of fund plus 0.75% per annum (31st December, 2013 - 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\$185.2 million (31st December, 2013 - HK\$170.8 million) which are in United States dollars and a bank loan of HK\$22.8 million (31st December, 2013 - Nil) which is in Euro.

12. Other Borrowings

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'million	HK\$'million
Non-current		
Unsecured other borrowings repayable in the third to fifth years, inclusive	<u>4,227.1</u>	<u>4,223.5</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. Acquisition of property, plant and equipment – the iclub Sheung Wan Hotel

Pursuant to the share purchase agreement entered into between Regal REIT and P&R Holdings Limited ("P&R Holdings", a joint venture of the Group) in respect of the acquisition of the new iclub Sheung Wan Hotel that was under development (the "SW Transaction"), on 10th February, 2014, the SW Transaction was completed at a total consideration of approximately HK\$1,581.1 million, comprised of the purchase price of HK\$1,580.0 million and a current assets adjustment of HK\$1.1 million. Such consideration was settled by: (a) applying the deposit of HK\$948.0 million; (b) drawing down the term loan of HK\$632.0 million under the 2014 SW Facilities; and (c) using Regal REIT's internal resources, in the amount of HK\$1.1 million.

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, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	HK\$'million	HK\$'million
Fellow subsidiaries:		
Management fees	13.3	10.1
Development consultancy fees	–	2.3
Service fees in respect of security systems and products and other software	0.6	1.2
Repairs and maintenance fees and construction fees	0.1	0.5
An associate:		
Advertising and promotion fees (including cost reimbursements)	4.2	4.8
A joint venture:		
Gross interest income	87.5	4.2
Acquisition of the iclub Sheung Wan Hotel and related current assets	1,581.1	–

Except for the acquisition of the iclub Sheung Wan Hotel and related current assets as detailed in note 13, 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, 2013.

The acquisition of the iclub Sheung Wan Hotel and related current assets was contemplated under relevant transaction (the "Transaction") which constituted a connected transaction as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to the Company, subject to the relevant disclosures and other requirements, including, inter alia, independent shareholders' approval in accordance with the Listing Rules ("Relevant Requirements"). The Relevant Requirements with respect to the Transaction had been complied with.

Notes to Condensed Consolidated Financial Statements (Cont'd)

(b) Outstanding balances with related parties:

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'million	HK\$'million
Due from fellow subsidiaries	2,439.6	3,361.2
Due to an associate	(1.8)	(3.0)
Due to fellow subsidiaries	(7.4)	(2.7)
Loans to joint ventures	1,595.7	2,054.6
Due from a joint venture	12.3	7.8
Due from associates	41.0	30.6
	<u>41.0</u>	<u>30.6</u>

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

	Six months ended 30th June, 2014 (Unaudited)	Six months ended 30th June, 2013 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	13.1	10.9
Staff retirement scheme contributions	0.7	0.7
Total compensation paid to key management personnel	<u>13.8</u>	<u>11.6</u>

15. Pledge of Assets

As at 30th June, 2014, part of the Group's time deposits and deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$409.4 million (31st December, 2013 - HK\$428.5 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, financial assets at fair value through profit or loss, held-to-maturity investments, time deposits and bank balances in the total amount of HK\$10,646.4 million (31st December, 2013 - HK\$9,500.6 million) were also pledged to secure other banking facilities granted to the Group.

16. Contingent Liabilities

As at 30th June, 2014, 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\$1,654.0 million (31st December, 2013 - HK\$1,224.0 million), of which HK\$1,278.5 million (31st December, 2013 - HK\$807.0 million) was utilised.

17. Operating Lease Arrangements

(a) As lessor

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

The Group also leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms of 1 to 3 years. The terms of the leases generally also require the lessees to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 30th June, 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its lessees falling due as follows:

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'million	HK\$'million
Within one year	85.0	78.8
In the second to fifth years, inclusive	168.4	175.1
After five years	–	4.9
	253.4	258.8

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, 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'million	HK\$'million
Land and buildings:		
Within one year	10.9	12.4
In the second to fifth years, inclusive	29.4	32.5
After five years	19.4	23.1
	59.7	68.0
Other equipment:		
Within one year	0.3	0.3
In the second to fifth years, inclusive	0.5	0.2
	0.8	0.5
	60.5	68.5

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, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'million	HK\$'million
Contracted, but not provided for:		
Hotel buildings	0.1	–
Authorised, but not contracted for:		
Hotel buildings	28.8	37.6
	<u>28.9</u>	<u>37.6</u>

At 30th June, 2014, the Group's share of maximum capital commitment as agreed upon establishment of P&R Holdings in respect of its property development projects amounted to HK\$1,900.0 million (31st December, 2013 - HK\$1,900.0 million) (the "P&R Capital Commitment"). At 30th June, 2014, shareholder's loans in an aggregate amount of HK\$871.7 million (31st December, 2013 - HK\$751.6 million) has been contributed, of which HK\$417.8 million (31st December, 2013 - HK\$315.9 million) has been provided under the P&R Capital Commitment, and HK\$1,654.0 million (31st December, 2013 - HK\$1,224.0 million) has been provided as guarantees, on a several basis, for banking facilities granted to certain subsidiaries of P&R Holdings, of which HK\$1,372.3 million (31st December, 2013 - HK\$942.3 million) has been provided under the P&R Capital Commitment.

In addition, two loan facilities totalling HK\$1,550.0 million (31st December, 2013 - HK\$1,550.0 million) have been granted to P&R Holdings, of which HK\$710.1 million (31st December, 2013 - HK\$1,289.1 million) has been utilised, which bear interest at fixed rate of 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, 2014 (Unaudited)	31st December, 2013 (Audited)
	HK\$'million	HK\$'million
Contracted, but not provided for	554.9	650.6
Authorised, but not contracted for	1,335.1	1,189.6
	<u>1,890.0</u>	<u>1,840.2</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, 2014

	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	–	–	48.6	48.6
Financial assets at fair value through profit or loss:				
Listed equity investments	559.6	–	–	559.6
Listed debt investments	–	134.3	–	134.3
Structured deposit	–	1.9	–	1.9
	<u>559.6</u>	<u>136.2</u>	<u>48.6</u>	<u>744.4</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

Assets measured at fair value as at 31st December, 2013

	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	–	–	9.1	9.1
Financial assets at fair value through profit or loss:				
Listed equity investments	496.2	–	–	496.2
Listed debt investments	–	75.7	–	75.7
Structured deposits	–	9.0	–	9.0
Derivative financial instruments	–	14.2	–	14.2
	<u>496.2</u>	<u>98.9</u>	<u>9.1</u>	<u>604.2</u>

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

	2014 (Unaudited)	2013 (Audited)
	HK\$'million	HK\$'million
Available-for-sale investments – unlisted:		
At 1st January	9.1	4.7
Purchases	24.7	4.4
Total gain recognised in other comprehensive income	14.8	–
At 30th June/31st December	<u>48.6</u>	<u>9.1</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)

Liabilities measured at fair value as at 30th June, 2014

	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	
Derivative financial instruments	–	6.6	–	6.6

Liabilities measured at fair value as at 31st December, 2013

	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	–	4.1	–	4.1

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, 2013 - 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 interest rate swaps and foreign currency option contracts, are determined based on discounted cash flow models or market values provided by financial institutions.

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

20. Share Options

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

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

21. Events after the reporting period

- (a) As announced on 30th April, 2014, Cosmopolitan International Holdings Limited ("Cosmopolitan"), the listed subsidiary of P&R Holdings, proposed to, among others, (i) implement the share consolidation on the basis that every ten issued and unissued shares of Cosmopolitan will be consolidated into one consolidated share of Cosmopolitan (the "Share Consolidation"); (ii) make an open offer on the basis that holders of every one consolidated share of Cosmopolitan will be entitled to apply for two shares/convertible preference shares of Cosmopolitan (the "Open Offer"); and (iii) issue convertible bonds or optional convertible bonds. The Group proposed to provide financial assistance to the P&R Holdings group for or in connection with its participation in the Open Offer and subscription for such convertible bonds. Details of the above proposed transactions are contained in the joint announcements of the Company dated 30th April, 2014 and 19th June, 2014 and the circular of the Company dated 25th June, 2014.

Subsequent to the end of the reporting period, the above proposed provision of financial assistance by the Group to the P&R Holdings Group was approved by the independent shareholders of the Company at its special general meeting held on 14th July, 2014. The above transactions proposed by Cosmopolitan were approved by the shareholders or the independent shareholders of Cosmopolitan at its extraordinary general meeting held on 14th July, 2014.

The Share Consolidation then became effective on 15th July, 2014. The Open Offer was made to the qualifying shareholders of Cosmopolitan pursuant to the prospectus of Cosmopolitan dated 24th July, 2014 and over-subscribed. On 18th August, 2014, new ordinary shares and convertible preference shares of Cosmopolitan were issued to those entitled. The convertible bonds were also issued by a wholly-owned subsidiary of Cosmopolitan to a wholly-owned subsidiary of P&R Holdings on 18th August, 2014.

- (b) Subsequent to the end of the reporting period, on 28th July, 2014, Regal REIT completed the acquisition of another new hotel at a total consideration of approximately HK\$1,651.4 million, comprised of the final exercise price of HK\$1,650.0 million and a current assets adjustment of approximately HK\$1.4 million (the "NP Transaction"). This new hotel will be named as "iclub Fortress Hill Hotel" under the "iclub by Regal" brand.

Upon completion of the NP Transaction, the iclub Fortress Hill Hotel was leased to Favour Link International Limited, a wholly-owned subsidiary of the Company, for use in hotel operations for the period from 28th July, 2014 to 31st December, 2019 under a new lease agreement, which is extendable at the option of Regal REIT for a further 5 years. Regal Hotels International Limited, a wholly-owned subsidiary of the Company, which is the hotel manager of the five initial Regal Hotels, iclub Wan Chai Hotel and iclub Sheung Wan Hotel, was also appointed as the new hotel manager for the operation of the iclub Fortress Hill Hotel under a 10-year hotel management agreement commencing on 28th July, 2014.

Concurrently, new 5-year loan facilities with an aggregate principal amount of HK\$825.0 million (the "2014 FH Facilities"), comprised of (a) a term loan facility of up to HK\$660.0 million; and (b) a revolving loan facility of up to HK\$165.0 million, was granted by a bank under a facility agreement entered into by Wise Decade Investments Limited (the direct holding company of the iclub Fortress Hill Hotel, which became a wholly-owned subsidiary of Regal REIT upon completion of the NP Transaction on 28th July, 2014). The 2014 FH Facilities bear HIBOR-based interest.

22. Approval of the Unaudited Condensed Consolidated Financial Statements

These unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 26th August, 2014.

Other Information

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2014, 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, 2014)
				Personal interests	Corporate interests	Family/Other interests	
1.	The Company	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	575,449,261 (Note c)	260,700	575,734,161 (61.85%)
		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 (5.40%)
		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)	100,587,396	1,769,164,691 (Note a)	380,683	1,870,132,770 (58.25%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.003%)
		Mr. Ng Siu Chan	Ordinary (issued)	–	–	3,521,973	3,521,973 (0.11%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	24,000	–	–	24,000 (0.001%)
		Ms. Belinda Yeung Bik Yiu	Ordinary (issued)	200	–	–	200 (0.000%)

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, 2014)
				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 (74.48%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Mr. Donald Fan Tung	Ordinary (issued)	556	–	–	556 (0.000%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
		Mr. Ng Siu Chan	Ordinary (issued)	–	–	80,474	80,474 (0.007%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	200	–	–	200 (0.000%)
4.	Cosmopolitan International Holdings Limited ("Cosmopolitan")	Mr. Lo Yuk Sui	Ordinary (i) (issued)	–	14,845,167,190 (Note e)	–	14,845,167,190
			(ii) (unissued)	–	70,761,809,500 (Note f)	–	70,761,809,500
							Total: 85,606,976,690 (389.33%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	7,500,000	–	–	7,500,000 (0.03%)
		Miss Lo Po Man	Ordinary (issued)	4,600,000	–	–	4,600,000 (0.02%)

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, 2014)
				Corporate interests	Family/Other interests		
5. Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note g)	–	2,443,033,102 (75%)	
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 58.24% shareholding interests as at 30th June, 2014.

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 58.24% shareholding interests as at 30th June, 2014, and the interests in the other 575,027,861 issued ordinary shares of the Company were held through companies wholly owned by PHL, in which CCIHL held 62.21% shareholding interests as at 30th June, 2014.
- (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 14,845,167,190 issued ordinary shares of Cosmopolitan before the Share Consolidation (as disclosed in note 21 to the preceding condensed consolidated financial statements) ("Cosmopolitan Shares") were held through wholly owned subsidiaries of 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. PHL, in which CCIHL held approximately 62.21% shareholding interests as at 30th June, 2014, held approximately 61.77% shareholding interests in the Company as at 30th June, 2014. Mr. Lo held approximately 58.24% shareholding interests in CCIHL as at 30th June, 2014.

Other Information (Cont'd)

- (f) (i) The derivative interests in consolidated Cosmopolitan Shares after the Share Consolidation becoming effective ("Cosmopolitan Consolidated Shares") (information disclosed above in respect of 43,976,095,220 Cosmopolitan Shares was based on 10 Cosmopolitan Shares equal to 1 Cosmopolitan Consolidated Share before the Share Consolidation becoming effective) were acquired on 30th April, 2014 through the provision of the irrevocable undertaking by P&R Holdings, on behalf of certain of its wholly owned subsidiaries, to subscribe for new Cosmopolitan Consolidated Shares and/or convertible preference shares of Cosmopolitan and the entering into of the underwriting agreement by P&R Strategic Limited, a wholly owned subsidiary of P&R Holdings, as the underwriter, both in connection with the Open Offer as disclosed in note 21 to the condensed consolidated financial statements.
- (ii) The derivative interests in Cosmopolitan Consolidated Shares (information disclosed above in respect of 26,785,714,280 Cosmopolitan Shares was based on 10 Cosmopolitan Shares equal to 1 Cosmopolitan Consolidated Share before the Share Consolidation becoming effective) were acquired on 30th April, 2014 through, as disclosed in note 21 to the condensed consolidated financial statements, the entering into of the subscription agreement by P&R Holdings in connection with the issue by a wholly owned subsidiary of Cosmopolitan of the convertible bonds with a principal amount of HK\$500 million (the "Convertible Bonds") and the optional convertible bonds with a principal amount of HK\$500 million (the "Optional Convertible Bonds"). The Convertible Bonds will be convertible into new Cosmopolitan Consolidated Shares ("Conversion Shares") at the conversion price of HK\$0.35 per Conversion Share (subject to adjustment). The Optional Convertible Bonds will be convertible into new Cosmopolitan Consolidated Shares ("Optional Conversion Shares") at the conversion price of HK\$0.40 per Optional Conversion Share (subject to adjustment).
- (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 67.51% 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, 2014. PHL, in which CCIHL held 62.21% shareholding interests as at 30th June, 2014, held 61.77% shareholding interests in the Company as at 30th June, 2014. Mr. Lo held 58.24% shareholding interests in CCIHL as at 30th June, 2014.
- (h) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 58.24% shareholding interests as at 30th June, 2014, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 30th June, 2014, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2014, 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, 2014
CCIHL (Note i)	575,449,261	–	575,449,261	61.81%
Century City BVI Holdings Limited (“CCBVI”) (Note ii)	575,449,261	–	575,449,261	61.81%
PHL (Note iii)	575,027,861	–	575,027,861	61.77%
Paliburg Development BVI Holdings Limited (Note iv)	575,027,861	–	575,027,861	61.77%
Guo Yui Investments Limited (Note iv)	261,544,466	–	261,544,466	28.10%
Paliburg BVI Holdings Limited (Note iv)	230,870,324	–	230,870,324	24.80%
Taylor Investments Ltd. (Note iv)	154,232,305	–	154,232,305	16.57%
Glaser Holdings Limited (Note iv)	58,682,832	–	58,682,832	6.30%

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 62.21% shareholding interests in PHL as at 30th June, 2014, 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, 2014, 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.

Other Information (Cont'd)

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, 2013 is set out below:

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

Mr. Wong Chi Keung	<ul style="list-style-type: none">• Retired as an independent non-executive director and ceased to be the chairman of the audit committee of PacMOS Technologies Holdings Limited, a company listed on the Stock Exchange, at the annual general meeting of such company held on 30th June, 2014.
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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, 2014 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)	5.5	–	Nil	Nil
8D Matrix Limited	(B)	28.6	–	Nil	Nil
Bright Future (HK) Limited	(C)	5.6	–	Nil	Nil
Faith Crown Holdings Limited	(D)	13.9	–	Nil	Nil
Yieldtop Holdings Limited	(E)	0.6	–	Nil	Nil
P&R Holdings Limited	(F)	1,581.8	12.3	(G)(i) 1,654.0	(G)(ii) 1,278.5
				Total: (A) to (G)(i)	<u>3,302.3</u>
				(A) to (F) & (G)(ii)	<u>2,926.8</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.

Other Information (Cont'd)

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

Faith Crown Holdings Limited ("Faith Crown"), a 50% owned joint venture of the Company. The remaining 50% shareholding interest in Faith Crown is indirectly held by Cosmopolitan. The advances to Faith Crown are provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interests in Faith Crown for the purpose of funding the working capital requirements of Faith Crown. The advances to Faith Crown are unsecured, interest-free and have no fixed terms of repayment.

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 interests in a number of property development projects in Hong Kong and 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 shareholders' loan in proportion to its shareholding interest in P&R Holdings. The advances to P&R Holdings are unsecured, interest-free and have no fixed terms of repayment except for an aggregate amount of HK\$1,034.6 million, which bears interest at fixed rates of 4-5% 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\$1,654.0 million made available to six 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 as agreed upon its establishment, 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, 2014, 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\$3,302.3 million (based on the total available amount of the banking facilities) and (b) HK\$2,926.8 million (based on the total amount of banking facilities drawdown) represented (a) 13.3% and (b) 11.8% of the consolidated total assets of the Group of HK\$24,754.0 million, calculated by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2014.

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, 2014, which were discloseable pursuant to Rule 13.16 of Chapter 13 of the Listing Rules.

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

	Combined statement of financial position (HK\$'million)	The Group's attributable interest (HK\$'million)
Non-current assets	4,673.2	2,327.5
Current assets	8,039.0	4,015.8
Current liabilities	(3,771.5)	(1,884.6)
Non-current liabilities	(6,682.0)	(3,318.3)
	<u>2,258.7</u>	<u>1,140.4</u>
Non-controlling interests	(330.9)	(165.4)
Net assets attributable to equity holders of the parent	<u>1,927.8</u>	<u>975.0</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, 2014, 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, 2014.

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

During the six months ended 30th June, 2014, the Company repurchased a total of 15,438,000 ordinary shares of the Company at aggregate purchase prices of HK\$74,014,620 on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2014	10,656,000	4.890	4.740	51,258,540
June 2014	4,782,000	4.840	4.640	22,756,080
Total	<u>15,438,000</u>			74,014,620
		Total expenses on shares repurchased		<u>222,870</u>
			Total	<u>74,237,490</u>

Out of the 15,438,000 repurchased ordinary shares, 13,050,000 repurchased ordinary shares were cancelled during the period, and the remaining 2,388,000 repurchased ordinary shares were cancelled subsequent to the period end date. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company.

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

REVIEW OF RESULTS

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

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

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

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

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, 2014, 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 20 to 44 which comprises the condensed consolidated statement of financial position as at 30th June, 2014 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

26th August, 2014

