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REVIEW OF OPERATIONS

For the six months ended 30th June, 2005, the Group achieved an unaudited consolidated net profit attributable to ordinary shareholders of HK$302.3 million, after netting off aggregate depreciation and amortisation of HK$64.9 million (2004 – HK$69.1 million, as restated), which represented an increase of about 176.1% as compared with the net profit of HK$109.5 million (as restated) for the corresponding period in 2004.

In the preparation of the Group's interim financial statements for the six months ended 30th June, 2005 herein presented, the Company has adopted a number of new or revised Hong Kong Accounting Standards, which are generally applicable for accounting periods beginning from 1st January, 2005, and relevant comparative figures for 2004 have correspondingly been restated. The impact on the Group's interim financial statements under review arising from the adoption of these new or revised accounting standards are set out in the Notes to Condensed Consolidated Financial Statements contained in this Interim Report.

Prior to 1st January, 2005, it was the Group's policy, in accordance with the relevant accounting standards previously applicable, to state the value of the Group's hotel properties in Hong Kong at their open market valuations appraised annually and not depreciated. Under the new or revised accounting standards, these hotel properties are now stated at costs less accumulated depreciation and amortisation in the Condensed Consolidated Financial Statements. In order to present a fair view of the net asset value of the Group and for the purposes of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on a proforma basis to adjust for the open market valuations of these hotel properties as at 31st December, 2004, is also provided in the section headed "Management Discussion and Analysis" on pages 6 to 10 in this Interim Report.

The tourist business in Hong Kong in the first half of 2005 continued to fare well, with total visitor arrivals growing by about 9.6% over the first half of 2004. However, the number of visitors from Mainland China in the second quarter of 2005 was below earlier expectations, apparently due to the postponing of some of their trips to Hong Kong pending the opening of the Hong Kong Disneyland in this September. Overall for the first six months of 2005, visitors from Mainland China have only increased by a modest 3.8% though, on the other hand, notable growth was recorded in the visitor arrivals from most long-haul markets. Based on the information published by the Hong Kong Tourism Board, the average room occupancy for the hotels in Hong Kong during the period was 83%, which was about 2.4% lower than the comparative period in 2004, while the average achieved room rate has increased by 18.2% over the same period. The published figures are reflective of the general disposition of most of the hotel operators in Hong Kong to place increasing focus on the improvement of room rates, having now stabilised a satisfactory room occupancy level. As a matter of fact, the prevailing average room rate achieved by the hotels in Hong Kong as a whole is still significantly below its previous peak level and lags behind those achieved in other comparable major international cities.

During the period under review, the combined average room occupancy for the five Regal Hotels in Hong Kong was up by about 3.6% as compared with the same period in 2004, while the combined average achieved room rate increased by about 14.4%. Total hotel profits (including rental income) of these five hotels for the period amounted to HK$230.6 million, which represented an increase of about 19.5% over the corresponding figure in 2004. Gross operating profit margin for the period is about 45% and with the relatively fixed nature of the operating cost structure, any rise in room rates is expected to have a magnified impact on the hotels' overall profitability.

The various renovation, upgrading and extension programmes planned for the Group's hotels in Hong Kong are all progressing as scheduled. The Group will continue to commit appropriate capital expenditures on the Group's hotels in Hong Kong to enhance and upgrade their image and facilities, with a view to further boosting their overall revenues.

The Company announced in March 2005 that it has entered into a Memorandum of Agreement with the Venetian Group from Las Vegas, USA, pursuant to which the Group plans to develop a hotel development project within the Cotai Resort Area in Macau. The Memorandum of Agreement is subject to the parties finalising and agreeing on the terms of the relevant definitive agreements. By reason of certain material changes in the circumstances affecting some fundamental issues that had remained unresolved, the terms of the definitive agreements could not be agreed and finalised, and hence the Memorandum of Agreement ceased to have effect on 6th September, 2005. The Group, having invested significant amount of time, efforts and resources, remains committed to the proposed hotel development project. With a view to securing its rights in the development site and in furtherance of the proposed development project, the Company has applied directly to the Macau Government for the land grant of the land parcel in the Cotai Resort Area previously intended to be selected for the proposed development project, and if the application is approved, the Group can and is well positioned to proceed with the proposed development project as soon as practicable.

According to the land grant application and the development proposal submitted to the Macau Government, the Group plans to develop a mega scale hotel complex on the subject land with a site area of approximately 618,000 square feet and a total expected permissible gross floor area of approximately 3.4 million square feet. The proposed development project, which is planned to be developed in two phases, will comprise three four-star to super-five-star hotels with a total of 3,950 guestrooms and suites, together with food and beverage outlets and related hotel facilities, a performance theatre, a convention plaza, a 3-D IMAX theatre, shopping and entertainment areas as well as a hotel training school. The proposed development project will also house a casino which is presently planned to be leased to and operated by an authorised gaming operator in Macau. Under the current plan and subject to approval for the land grant from the Macau Government, and all necessary permissions being obtained, construction work for the first phase of the proposed development project is anticipated to commence later this year or early next year, with completion expected by early 2008.

Due to the rising interest rates, there has been some consolidation of the property market in Hong Kong. As far as the high-end residential sector is concerned, transaction volume has generally declined, but transacted prices have stayed firm. In view of the scarcity of supply and the high replacement cost of land, outlook of the luxury residential property market continues to be positive. For the six months ended 30th June, 2005, the Regalia Bay in Stanley, which is 70% owned by the Group, contributed to the Group a profit of HK$140.6 million, inclusive of write back of provision. The remaining unsold houses in Regalia Bay, which are mostly of larger sizes and/or on better locations, are planned to be released for sale in stages in keeping with the anticipated rising demand and corresponding price appreciation.

On 8th July, 2005, the Group entered into a Sale and Purchase Agreement with Paliburg Holdings Limited and certain of its wholly owned subsidiaries for the acquisition of a 50% equity interest in Hang Fok Properties Limited at a consideration of HK$145 million. Hang Fok holds a 23% shareholding interest each in two investee companies which are principally engaged in the development of a property project in the Central Business District (CBD) of Beijing, PRC, comprising office, residential, hotel, commercial and carparking accommodations with a total permissible gross floor area of about 4,630,000 square feet. Completion of the agreement has taken place on 8th July, 2005 and the consideration was settled by the delivery of a promissory note. The transaction provided to the Group an appropriate opportunity to participate in the potential prospects of the property project as well as to diversify its hotel and investment businesses to the capital city of PRC where the 2008 Olympic Games will be held. Details of this transaction are contained in the joint announcement issued by the Company dated 8th July, 2005.

Business performance of the Kaifeng Yatai Brewery located in Kaifeng City in Henan, PRC continued to be affected by the difficult operating environment. In order that the Group's management resources can be focused on its core businesses, the Group has recently divested of its shareholding interests in an intermediate holding company owning the brewery at their carrying costs to independent third parties, while retaining rights to subscribe for certain preference shareholdings in that holding company should circumstances improve in future.

OUTLOOK

Businesses at the five Regal Hotels in Hong Kong for July and August remained steady, but with the opening of the Hong Kong Disneyland in September and the holding in Hong Kong of international high profile events such as the World Trade Organisation ministerial conference in December, overall operating results for the second half of 2005 should be substantially better than that attained in the first six months, particularly that the second half year comprises the traditional high season of the year.

Many additional facilities are planned by the Hong Kong Airport Authority within the Airport complex, such as the AsiaWorld-Expo, the SkyPlaza and a golf course. The AsiaWorld-Expo, which is scheduled to open in December 2005, is a world-class exhibition and event venue with over 750,000 square feet of rentable space. The Regal Airport Hotel will be well benefited as being the only hotel located in the Airport complex and is already receiving hotel room bookings at attractive rates from exhibition and event organisers at the AsiaWorld-Expo spreading over a substantial period of 2006.

With the large capacity and the diverse network of its hotels in Hong Kong, the Group is well positioned to capture the anticipated surge in visitors coming to visit the Hong Kong Disneyland. In this regard, special hotel transportation has been arranged to link all the five Regal Hotels with the Hong Kong International Airport and the Disneyland, and many more larger bedrooms have been fitted with three to four beds catering to families and to suit the requirements of different hotel customers. Moreover, the Group has been working closely in collaboration with a number of travel agencies and airlines that are actively marketing the Disneyland related packages and using the Regal Hotels in Hong Kong. As can be expected, market response so far is very positive, bringing in new additional businesses to the Group's hotels.

Overall, the Group is confident of the continuing prospects of the local hotel industry and is committed to maintaining its position as a leading hotel owner and operator in Hong Kong.

By Order of the Board

LO YUK SUI

Chairman

Hong Kong, 15th September, 2005

INTERIM DIVIDEND

In view of the satisfactory results achieved, the Directors have resolved to declare the payment of an interim dividend of HK0.25 cent per ordinary share for the financial year ending 31st December, 2005 (2004 – Nil), absorbing a total amount of approximately HK$21.1 million, payable to holders of ordinary shares on the Register of Ordinary Shareholders on 28th October, 2005.

The Register of Ordinary Shareholders will be closed from Wednesday, 26th October, 2005 to Friday, 28th October, 2005, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the proposed ordinary dividend, all transfers accompanied by the relevant certificates must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, not later than 4:00 p.m. on Tuesday, 25th October, 2005. The relevant dividend warrants are expected to be despatched on or about 8th November, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Highlights

The Group's significant investments principally comprise its ownership and operating interests in the five Regal Hotels in Hong Kong and the investment in the jointly controlled Regalia Bay development. The performance of the Group's hotel operations during the period under review, their future prospects, the commentary on the local hotel industry and changes in general market conditions and their potential impact on the operating performance as well as the progress and prospects on the Regalia Bay development are contained in the sections above headed "Review of Operations" and "Outlook".

Cash Flow and Capital Structure

During the period under review, net cash inflow from operating activities totalled HK$193.0 million (2004 – HK$160.0 million). Net interest payment for the period amounted to HK$97.6 million (2004 – HK$49.8 million). The increase in net interest payment was largely due to the settlement during the period of the accrued preference dividends in arrears of HK$40.8 million (2004 – Nil).

During the period under review, a total of 64.0 million new ordinary shares of the Company were allotted and issued to the holders of the 2007 Warrants of the Company who exercised the subscription rights in an aggregate amount of HK$16.0 million attaching to certain 2007 Warrants at the subscription price of HK$0.25 per ordinary share. As at the date of this report, a total of 118.2 million new ordinary shares of the Company have been allotted and issued upon exercise of the 2007 Warrants, and the aggregate amount of the 2007 Warrants remaining outstanding was HK$178.9 million exercisable into 715.7 million new ordinary shares of the Company at the prevailing subscription price of HK$0.25 per ordinary share (subject to adjustments).

Up to the date of this report, none of the 2% Guaranteed Convertible Bonds due 2007 (the "Bonds"), in an aggregate principal amount of HK$200.0 million, (the "Firm Bonds") issued by Cheerview Limited, a wholly owned subsidiary company of the Company, in July 2004 have been converted into new ordinary shares of the Company. The optional Bonds of up to an additional aggregate principal amount of HK$200.0 million (the "Optional Bonds") have not been subscribed for and issued. The Firm Bonds and the Optional Bonds, if fully subscribed for and issued, are convertible into a total of 1,600 million ordinary shares of the Company at the initial conversion price of HK$0.25 per ordinary share (subject to adjustments).

Assets Value

Prior to 1st January, 2005, it was the Group's policy, in accordance with the relevant accounting standards previously applicable, to state the value of its owned and operated hotel properties at their open market valuations for existing use appraised annually and not depreciated. Under the new applicable accounting standard which became effective as from 1st January, 2005, owner-occupied leasehold land interests can no longer be carried at fair market valuations. Accordingly, in the financial statements herein presented, the Group's five hotel properties in Hong Kong have been stated at cost less accumulated depreciation on buildings and amortisation on the leasehold land interests.

Aggregate depreciation and amortisation provided for the period under review amounted to HK$64.9 million (2004 - HK$69.1 million, as restated). Additional depreciation on the hotel buildings and amortisation of the prepaid land lease payments charged to the profit and loss account for the period due to the adoption of the new or revised accounting standards aggregated to HK$49.6 million (2004 – HK$49.2 million, as restated), but this has no actual impact on the operating cash flows.

Moreover, there is significant difference between the fair market values of the Group's hotel properties in Hong Kong based on their annual open market valuations and the values as stated in the financial statements herein presented, particularly that some of these properties were acquired and/or developed by the Group many years ago at relatively low costs. Due to its significant impact on the Group's net assets position, the Group considers it appropriate also to present to shareholders, as set out below, supplementary information on the Group's statement of net assets on a proforma basis to adjust for the open market valuations as at 31st December, 2004 of the Group's hotel properties in Hong Kong, which should more readily reflect the underlying economic values of the property interests.

Statement of Proforma Net Assets

	30th June, 2005 (Unaudited)	31st December, 2004 (Unaudited)
	HK$'million	HK$'million
NON-CURRENT ASSETS		
Fixed assets	**2,957.4**	2,990.7
Prepaid land lease payments	**1,099.1**	1,110.2
Add: Revaluation surplus relating to hotel properties based on open market valuations *	**5,786.6**	5,743.7
	9,843.1	9,844.6
Other non-current assets	**2,107.0**	2,082.8
	11,950.1	11,927.4
CURRENT ASSETS	**584.2**	508.3
CURRENT LIABILITIES	**(309.3)**	(311.5)
NET CURRENT ASSETS	**274.9**	196.8
TOTAL ASSETS LESS CURRENT LIABILITIES	**12,225.0**	12,124.2
NON-CURRENT LIABILITIES	**(4,813.7)**	(5,035.4)
MINORITY INTERESTS	**(1.1)**	(0.8)
PROFORMA NET ASSETS	**7,410.2**	7,088.0
Proforma net assets per ordinary share	**HK$0.88**	HK$0.85

* Surplus of independent professional valuations as at 31st December, 2004 over the carrying values of hotel properties (including furniture, fixture and equipment) at the respective balance sheet dates.

Borrowings

As at 30th June, 2005, the Group's borrowings net of cash and bank balances amounted to HK$4,485.5 million (31st December, 2004 – HK$4,747.0 million, as restated). The Group's gearing ratio based on total assets of HK$6,747.7 million per financial statements herein presented (31st December, 2004 – HK$6,692.0 million, as restated) was about 66.5% (31st December, 2004 – 70.9%, as restated). However, based on the proforma total assets of HK$12,534.3 million as at 30th June, 2005 (31st December, 2004 – HK$12,435.8 million), as adjusted for the revaluation surplus relating to the hotel properties as aforesaid, the gearing ratio would be 35.8% (31st December, 2004 – 38.2%).

Details of the Group's pledge of assets and contingent liabilities are shown in notes 14 and 15, respectively, to the condensed consolidated financial statements. As disclosed in note 14, most of the Group's assets have been pledged to secure general banking facilities granted to the Group. As at 30th June, 2005, the Company has contingent liabilities in the aggregate amount of HK$4,768.7 million under the respective corporate guarantees given by the Company in respect of the outstanding syndicated loan facility of HK$4,568.7 million granted to the Group and the Firm Bonds.

Information in relation to the maturity profile of the Group's borrowings as of 30th June, 2005 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2004.

Material Acquisitions or Disposals of Subsidiary Companies or Associates

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

Subsequent to the period end, the Group completed the relevant transactions relating to the acquisition of a 50% equity interest in Hang Fok Properties Limited and the disposal of all of its shareholding interests in the Kaifeng Yatai Brewery located in Kaifeng City in Henan, PRC. Details of such transactions are disclosed in the section above headed "Review of Operations" and note 18 to the condensed consolidated financial statements.

Save as otherwise disclosed in the section above headed "Review of Operations", the Group has no immediate plan for material investments or capital assets.

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. As the Group's borrowings are primarily denominated in Hong Kong dollar currency, being the same currency in which the Group's major revenues are derived, and with interest determined with reference to interbank offered rates, the use of hedging instruments for currency or interest rates purposes is not considered to be necessary.

Remuneration Policy

The Group employs approximately 1,600 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 adopted in June 2005 a new share option scheme named as "The Regal Hotels International Holdings Limited Share Option Scheme", under which share options have been granted to selected eligible persons. Subsequent to the period under review, the outstanding share option granted under the Executive Share Option Scheme of the Company adopted in 1990 and terminated in 2000 has been surrendered and cancelled.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Profit and Loss Account

	Notes	Six months ended 30th June, 2005 (Unaudited) HK$'million	Six months ended 30th June, 2004 (Unaudited and restated) HK$'million
TURNOVER	3	**542.4**	486.6
Cost of sales		**(311.1)**	(285.4)
Gross profit		**231.3**	201.2
Other revenue	4	**84.5**	0.5
Administrative expenses		**(25.1)**	(22.3)
Other operating expenses	5	**–**	(41.1)
Write-back of impairment of a hotel property		**–**	30.0
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION	3	**290.7**	168.3
Depreciation and amortisation		**(64.9)**	(69.1)
OPERATING PROFIT		**225.8**	99.2
Finance costs	6	**(77.5)**	(54.3)
Share of profits less losses of:			
Jointly controlled entity		**140.6**	59.3
Associates		**(1.2)**	(6.9)
PROFIT BEFORE TAX		**287.7**	97.3
Tax	7	**14.6**	12.2
PROFIT FOR THE PERIOD		**302.3**	109.5
ATTRIBUTABLE TO:			
Equity holders of the parent		**302.3**	109.5
Minority interests		**–**	–
		302.3	109.5
EARNINGS PER ORDINARY SHARE:	8		
Basic		**HK3.6 cents**	HK1.4 cents
Diluted		**HK2.9 cents**	HK1.3 cents
DIVIDEND PER ORDINARY SHARE	9	**HK0.25 cent**	Nil

Condensed Consolidated Balance Sheet

	Notes	30th June, 2005 (Unaudited) HK$'million	31st December, 2004 (Restated) HK$'million
NON-CURRENT ASSETS			
Fixed assets		**2,957.4**	2,990.7
Prepaid land lease payments		**1,099.1**	1,110.2
Interest in a jointly controlled entity		**1,808.5**	1,844.6
Interests in associates		**23.4**	22.3
Financial assets at fair value through profit or loss		**139.5**	78.6
Other loan		**78.0**	78.0
Deferred expenditure		**38.6**	45.0
Deferred tax assets		**19.0**	14.3
		6,163.5	6,183.7
CURRENT ASSETS			
Hotel and other inventories		**38.6**	34.4
Debtors, deposits and prepayments	10	**124.0**	98.4
Financial assets at fair value through profit or loss		**1.1**	–
Pledged time deposits		**5.1**	5.0
Time deposits		**398.2**	348.3
Cash and bank balances		**17.2**	22.2
		584.2	508.3
CURRENT LIABILITIES			
Creditors and accruals	11	**185.9**	183.3
Tax payable		**0.8**	5.6
Interest bearing bank and other borrowings	12	**122.6**	122.6
		309.3	311.5
NET CURRENT ASSETS		**274.9**	196.8
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,438.4**	6,380.5

Condensed Consolidated Balance Sheet (Cont'd)

	Note	30th June, 2005 (Unaudited) HK$'million	31st December, 2004 (Restated) HK$'million
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,438.4**	6,380.5
NON-CURRENT LIABILITIES			
Interest bearing bank and other borrowings	12	**(4,468.7)**	(4,650.0)
Convertible bonds		**(184.7)**	(183.0)
Convertible preference shares		**(129.9)**	(166.9)
Deferred tax liabilities		**(30.4)**	(35.5)
		(4,813.7)	(5,035.4)
		1,624.7	1,345.1
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent			
Issued capital		**84.0**	83.4
Reserves		**1,518.5**	1,219.2
Dividends		**21.1**	41.7
		1,623.6	1,344.3
Minority interests		**1.1**	0.8
		1,624.7	1,345.1

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2005

	Share capital (Unaudited)	Ordinary shares to be issued (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Equity component of convertible bonds (Unaudited)	Equity component of convertible preference shares (Unaudited)	Special reserve (Unaudited)	Revaluation reserves (Unaudited)	Exchange equalisation reserve (Unaudited)	Retained profits/ (Accumulated losses) (Unaudited)	Dividends (Unaudited)	Minority interests (Unaudited)	Total (Unaudited)
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
At 1st January, 2005													
As previously reported	84.7	-	574.0	-	-	-	1,062.3	4,781.5	1.3	625.7	82.8	0.8	7,213.1
Prior period adjustments (notes 1 & 2)	(1.3)	-	-	-	21.8	9.4	-	(4,752.1)	-	(1,104.7)	(41.1)	-	(5,868.0)
Opening adjustments (notes 1 & 2)	-	-	-	-	-	-	-	(29.4)	-	32.1	-	-	2.7
As restated at 1st January, 2005	83.4	-	574.0	-	21.8	9.4	1,062.3	-	1.3	(446.9)	41.7	0.8	1,347.8
2004 final dividend declared	-	-	-	-	-	-	-	-	-	(0.3)	(41.7)	-	(42.0)
Issue of shares	0.6	-	15.4	-	-	-	-	-	-	-	-	-	16.0
Transfer to retained earnings	-	-	-	-	-	-	(1,062.3)	-	-	1,062.3	-	-	-
Employee share option scheme	-	-	-	0.3	-	-	-	-	-	-	-	-	0.3
Profit for the period	-	-	-	-	-	-	-	-	-	302.3	-	-	302.3
Contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	-	0.3	0.3
2005 interim dividend	-	-	-	-	-	-	-	-	-	(21.1)	21.1	-	-
At 30th June, 2005	**84.0**	**-**	**589.4**	**0.3**	**21.8**	**9.4**	**-**	**-**	**1.3**	**896.3**	**21.1**	**1.1**	**1,624.7**
At 1st January, 2004													
As previously reported	76.5	-	513.2	-	-	-	1,062.3	2,281.5	1.4	105.6	-	0.1	4,040.6
Prior period adjustments (notes 1 & 2)	(1.3)	-	-	-	-	9.4	-	(2,280.0)	-	(910.7)	-	-	(3,182.6)
As restated at 1st January, 2004	75.2	-	513.2	-	-	9.4	1,062.3	1.5	1.4	(805.1)	-	0.1	858.0
Issue of shares	6.3	-	23.7	-	-	-	-	-	-	-	-	-	30.0
Movement in fair value of long term investments	-	-	-	-	-	-	-	7.7	-	-	-	-	7.7
Net profit for the period	-	-	-	-	-	-	-	-	-	109.5	-	-	109.5
Exchange realignments	-	-	-	-	-	-	-	-	(0.1)	-	-	-	(0.1)
Ordinary shares to be issued (Note)	-	39.0	-	-	-	-	-	-	-	-	-	-	39.0
Contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	-	0.2	0.2
At 30th June, 2004	81.5	39.0	536.9	-	-	9.4	1,062.3	9.2	1.3	(695.6)	-	0.3	1,044.3

Note: Following the termination of the sale and purchase agreement, as supplemented, in respect of the disposal of a hotel property of the Group (the "SP Agreement"), which took effect on 24th June, 2004, the Company was committed to issue certain new ordinary shares in settlement of the termination fee in the amount of HK$39.0 million payable to the purchaser under the terms of the SP Agreement. Subsequently, on 12th July, 2004, 195.0 million new ordinary shares of HK$0.01 each were issued by the Company at an issue price of HK$0.20 per share.

Condensed Consolidated Cash Flow Statement

	Six months ended 30th June, 2005 (Unaudited)	Six months ended 30th June, 2004 (Unaudited)
	HK$'million	**HK$'million**
Net cash inflow from operating activities	**193.0**	160.0
Net cash inflow/(outflow) from investing activities	**158.5**	(25.4)
Net cash outflow from financing activities	**(306.6)**	(49.8)
Net increase in cash and cash equivalents	**44.9**	84.8
Cash and cash equivalents at beginning of period	**370.5**	23.2
Cash and cash equivalents at end of period	**415.4**	108.0
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**17.2**	15.4
Non-pledged time deposits with original maturity of less than three months when acquired	**398.2**	92.6
	415.4	108.0

1. Accounting Policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31st December, 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK–Int 2	The Appropriate Policies for Hotel Properties
HK–Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 18, 19, 21, 23, 24, 27, 28, 31, 33, 37 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 16 Property, Plant and Equipment
HKAS 17 Leases
HK–Int 2 The Appropriate Policies for Hotel Properties

In prior periods, the Group's hotel properties were stated at their open market values for existing use on the basis of annual professional valuations. No depreciation was provided on the hotel properties on the basis that they were maintained in such condition that their residual values were not diminished by the passage of time and that any element of depreciation was insignificant.

Upon the adoption of HKAS 16 and HK-Int 2, the Group's leasehold interest in the hotel buildings is now stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in hotel land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

The effects of the above changes are summarised in note 2 below. The comparative amounts in the condensed consolidated balance sheet for the year ended 31st December, 2004 have been restated to reflect the reclassification of leasehold land.

(b) HKAS 32 and HKAS 39 – Financial Instruments

(i) Equity securities

In prior periods, the Group classified its investments in listed equity securities which were held for non-trading purposes as long term investments and were stated at fair values.

The gains or losses arising from changes in fair values of a security were dealt with as movements in the long term investment revaluation reserve, until the security was sold, collected or otherwise disposed of, or until the security was determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, was charged to the profit and loss account for the period in which the impairment arose.

Upon the adoption of HKASs 32 and 39 and in accordance with the transitional provisions of HKAS 39, these securities are classified as financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are those investments acquired principally for the purpose of trading or so designated at inception. Any gain or loss arising from a change in the fair value of the financial assets is recognised in the profit and loss account.

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial assets where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions and reference to the current market value of another instrument which is substantially the same.

When the fair value of unlisted equity securities cannot be reliably measured because (1) the variability in the range of reasonable fair value estimates is significant for those financial assets, or (2) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost.

The effects of the above changes are summarised in note 2 below. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(ii) Convertible bonds

In prior periods, convertible bonds were stated at amortised cost. Upon the adoption of HKASs 32 and 39, convertible bonds issued are split into liability and equity components.

On the issue of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

The effects of the above changes are summarised in note 2 below. In accordance with HKAS 32, comparative amounts have been restated.

(iii) Convertible preference shares

In prior periods, convertible preference shares were stated at their par values under equity and the related share premium had been cancelled to offset against the Group's accumulated losses in a capital reorganisation in 2002. Upon the adoption of HKASs 32 and 39, the whole principal amount of the convertible preference shares is restated and split into liability and equity components.

On the issue of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible preference share; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

The effects of the above changes are summarised in note 2 below. In accordance with HKAS 32, comparative amounts have been restated.

(c) HKFRS 2 – Share-based Payment

In prior periods, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The fair value is determined by an external valuer using an option pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit and loss account for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Any dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The effects of adopting HKFRS 2 on the Company's share options granted to employees (including directors) during the current period are summarised in note 2 below. There were no share options granted to any employees or directors in any prior period after 7th November, 2002.

(d) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1st January, 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the profit and loss account until disposal or impairment of the acquired business.

There was no goodwill arising on acquisitions on or after 1st January, 2001. Negative goodwill was carried in the balance sheet and was recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisition is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the consolidated profit and loss account.

The transitional provisions of HKFRS 3 have required the Group to derecognise at 1st January, 2005 the carrying amounts of negative goodwill (including that remaining in consolidated capital reserve) against retained profits. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognised in the profit and loss account when all or part of the business to which to the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 2 below. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the prior period adjustments and opening adjustments are summarised as follows:

(a) Effect on opening balance of total equity at 1st January, 2005

Effect of new policies (increase/(decrease))	Notes	Share Capital (Unaudited) HK$'million	Equity component of convertible bonds (Unaudited) HK$'million	Equity component of convertible preference shares (Unaudited) HK$'million	Revaluation reserves (Unaudited) HK$'million	Retained earnings (Unaudited) HK$'million	Total (Unaudited) HK$'million
Prior period adjustments:							
HKASs 16 and 17							
Hotel properties	1(a)	–	–	–	(4,752.1)	(967.8)	(5,719.9)
HKASs 32 and 39							
Convertible bonds	1(b)(ii)	–	21.8	–	–	(3.0)	18.8
Convertible preference shares	1(b)(iii)	(1.3)	–	9.4	–	(175.0)	(166.9)
Net increase/(decrease) in total equity before opening adjustments		(1.3)	21.8	9.4	(4,752.1)	(1,145.8)	(5,868.0)
Opening adjustments:							
HKAS 39							
Cumulative gain in fair value of financial assets	1(b)(i)	–	–	–	(29.4)	29.4	–
HKFRS 3							
Derecognition of negative goodwill	1(d)	–	–	–	–	2.7	2.7
Total effect at 1st January, 2005		**(1.3)**	**21.8**	**9.4**	**(4,781.5)**	**(1,113.7)**	**(5,865.3)**

(b) Effect on opening balance of total equity at 1st January, 2004

Effect of new policies (increase/(decrease))	Notes	Share Capital (Unaudited) HK$'million	Equity component of convertible bonds (Unaudited) HK$'million	Equity component of convertible preference shares (Unaudited) HK$'million	Revaluation reserves (Unaudited) HK$'million	Retained earnings (Unaudited) HK$'million	Total (Unaudited) HK$'million
Prior period adjustments:							
HKASs 16 and 17							
Hotel properties	1(a)	–	–	–	(2,280.0)	(743.2)	(3,023.2)
HKASs 32 and 39							
Convertible preference shares	1(b)(iii)	(1.3)	–	9.4	–	(167.5)	(159.4)
Total effect at 1st January, 2004		**(1.3)**	**–**	**9.4**	**(2,280.0)**	**(910.7)**	**(3,182.6)**

The following tables summarise the impact on profit after tax, income or expenses recognised directly in equity and capital transactions with equity holders for the six-month periods ended 30th June, 2005 and 2004 upon the adoption of the new HKFRSs. As no retrospective adjustments have been made for the adoption of HKFRS 3, the amounts shown for the six months period ended 30th June, 2004 may not be comparable to the amounts shown for the current interim period.

(c) Effect on profit after tax for the six months ended 30th June, 2005 and 2004

		For the six months ended 30th June,					
		2005			2004		
Effect of new policies (increase/(decrease))	**Notes**	**Equity holders of the parent (Unaudited)**	**Minority interests (Unaudited)**	**Total (Unaudited)**	**Equity holders of the parent (Unaudited)**	**Minority interests (Unaudited)**	**Total (Unaudited)**
		HK$'million	**HK$'million**	**HK$'million**	**HK$'million**	**HK$'million**	**HK$'million**
Effect on profit after tax:							
HKAS 16							
Depreciation on hotel buildings net of related deferred tax	1(a)	**(29.3)**	**–**	**(29.3)**	(24.9)	–	(24.9)
Write-back of impairment of a hotel property	1(a)	**–**	**–**	**–**	(135.8)	–	(135.8)
HKAS 17							
Amortisation of prepaid land lease payments	1(a)	**(11.1)**	**–**	**(11.1)**	(11.1)	–	(11.1)
HKAS 39							
Gain in fair value of financial assets at fair value through profit or loss	1(b)(i)	**61.0**	**–**	**61.0**	–	–	–
Finance cost on convertible bonds	1(b)(ii)	**(3.5)**	**–**	**(3.5)**	–	–	–
Finance cost on convertible preference shares	1(b)(iii)	**(3.8)**	**–**	**(3.8)**	(3.8)	–	(3.8)
HKFRS 2							
Employee share option scheme	1(c)	**(0.3)**	**–**	**(0.3)**	–	–	–
HKFRS 3							
Discontinuation of amortisation of goodwill	1(d)	**(0.1)**	**–**	**(0.1)**	–	–	–
Total effect for the period		**12.9**	**–**	**12.9**	(175.6)	–	(175.6)
Effect on earnings per share:							
Basic		**HK0.15 cent**			HK(2.2) cents		
Diluted		**HK0.12 cent**			HK(2.2) cents		

(d) Effect on income or expenses recognised directly in equity and capital transactions with equity holders for the six months ended 30th June, 2005 and 2004

Effect of new policies (increase/(decrease))	Note	For the six months ended 30th June, 2005 Equity holders of the parent (Unaudited)	Minority interests (Unaudited)	Total (Unaudited)	2004 Equity holders of the parent (Unaudited)	Minority interests (Unaudited)	Total (Unaudited)
		HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
HKFRS 2							
Employee share option scheme	1(c)	0.3	–	0.3	–	–	–
Total effect for the period		0.3	–	0.3	–	–	–

3. Segment Information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the hotel ownership and management segment is engaged in hotel operations and the provision of hotel management services;

(b) 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; and

(c) the others segment mainly comprises the Group's other investment business, brewery operations, laundry services and bakery operations.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

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.

(a) Business segments

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

Group

	Hotel ownership and management		Property development and investment		Others		Eliminations		Consolidated	
	Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,	
	2005 (Unaudited)	2004 (Unaudited and restated)	2005 (Unaudited)	2004 (Unaudited and restated)	2005 (Unaudited)	2004 (Unaudited and restated)	2005 (Unaudited)	2004 (Unaudited and restated)	2005 (Unaudited)	2004 (Unaudited and restated)
	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	509.1	454.3	1.0	5.1	32.3	27.2	–	–	542.4	486.6
Intersegment sales	1.2	1.2	0.2	0.2	3.5	4.9	(4.9)	(6.3)	–	–
Total	**510.3**	**455.5**	**1.2**	**5.3**	**35.8**	**32.1**	**(4.9)**	**(6.3)**	**542.4**	**486.6**
Segment results	238.0	170.7	0.2	2.9	61.5	3.3	–	–	299.7	176.9
Interest income and unallocated non-operating and corporate gains									1.6	0.5
Unallocated non-operating and corporate expenses									(10.6)	(9.1)
Operating profit before depreciation and amortisation									**290.7**	**168.3**
Depreciation and amortisation									**(64.9)**	**(69.1)**
Operating profit									**225.8**	**99.2**
Finance costs									**(77.5)**	**(54.3)**
Share of profits less losses of:										
Jointly controlled entity	–	–	140.6	59.3	–	–	–	–	**140.6**	**59.3**
Associates	(0.2)	(0.2)	–	–	(1.0)	(6.7)	–	–	**(1.2)**	**(6.9)**
Profit before tax									**287.7**	**97.3**
Tax									**14.6**	**12.2**
Profit for the period									**302.3**	**109.5**
Attributable to:										
Equity holders of the parent									**302.3**	**109.5**
Minority interests									**–**	**–**
									302.3	**109.5**

(b) Geographical segments

The following table presents revenue information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Eliminations		Consolidated	
	Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,	
	2005 (Unaudited) HK$'m	2004 (Unaudited) HK$'m	2005 (Unaudited) HK$'m	2004 (Unaudited) HK$'m	2005 (Unaudited) HK$'m	2004 (Unaudited) HK$'m	2005 (Unaudited) HK$'m	2004 (Unaudited) HK$'m
Segment revenue:								
Sales to external customers	511.1	460.5	31.3	26.1	–	–	542.4	486.6

4. Other Revenue

Other revenue includes the following major items:

	Six months ended 30th June, 2005 (Unaudited)	Six months ended 30th June, 2004 (Unaudited)
	HK$'million	**HK$'million**
Settlement amount received less expenses for the business interruption claims in relation to the Group's hotel operations	**20.9**	–
Gain in fair value of financial assets	**61.0**	–
Interest income	**1.5**	0.2

5. Other Operating Expenses

Other operating expenses include the following major item:

	Six months ended 30th June, 2005 (Unaudited)	Six months ended 30th June, 2004 (Unaudited)
	HK$'million	**HK$'million**
Termination fee in respect of cancellation of the disposal of a hotel property	**–**	39.0

6. Finance Costs

	Six months ended 30th June, 2005 (Unaudited)	Six months ended 30th June, 2004 (Unaudited and restated)
	HK$'million	**HK$'million**
Interest on bank loans, convertible bonds, convertible preference shares and other loans wholly repayable within five years	**70.8**	49.2
Amortisation of deferred expenditure	**6.4**	5.1
Others	**0.3**	–
Total finance costs	**77.5**	54.3

7. Tax

	Six months ended 30th June, 2005 (Unaudited)	Six months ended 30th June, 2004 (Unaudited and restated)
	HK$'million	**HK$'million**
Current - Hong Kong		
Prior year overprovision	**(5.0)**	—
Current - overseas		
Provision for tax in respect of profits for the period	**0.2**	0.1
Deferred tax	**(9.8)**	(12.3)
Tax credit for the period	**(14.6)**	(12.2)

No provision for Hong Kong profits tax has been made as the Group had no assessable profits or had available tax losses brought forward from prior years to offset the assessable profits, derived from or earned in Hong Kong during the period (2004 - Nil).

Tax on the profits of subsidiary companies operating overseas is calculated at the rates prevailing in the respective jurisdictions in which they operate, based on existing legislation, practices and interpretations thereof.

No provision for tax is required for the associates or the jointly controlled entity as no assessable profits were earned by these associates or the jointly controlled entity during the period (2004 - Nil).

Deferred tax income has been calculated by applying the rate that is expected to apply in the period when the asset is realised or the liability is settled.

8. Earnings Per Ordinary Share

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit attributable to equity holders of the parent for the period of HK$302.3 million (2004 - HK$109.5 million, as restated) and on the weighted average of 8,356.2 million (2004 - 7,885.1 million) ordinary shares of the Company in issue during the period.

(b) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2005 is based on the adjusted profit attributable to equity holders of the parent for the period of HK$307.8 million as adjusted for the interest savings arising from the conversion of the convertible bonds into ordinary shares of the Company, and on the adjusted weighted average of 10,461.7 million ordinary shares of the Company that would have been in issue during the period assuming all outstanding convertible bonds (including optional convertible bonds) of the Group were converted into, and the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for, ordinary shares of the Company at the beginning of the period. The conversion of the outstanding convertible preference shares of the Company is anti-dilutive for the period. In addition, the exercise price of share options of the Company outstanding during the period is higher than the average market price of the Company's ordinary shares and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2004 was based on the adjusted profit attributable to equity holders of the parent for that period of HK$109.5 million, as restated, and on the adjusted weighted average of 8,152.9 million ordinary shares of the Company that would have been in issue during that period assuming all outstanding optional convertible bonds of the Group were converted into ordinary shares of the Company at the beginning of that period. The conversion of the outstanding convertible preference shares of the Company was anti-dilutive for that period. In addition, the exercise price of share options of the Company outstanding during that period was higher than the average market price of the Company's ordinary shares and, accordingly, they had no dilutive effect on the basic earnings per ordinary share.

9. Dividend

The Directors have declared the payment of an interim dividend of HK0.25 cent per ordinary share for the year ending 31st December, 2005 (2004 – Nil), absorbing a total amount of approximately HK$21.1 million.

10. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK$63.2 million (31st December, 2004 - HK$52.8 million) representing the trade debtors of the Group. The aged analysis of such debtors is as follows:

	30th June, 2005 (Unaudited)	31st December, 2004 (Audited)
	HK$'million	HK$'million
Outstanding balances with ages:		
Within 3 months	57.7	47.9
Between 4 to 6 months	2.2	1.7
Between 7 to 12 months	1.9	1.8
Over 1 year	11.5	11.4
	73.3	62.8
Provisions	(10.1)	(10.0)
	63.2	52.8

Credit terms

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

11. Creditors and Accruals

Included in the balance is an amount of HK$41.2 million (31st December, 2004 - HK$54.8 million) representing the trade creditors of the Group. The aged analysis of such creditors is as follows:

	30th June, 2005 (Unaudited)	31st December, 2004 (Audited)
	HK$'million	**HK$'million**
Outstanding balances with ages:		
Within 3 months	**36.9**	47.9
Between 4 to 6 months	**1.4**	3.2
Between 7 to 12 months	**0.9**	1.3
Over 1 year	**2.0**	2.4
	41.2	54.8

12. Interest bearing bank and other borrowings

Included in the amount is a bank loan of HK$4,568.7 million (31st December, 2004 - HK$4,750.0 million) which represented the outstanding balance under a syndicated loan facility of HK$4,750.0 million implemented on 31st December, 2004 (the "Refinancing Loan").

The Group has agreed to certain covenants in the loan and security documents relating to the Refinancing Loan. All of the proceeds receivable by the Group from the luxury residential property project of the jointly controlled entity (the "Regalia Bay Project") (except the proceeds from certain excluded units) will be applied towards prepayment of the Refinancing Loan. There are also covenants relating to the use of certain excess hotel cash flow towards prepayment of the Refinancing Loan, the maintenance of a loan to value ratio, a minimum consolidated tangible net worth and net borrowings to consolidated tangible net worth ratio, and restrictions on consolidated net borrowings, dividend distributions, creation of new encumbrances and disposal of interests in its subsidiary companies relating to the hotels and the Regalia Bay Project.

13. Related Party Transactions

(a) Transactions with related parties

The Group had the following material related party transactions during the period:

	Notes	Six months ended 30th June, 2005 (Unaudited)	Six months ended 30th June, 2004 (Unaudited)
		HK$'million	HK$'million
Consultancy fees in respect of hotel property development projects paid to a wholly-owned subsidiary company of Paliburg Holdings Limited ("PHL"), the then immediate listed holding company and the controlling shareholder of the Company		–	18.7
Construction fees in respect of hotel property renovation projects paid to a wholly-owned subsidiary company of PHL	(i)	4.1	–
Costs and service fees in respect of security systems and products and other software paid to a wholly-owned subsidiary company of PHL	(ii)	2.5	–
Advertising and promotion fees (including cost reimbursements) paid to an associate		3.7	3.4
Management costs allocated from Century City International Holdings Limited, the listed ultimate holding company of PHL		5.7	4.8
Estate agency fee income from a jointly controlled entity		0.6	–

Notes:

(i) During the period, construction fees were paid to a wholly-owned subsidiary company of PHL for the Group's hotel property renovation projects in respect of contracts negotiated on an arm's length basis.

(ii) During the period, costs and service fees were paid to a wholly-owned subsidiary company of PHL for the purchases and maintenance services of security systems and products and other software installed in the Group's hotel properties.

The nature and terms of other related party transactions set out above were already disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2004.

At 30th June, 2004, the Group also had a guarantee given in respect of the attributable share of the outstanding bank loan of a jointly controlled entity in the amount of HK$720.8 million.

(b) Outstanding balances with related parties

	30th June, 2005 (Unaudited)	31st December, 2004
	HK$'million	HK$'million
Due from a wholly-owned subsidiary company of PHL	**1.5**	1.1
Due to wholly-owned subsidiary companies of PHL	**0.9**	–
Due to an associate	**3.2**	3.5

(c) Compensation of key management personnel of the Group

	Six months ended 30th June, 2005 (Unaudited)	Six months ended 30th June, 2004 (Unaudited)
	HK$'million	HK$'million
Short term employee benefits	**4.7**	4.1
Share-based payments	**0.3**	–
Total compensation paid to key management personnel	**5.0**	4.1

14. Pledge of Assets

At 30th June, 2005, certain of the Group's time deposits, interest in a jointly controlled entity, hotel properties, leasehold properties and equipment, inventories and receivables with a total carrying value of HK$5,903.2 million (31st December, 2004 - HK$5,981.1 million, as restated) and the shares in certain subsidiary companies were pledged to secure general banking facilities granted to the Group.

15. Contingent Liabilities

(a) At the balance sheet date, the Group had contingent liabilities in respect of utility guarantees of subsidiary companies in the amount of HK$3.8 million (31st December, 2004 - HK$3.8 million).

(b) The Group has a contingent liability in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of HK$6.0 million as at 30th June, 2005 (31st December, 2004 – HK$7.0 million). The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group and are eligible for long service payments under the Employment Ordinance, if their employment is terminated under certain circumstances. No provision has been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

16. Operating Lease Arrangements

(a) As lessor

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

At 30th June, 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30th June, 2005 (Unaudited)	31st December, 2004 (Audited)
	HK$'million	HK$'million
Within one year	**14.5**	13.8
In the second to fifth years, inclusive	**6.8**	9.1
	21.3	22.9

(b) As lessee

The Group leases certain office and shop units under operating lease arrangements. Leases for properties are negotiated for terms of 1 to 2 years, except for a lease which is negotiated for a term of 18 years and provides for periodic rent adjustments according to the then prevailing market conditions. Lease for office equipment of the Group is negotiated for a term of 3 years.

At 30th June, 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2005 (Unaudited)	31st December, 2004 (Audited)
	HK$'million	HK$'million
Land and buildings:		
Within one year	**2.8**	3.0
In the second to fifth years, inclusive	**8.0**	8.9
After the fifth year	**–**	0.4
	10.8	12.3
Other equipment:		
In the second to fifth years, inclusive	**0.1**	0.1
	10.9	12.4

17. Commitments

In addition to the operating lease commitments detailed in note 16(b) above, the Group had the following outstanding capital commitments at the balance sheet date:

	30th June, 2005 (Unaudited)	31st December, 2004 (Audited)
	HK$'million	HK$'million
Capital commitments in respect of the renovation of, improvements or extensions to, the hotel properties:		
Authorised and contracted for	**47.9**	2.0
Authorised, but not contracted for	**141.6**	187.3
	189.5	189.3

18. Post Balance Sheet Events

Subsequent to the balance sheet date, the Group had the following transactions:

(i) A wholly owned subsidiary company of the Company and a wholly owned subsidiary company of PHL entered into and completed a sale and purchase agreement for the acquisition of 50% equity interest in Hang Fok Properties Limited ("Hang Fok"), a then wholly owned subsidiary company of PHL, at a consideration of HK$145 million, which was satisfied by the issue of a promissory note with a principal amount of HK$145 million bearing interest at 3% per annum.

Hang Fok holds a 23% shareholding interest in each of Beijing Century City Real Estate Development Co., Ltd. (北京世紀城市房地產開發有限公司) and Beijing Jianye Real Estate Developing Co., Ltd. (北京建業房地產開發有限公司), both being Sino-foreign cooperative joint ventures incorporated in the People's Republic of China ("PRC") (collectively, the "Investee Companies"). The Investee Companies are principally engaged in the development of a property project in the Central Business District (CBD) of Beijing, the PRC.

(ii) The Group disposed of its shareholding interest in an intermediate holding company owning the brewey in Kaifeng City in Henan, the PRC at their carrying cost of approximately HK$3 million to independent third parties.

19. Share Options

(a) Executive Share Option Scheme

During the period, the Company operated an executive share option scheme (the "Executive Share Option Scheme"). The Executive Share Option Scheme was approved by the Company's shareholders on 28th June, 1990. Share options granted under the Executive Share Option Scheme did not confer rights on the holders to dividends or to vote at shareholders' meetings.

Details of Directors' interests in and movements in the outstanding share option granted by the Company pursuant to the Executive Share Option Scheme during the period were as follows:

Date of grant of share option	Name or category of participant	Number of ordinary shares under share option** At 1st January, 2005	Movement during the period	At 30th June, 2005	Vesting period*/ Exercise period of share option	Exercise price of share option** HK$
	Director					
22nd February, 1997	Ms. Belinda Yeung Bik Yiu					
	Vested:	756,000	–	864,000	Note	2.1083
	Unvested:	324,000	–	216,000	Note	
	Total:	**1,080,000**	**–**	**1,080,000**		

* The vesting period of the share option was from the date of the grant until the commencement of the relevant exercise period.

** Subject to adjustment in the case of rights or bonus issues, or other relevant changes in the Company's share capital.

Note:

Vesting/Exercise Periods of Option:

On Completion of Continuous Service of		Initial/Cumulative Percentage Vesting	Initial/Cumulative Percentage Exercisable
(a)	2 years after date of grant	Initial 20%	Initial 20% upon vesting (exercisable until 10 years after date of grant)
(b)	3 years to 9 years after date of grant	Cumulative 30% to 90% (with 10% additional percentage vested each subsequent year (commencing from 3 years after date of grant))	Cumulative 30% to 90% (with 10% additional percentage exercisable each subsequent year (commencing from 3 years after date of grant) upon vesting (exercisable until 10 years after date of grant))
(c)	9$^1/_2$ years after date of grant	100%	100% (exercisable until 10 years after date of grant)

The outstanding share option for 1,080,000 ordinary shares granted under the Executive Share Option Scheme, which was terminated in 2000, was subsequently surrendered and cancelled in August 2005.

(b) The Regal Hotels International Holdings Limited Share Option Scheme

At the special general meeting of the Company held on 16th June, 2005, the adoption of a new share option scheme of the Company named as "The Regal Hotels International Holdings Limited Share Option Scheme" (the "New Share Option Scheme") and the conditional grant to Mr. Lo Yuk Sui ("Mr. Lo"), the chairman of the Company, of share options for 200,000,000 ordinary shares, entitling Mr. Lo to subscribe for a total of 200,000,000 new ordinary shares at an exercise price of HK$0.75 per ordinary share (subject to adjustments), were approved by the shareholders and the independent shareholders of the Company, respectively. The closing price of the ordinary shares traded on The Stock Exchange of Hong Kong Limited immediately before the date on which such options were conditionally offered to be granted to Mr. Lo, i.e. 12th May, 2005, was HK$0.68 per ordinary share. The number of ordinary shares under the options conditionally granted to Mr. Lo was in excess of the individual maximum limit of 1% of the ordinary shares in issue as of the offer date. Both the New Share Option Scheme and the conditional grant of options have become effective on 21st July, 2005. The options granted to Mr. Lo will become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and be exercisable as follows:

Exercise Period	Number of ordinary shares of the Company under vested options
12th May, 2007 to 11th May, 2011	80,000,000
12th May, 2008 to 11th May, 2011	40,000,000
12th May, 2009 to 11th May, 2011	40,000,000
12th May, 2010 to 11th May, 2011	40,000,000

On 25th July, 2005, share options for an aggregate number of 165,000,000 ordinary shares, entitling the holders thereof to subscribe for a total of 165,000,000 new ordinary shares at an exercise price of HK$0.75 per ordinary share (subject to adjustments), were offered to be granted to other selected eligible persons under the New Share Option Scheme. Such further grants of options have been duly accepted and became effective by end of July 2005.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2005, 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") in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

				Number of Shares Held			
		Name of Director	Class of Shares Held	Personal Interests	Corporate Interests	Family/ Other Interests	Total (Approximate percentage of the Issued Shares as at 30th June, 2005)
1.	**The Company**	Mr. Lo Yuk Sui ("Mr. Lo")	Ordinary (i) issued	220,000	3,784,379,610 (Note a(i))	—	3,784,599,610
			(ii) unissued	200,022,000 (Notes a(iii) & (v))	369,805,453 (Notes a(ii) to (iv))	—	569,827,453
						Total (i) & (ii):	4,354,427,063 (51.81%)
			Preference (issued)	—	3,440 (Note a(iv))	—	3,440 (20.54%)
		Dr. Francis Choi Chee Ming	Ordinary (i) issued	115,274,000	—	—	115,274,000
			(ii) unissued	—	800,000,000 (Note b)	—	800,000,000
						Total (i) & (ii):	915,274,000 (10.89%)
		Miss Lo Po Man	Ordinary (i) issued	3,000,000	—	2,503,898 (Note c)	5,503,898
			(ii) unissued	—	—	187,792 (Note c)	187,792
						Total (i) & (ii):	5,691,690 (0.068%)
		Ms. Belinda Yeung Bik Yiu	Ordinary (unissued)	1,080,000 (Note d)	—	—	1,080,000 (0.013%)

	Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held: Personal Interests	Corporate Interests	Family/ Other Interests	Total (Approximate percentage of the Issued Shares as at 30th June, 2005)
2.	8D International (BVI) Limited	Mr. Lo	Ordinary (issued)	—	1,000 (Note e)	—	1,000 (100%)

Notes:

(a) (i) The issued ordinary shares of the Company were held through companies wholly owned by Paliburg Holdings Limited ("PHL"), in which Century City International Holdings Limited ("CCIHL") held 54.71% shareholding interests.

(ii) The interests in 369,805,453 unissued ordinary shares of the Company were held through companies wholly owned by PHL, in which CCIHL held 54.71% shareholding interests.

(iii) The interests in 22,000 and 354,197,026 unissued ordinary shares of the Company related to the interests in the warrants of the Company (the "2007 Warrants") carrying subscription rights in an aggregate amount of HK$88,554,756.50, which are exercisable during the period from 2nd February, 2005 to 26th July, 2007 to subscribe for a total of 354,219,026 new ordinary shares of the Company at an initial subscription price of HK$0.25 per ordinary share (subject to adjustment).

(iv) The interests in 15,608,427 unissued ordinary shares of the Company related to the interests in 3,440 convertible cumulative preference shares of the Company carrying rights to convert into 15,608,427 new ordinary shares of the Company, based on the conversion price of HK$1.7037 per ordinary share and on a reference amount of US$1,000 per preference share at the fixed exchange rate of HK$7.730255 to US$1.00, during the period from 5th December, 1993 to 5th December, 2008.

(v) The interests in 200,000,000 unissued ordinary shares of the Company were held through the interests in the options conditionally granted to Mr. Lo, entitling Mr. Lo to subscribe for a total of 200,000,000 new ordinary shares of the Company at an exercise price of HK$0.75 per ordinary share (subject to adjustments), under The Regal Hotels International Holdings Limited Share Option Scheme adopted by the shareholders of the Company on 16th June, 2005. The conditional grant of such options to Mr. Lo became unconditional on 21st July, 2005. The options will become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and be exercisable as follows:

Exercise Period	Number of ordinary shares of the Company under vested options
12th May, 2007 to 11th May, 2011	80,000,000
12th May, 2008 to 11th May, 2011	40,000,000
12th May, 2009 to 11th May, 2011	40,000,000
12th May, 2010 to 11th May, 2011	40,000,000

(b) The interests in 800,000,000 unissued ordinary shares of the Company were held by Clovering Enterprise Limited ("Clovering Enterprise"), which is a company controlled by Dr. Francis Choi Chee Ming, through its interests in and rights to subscribe for the 2% Guaranteed Converible Bonds due 2007 (the "Bonds"), guaranteed by, and convertible into new ordinary shares of the Company, for an aggregate principal amount of HK$200,000,000 issued and to be issued by Cheerview Limited ("Cheerview"), a wholly owned subsidiary of the Company, pursuant to a conditional subscription agreement dated 3rd June, 2004 between Cheerview, the Company and Clovering Enterprise (the "Subscription Agreement"). Such HK$200,000,000 Bonds comprise the issued firm bonds of an aggregate principal amount of HK$100,000,000 (the "Firm Bonds") and the optional bonds of up to an aggregate principal amount of HK$100,000,000 which Clovering Enterprise may subscribe for pursuant to the Subscription Agreement (the "Optional Bonds"). The Firm Bonds are, and the Optional Bonds (when in issue) will be, convertible into a total number of 800,000,000 new ordinary shares of the Company at the initial conversion price of HK$0.25 per share (subject to adjustments).

(c) The interests in 2,503,898 issued ordinary shares of the Company and the interests in 187,792 unissued ordinary shares of the Company were held by Miss Lo Po Man as the beneficiary of a trust. The interests in 187,792 unissued ordinary shares related to the interests in the 2007 Warrants carrying subscription rights in an aggregate amount of HK$46,948.00, which are exercisable during the period from 2nd February, 2005 to 26th July, 2007 to subscribe for a total of 187,792 new ordinary shares of the Company at an initial subscription price of HK$0.25 per ordinary share (subject to adjustments).

(d) The interests in these unissued ordinary shares of the Company related to the interests in a share option granted by the Company, details of which are set out in note 19 to the condensed consolidated financial statements.

(e) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 72.62% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 30th June, 2005, 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.

Save as disclosed in note 19 to the condensed consolidated financial statements, during the period, no right has been granted to, or exercised by, the following persons, to subscribe for shares in or debentures of the Company under the Executive Share Option Scheme and the New Share Option Scheme (both as referred to in note 19 to the condensed consolidated financial statements) and no option granted to such persons under the Executive Share Option Scheme and the New Share Option Scheme has been cancelled and lapsed:

(i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;

(ii) any participant under the Executive Share Option Scheme and the New 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 Executive Share Option Scheme and the New Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2005, the following substantial shareholders (as defined in the Listing Rules) (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:

Name of Substantial Shareholder	Number of Issued Ordinary Shares Held	Number of Underlying Ordinary Shares (Unissued) Held	Total number of Ordinary Shares (Issued and Unissued) Held	Approximate percentage of the Issued Ordinary Shares as at 30th June, 2005
CCIHL (Note i)	3,763,511,610	369,805,453	4,133,317,063	49.18%
Century City BVI Holdings Limited (Note ii)	3,763,511,610	369,805,453	4,133,317,063	49.18%
Almighty International Limited (Note ii)	3,763,511,610	369,805,453	4,133,317,063	49.18%
PHL (Note iii)	3,763,511,610	369,805,453	4,133,317,063	49.18%
Paliburg Development BVI Holdings (Note iv)	3,763,511,610	369,805,453	4,133,317,063	49.18%
Guo Yui Investments Limited (Note iv)	908,041,333	74,833,333	982,874,666	11.69%
Paliburg International Holdings Limited (Note iv)	2,390,392,820	239,039,281	2,629,432,101	31.29%
Paliburg BVI Holdings Limited (Note iv)	2,390,392,820	239,039,281	2,629,432,101	31.29%
Taylor Investments Ltd. (Note iv)	1,402,111,870	140,211,187	1,542,323,057	18.35%
Glaser Holdings Limited (Note iv)	533,480,286	53,348,028	586,828,314	6.98%
Clovering Enterprise Limited ("CEL") (Note v)	–	800,000,000	800,000,000	9.52%

Notes:

(i) The interests in ordinary shares held by CCIHL were included in the corporate interests of Mr. Lo Yuk Sui in the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.

(ii) These companies are wholly owned subsidiary companies of CCIHL and their interests in the ordinary shares of the Company are included in the interests held by CCIHL.

(iii) PHL is a listed subsidiary company of CCIHL, which held 54.71% shareholding interests in PHL, and PHL's interests in the ordinary shares of the Company are included in the interests held by CCIHL.

(iv) These companies are wholly owned subsidiary companies of PHL and their interests in the ordinary shares of the Company are included in the interests held by PHL.

(v) The interests in unissued ordinary shares held by CEL were duplicated in the corporate interests of Dr. Francis Choi Chee Ming in the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.

Save as disclosed herein, there is no person who, as at 30th June, 2005, 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.

DISCLOSURE PURSUANT TO RULES 13.13 AND 13.16 OF CHAPTER 13 OF THE LISTING RULES

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

Advances to an Entity (Rule 13.13 of Chapter 13)

Details of the advances made to Chest Gain Development Limited ("Chest Gain"), a jointly controlled entity owned as to 70% by the Company and 30% by China Overseas Land & Investment Limited, which is independent of, and not connected with the Company, the directors, chief executive and substantial shareholders of the Company and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules), by the Company and its subsidiary companies (the "Group") as at 30th June, 2005 are set out below:

Advances	**Group (HK$'million)**
(A) Principal Amount of Advances	2,952.1
(B) Interest Receivable	379.2
Total: (A)+(B)	3,331.3

The above advances to Chest Gain in an aggregate sum of HK$3,331.3 million (before a provision of HK$1,172.1 million) included an amount of HK$1,701.1 million, which represented the gross amount of the advances attributable to the additional 40% interest in Chest Gain acquired from PHL in 2002 as detailed in the audited consolidated financial statements for the year ended 31st December, 2002. Such contributions of funds to Chest Gain are provided in the form of shareholders' loans in proportion to the respective shareholding interests of the shareholders of Chest Gain. The advances are unsecured and have no fixed term of repayment, interest-bearing at prime rate per annum (but related interest had only been accrued to 31st December, 1998). The provision of financial assistance to Chest Gain is for the purpose of facilitating Chest Gain in the development of the "Regalia Bay" luxury residential project at Rural Building Lot No.1138, Wong Ma Kok Road, Stanley, Hong Kong (the "Regalia Bay Development"). The site for the Regalia Bay Development was acquired by Chest Gain at the government land auction held on 3rd June, 1997.

Calculated on the basis shown above, the aggregate of advances as at 30th June, 2005 provided by the Group to Chest Gain in the sum of HK$3,331.3 million represented 49.4% of the consolidated total assets of the Company of HK$6,747.7 million (the "Regal TA"), by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2005.

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

Details of the financial assistance provided to affiliated companies (including Chest Gain) by the Group as at 30th June, 2005 are set out below:

Name of Affiliated Companies	Principal Amount of Advances (HK$'million)	Interest Receivable (HK$'million)	Total (HK$'million)
Chest Gain	2,952.1	379.2	3,331.3
8D International (BVI) Limited	28.9	–	28.9
8D Matrix Limited	0.5	–	0.5
Bright Future (HK) Limited	5.6	–	5.6
Network Sky Limited	1.2	–	1.2
	2,988.3	379.2	3,367.5

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

8D International (BVI) Limited ("8D-BVI") is a 30% owned associate of the Company, which is now principally involved in the development and distribution of technologically advanced security and building related systems and software development and promotions businesses. The remaining shareholding interests in 8D-BVI are indirectly owned as to 10% by CCIHL and 60% by Mr. Lo Yuk Sui. 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 term of repayment.

8D Matrix Limited ("8D Matrix") is a 30% owned associate of the Company (the Company also holds an additional 6% attributable interest through its holding in 8D-BVI), which is involved in promotions businesses. The remaining shareholding interests in 8D Matrix are owned as to 10% indirectly by CCIHL and 60% indirectly by Mr. Lo Yuk Sui through his associates (as defined in the Listing Rules), including 8D-BVI. The advances were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D Matrix, for the purpose of financing the working capital of 8D Matrix. The advances are unsecured, interest-free and have no fixed term of repayment.

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

Network Sky Limited ("Network Sky") is a 25% owned associate of the Company, which through its wholly-owned subsidiary company is engaged in the carrying on of a light refreshment operation. The other shareholding interests in Network Sky are owned as to 25% indirectly by PHL, 25% indirectly by Mrs. Kitty Lo Lee Kit Tai, a director of PHL, through her associate (as defined in the Listing Rules) and 25% directly by a third party which is independent of, and not connected with the Company, the directors, chief executive and substantial shareholders of the Company and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules). The advances to Network Sky were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in Network Sky, for the purpose of financing the working capital of Network Sky. The advances are unsecured, interest-free and have no fixed term of repayment.

Calculated on the basis shown above, as at 30th June, 2005, the aggregate amount of financial assistance provided to affiliated companies by the Group in the sum of HK$3,367.5 million represented 49.9% of the Regal TA.

Save as disclosed above, there were no other financial assistance provided to and guarantees given for affiliated companies by the Group as at 30th June, 2005, which were discloseable pursuant to Rule 13.16 of Chapter 13 of the Listing Rules.

A pro-forma combined balance sheet of the abovenamed affiliated companies and the Group's attributable interest in these affiliated companies are presented below:

	Pro-forma combined balance sheet (HK$'million)	**The Group's attributable interest (HK$'million)**
Non-current assets	60.3	21.1
Current assets	2,676.7	1,869.9
Current liabilities	(32.0)	(21.4)
Non-current liabilities	(6,511.8)	(4,515.3)
Net liabilities	(3,806.8)	(2,645.7)

CORPORATE GOVERNANCE

Code of Corporate Governance Practices

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30th June, 2005, except that the roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals and the Non-Executive Directors and the Independent Non-Executive Directors of the Company were not appointed for specific terms. However, the Non-Executive Directors and the Independent Non-Executive Directors were appointed to their offices for such terms and subject to retirement in accordance with the provisions of the Bye-laws of the Company. At the annual general meeting of the Company held on 16th June, 2005, all those Directors who had been in office for three years or more retired and were re-elected at that meeting.

In compliance with the requirement in the CG Code in respect of the establishment of an audit committee, the Company has formed an Audit Committee, which currently comprises the following members:

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

The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30th June, 2005.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the "Code for Securities Transactions by Directors of Regal Hotels International Holdings Limited" (the "Regal Code"), on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard under the Model Code and the Regal Code during the six months ended 30th June, 2005.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2005.

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors
Regal Hotels International Holdings Limited

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 11 to 34.

Respective responsibilities of Directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the Directors. It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion 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.

Review work performed

We conducted our review in accordance with SAS 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2005.

Ernst & Young
Certified Public Accountants

Hong Kong
15th September, 2005