



2013 INTERIM REPORT

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Corporate Information

DIRECTORS

Executive Directors

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Donald Fan Tung

(Chief Operating Officer)

Jimmy Lo Chun To

Lo Po Man

Kenneth Ng Kwai Kai

Kenneth Wong Po Man

Independent Non-Executive Directors

Bowen Joseph Leung Po Wing, GBS, JP

Ng Siu Chan

Abraham Shek Lai Him, GBS, JP

Wong Chi Keung

AUDIT COMMITTEE

Wong Chi Keung (Chairman)

Bowen Joseph Leung Po Wing, GBS, JP

Ng Siu Chan

Abraham Shek Lai Him, GBS, JP

REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)

Lo Yuk Sui

Ng Siu Chan

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Bowen Joseph Leung Po Wing, GBS, JP

Ng Siu Chan

Abraham Shek Lai Him, GBS, JP

Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

The Bank of East Asia, Limited

Standard Chartered Bank (Hong Kong) Limited

Australia and New Zealand Banking Group Limited

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited

26 Burnaby Street, Hamilton HM 11, Bermuda

BRANCH REGISTRAR IN HONG KONG

Tricor Tengis Limited

26th Floor, Tesbury Centre,

28 Queen's Road East, Wanchai,

Hong Kong

REGISTERED OFFICE

26 Burnaby Street, Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street,

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Mr. Lo Yuk Sui, aged 68; *Chairman and Chief Executive Officer* — Chairman and Managing Director since 1993 and designated as Chief Executive Officer in 2007. Mr. Lo has been the Managing Director and the Chairman of the predecessor listed companies of the Group since 1984 and 1986 respectively. He is also the chairman and chief executive officer of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, Regal Hotels International Holdings Limited ("RHIHL"), a listed subsidiary of the Company, and the non-executive chairman of Regal Portfolio Management Limited ("RPML"), the manager of Regal Real Estate Investment Trust (the listed subsidiary of RHIHL). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

Mr. Donald Fan Tung, aged 56; *Executive Director and Chief Operating Officer* — Appointed to the Board in 1993 and designated as Chief Operating Officer in 2007. Mr. Fan has been with the Group since 1987 and is principally involved in the Group's property development, architectural design and project management functions as well as overseeing the building construction business of the Group. Mr. Fan is a qualified architect. He is also an executive director of CCIHL and RHIHL and a non-executive director of RPML.

Mr. Bowen Joseph Leung Po Wing, GBS, JP, aged 63; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2008. Mr. Leung previously served the Hong Kong Government for over 32 years until his retirement as the Director of the Office of the Government of the Hong Kong Special Administrative Region in Beijing ("Beijing Office") in November 2005. Mr. Leung joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr. Leung had served in various policy bureaux and departments. Senior positions held by Mr. Leung included: Deputy Secretary for District Administration (later retitled as Deputy Secretary for Home Affairs); Deputy Secretary for Planning, Environment and Lands; Private Secretary, Government House, Secretary for Planning, Environment and Lands and Director of the Beijing Office. Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as the Director of the Beijing Office, he had made commendable efforts in promoting Hong Kong in the Mainland, as well as fostering closer links and co-operation between Hong Kong and the Mainland. Mr. Leung is an independent non-executive director and a member of the Audit Committee of PYI Corporation Limited, North Asia Resources Holdings Limited and Quali-Smart Holdings Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He also acts as special consultant to the board of directors of Sands China Limited, which is a company listed on the Stock Exchange.

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

Miss Lo Po Man, aged 33; *Executive Director* — Appointed to the Board in 2007. Miss Lo graduated from Duke University, North Carolina, U.S.A. with a Bachelor Degree in Psychology. She is also an executive director of CCIHL and RHIHL and a non-executive director of RPML. Miss Lo joined the RHIHL group in 2000 and is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing functions of the RHIHL group and directed the marketing campaign of the RHIHL group's luxury residential development, Regalia Bay in Stanley, Hong Kong. She also undertakes responsibilities in the business development function of the RHIHL group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Kenneth Ng Kwai Kai, aged 59; *Executive Director* — Appointed to the Board in 1995. Mr. Ng has been with the Group since 1985 and is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. Mr. Ng is a Chartered Secretary. Mr. Ng is also an executive director and the chief operating officer of CCIHL, an executive director of RHIHL and a non-executive director of RPML and Cosmopolitan International Holdings Limited ("Cosmopolitan"), a company listed on the Stock Exchange.

Mr. Ng Siu Chan, aged 83; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 1995. Mr. Ng is also an independent non-executive director of CCIHL and RHIHL. He is a non-executive director of Transport International Holdings Limited, which is a company listed on the Stock Exchange.

Hon Abraham Shek Lai Him, GBS, JP, aged 68; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2002. Mr. Shek holds a Bachelor Degree of Arts. He is currently a member of the Legislative Council for the Hong Kong Special Administrative Region. He is also a Member of the Court of The Hong Kong University of Science and Technology, Member of both of the Court and the Council of The University of Hong Kong, Director of The Hong Kong Mortgage Corporation Limited and Vice Chairman of Independent Police Complaints Council. Mr. Shek is the chairman and an independent non-executive director of Chuang's China Investments Limited, the vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited, an independent non-executive director and a member of the audit committee of China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Country Garden Holdings Company Limited, Dorsett Hospitality International Limited, ITC Corporation Limited, Lifestyle International Holdings Limited, Midas International Holdings Limited, NWS Holdings Limited, SJM Holdings Limited and Titan Petrochemicals Group Limited, and an independent non-executive director of Hop Hing Group Holdings Limited, Hsin Chong Construction Group Limited, Lai Fung Holdings Limited and MTR Corporation Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange), and RPML.

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

Mr. Kenneth Wong Po Man, aged 47; *Executive Director* — Appointed to the Board in 2007. Mr. Wong is a qualified architect. He graduated from the University of Hong Kong with a Bachelor of Arts Degree in Architectural Studies and a Bachelor Degree of Architecture. He also holds a Master of Science Degree in Real Estates from the University of Hong Kong. Mr. Wong has been with the Group for over 20 years. He has been involved in architectural design and project management in respect of various property development projects of the Group and is also the Technical Director of Chatwin Engineering Limited, the construction arm of the Group, registered under the Buildings Ordinance. Mr. Wong is also a non-executive director of Cosmopolitan.

Chairman's Statement

Dear shareholders,

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

FINANCIAL RESULTS

For the six months ended 30th June, 2013, the Group recorded an unaudited consolidated profit attributable to shareholders of HK\$27.5 million, as compared to HK\$2,220.3 million attained in the corresponding period in 2012.

The profit recorded for the period under review was substantially lower primarily due to the fact that, in the prior year comparative period, a one-off net accounting gain of HK\$2,118.4 million was recognised by the Group on consolidating Regal Hotels International Holdings Limited, previously a listed associate of the Company, based on the fair values of the assets and liabilities of Regal as at 7th May, 2012, the date when Regal became a listed subsidiary of the Company.

Moreover, it should be noted that the five initial Regal Hotels in Hong Kong owned by Regal Real Estate Investment Trust, an indirect listed subsidiary of the Company held through Regal, are leased to a wholly owned subsidiary of Regal for hotel operations. Therefore, while these hotel assets are classified as investment properties and stated at market valuations in Regal REIT's financial statements without depreciation charges, they are instead treated by the Group as fixed assets and subject to depreciation charges based on their fair values as of the date when Regal became a subsidiary of the Company, in accordance with currently applicable accounting standards. Accordingly, there were total depreciation charges of approximately HK\$219.0 million provided on the Group's hotel properties during the period which, though not having any impact on cash flow, have nevertheless adversely affected the interim results under review.

DIVIDENDS

The Directors have declared the payment of an interim dividend of HK2.2 cents per ordinary share for the financial year ending 31st December, 2013, representing an increase of 10% over the interim dividend of HK2.0 cents per ordinary share paid for the last financial year. This interim dividend will absorb an amount of approximately HK\$24.5 million (2012 – HK\$22.4 million) and will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 11th October, 2013.

BUSINESS OVERVIEW

PROPERTIES

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

As Regal became a member of the Group in May 2012, P&R Holdings Limited, initially established by Regal and the Company as a 50/50 owned joint venture, has also effectively become a subsidiary of the Company. To take full advantage of the combined financial resources and expertise of Regal and the Company, the property development business of the Group in Hong Kong has since mostly been undertaken through P&R Holdings.

During the period under review, P&R Holdings continued to be active in the acquisition of new sites. In April this year, P&R Holdings completed the acquisition of the properties at Ha Heung Road, To Kwa Wan, Kowloon at a consideration of HK\$464.3 million. It is intended that the properties will be developed into a hotel with 340 guestrooms, with a total gross floor area of about 6,298 square meters.

More recently, a wholly owned subsidiary of P&R Holdings was the successful bidder at a government tender held in June 2013 and was awarded the land parcel located at Sha Tin Town Lot No. 482 at Po Tai Street, Ma On Shan, Sha Tin, New Territories for a consideration of HK\$661.9 million. The land has a site area of 5,090 square meters and maximum gross floor area of 15,270 square meters. The project is presently planned to be developed into a shopping mall for rental purposes.

Altogether, P&R Holdings is now developing a total of six property projects in Hong Kong, including four hotel development projects located in Sheung Wan, North Point and To Kwa Wan, one residential project in Yuen Long and the latest shopping mall project in Ma On Shan. Further details on the latest progress on these development projects are contained in the section headed "Management Discussion and Analysis" in this Interim Report.

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

Under the Share Purchase Agreement, P&R Holdings has agreed to sell to Regal REIT the new hotel located at Nos. 132-140 Bonham Strand, Sheung Wan, under development at a consideration of HK\$1,580.0 million, based on the valuation of the hotel property as of 25th June, 2013 by an independent valuer on an as-completed basis. The consideration represents a surplus of approximately HK\$853 million over the total estimated costs to P&R Holdings in respect of the Sheung Wan Hotel, including the costs for the completion of the interior fit-out works. This transaction is expected to be completed before the end of this year after the occupation permit for the hotel has been obtained.

Pursuant to the Option Agreement, P&R Holdings has granted to Regal REIT an option to acquire the new hotel that it is developing at Nos. 14-20 Merlin Street, North Point, at an initial exercise price of HK\$1,650.0 million, likewise based on the valuation of the property as of 25th June, 2013 by the independent valuer on an as-completed basis. To protect the interests of Regal REIT in the event of a material fluctuation in the value of the hotel property, the exercise price will be subject to final adjustment based on an updated appraised value to be conducted by the same independent valuer at the time when the hotel development is completed. If there is any decrease in the updated appraised value as compared to the initial valuation, the exercise price will be fully adjusted downwards for the benefit of Regal REIT, while in the case of an increase in the updated appraised value, the exercise price will only be adjusted upwards by 50% of the increase. The initial exercise price represents a surplus of approximately HK\$844 million over the total estimated cost to P&R Holdings in respect of the North Point Hotel, including the costs for the completion of the interior fit-out works. The occupation permit for the North Point Hotel is estimated to be granted in the second quarter of 2014 and if Regal REIT at its discretion decides to exercise the option, the sale and purchase under the Option Agreement is expected to be completed in the third quarter of 2014, subject to requisite approvals and compliance requirements.

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

Though the disposals of these hotel projects would not have any immediate impact on the Group's results, as any profits derived will be eliminated and not recognised under applicable accounting standards while Regal REIT remains a subsidiary of the Company, they will still significantly strengthen the actual cash flow at the shareholders' group level. Full details of the transactions are contained in the circular to the shareholders of the Company dated 29th June, 2013.

Separately, on 27th June, 2013, respective agreements were entered into between P&R Holdings and a joint venture 50/50 held by Regal and Cosmopolitan International Holdings Limited, as the vendors, and a wholly owned subsidiary of Cosmopolitan as the purchaser, pursuant to which the vendors agreed to sell their respective 70% and 30% equity interests in the mixed-use development project presently under development in Xindu District, Chengdu City, Sichuan Province to the purchaser. The considerations under these agreements will be determined based on a 5% discount to the valuation of the Chengdu project of RMB1,540 million as of 31st May, 2013, as appraised by an independent professional valuer jointly engaged by the parties. On completion of these transactions, the Chengdu project will become wholly owned by the Cosmopolitan group. The considerations payable to the vendors will be by installments over a period of 3 years, with interest accruing at 5% per annum. The purchaser will grant in favour of the vendors pro rata pledges over its equity interests in the Chengdu project and restrictive covenants to protect the interests of the vendors before the considerations are fully settled. It is preliminarily estimated that the Group will record a gain before tax and non-controlling interests of approximately HK\$300 million from these transactions with respect to the Chengdu project, which will be reflected in the full year results for 2013.

In addition, P&R Holdings has also entered into a sale and purchase agreement with Cosmopolitan for P&R Holdings to purchase the properties comprising ten residential duplex units and 14 car parks in Rainbow Lodge located in Tong Yan San Tsuen, Yuen Long, with the sale consideration to be based on the valuation of the subject properties of HK\$88.0 million as of 31st May, 2013 as appraised by an independent professional valuer jointly engaged by the parties, payable in cash upon completion of the transaction. The consideration to be received for the sale of the Rainbow Lodge properties will be used by the Cosmopolitan group to repay part of the consideration payable for its purchase of a development site in Tianjin City from the Regal group, pursuant to a separate agreement that was entered into simultaneously with the other transactions with the Cosmopolitan group.

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

CONSTRUCTION AND BUILDING RELATED BUSINESSES

Chatwin Engineering Limited, the Group's construction arm, is undertaking the main contract works for P&R Holdings for the Sheung Wan Hotel and the North Point Hotel and acts as the construction manager for the ongoing conversion project at the Regal Oriental Hotel, all of which are progressing steadily. The Group's development consultancy arm continues to provide professional services to the various projects undertaken by the member and affiliated companies of the Group in areas encompassing architectural, engineering and interior design work.

OTHER INVESTMENTS

The Group holds a significant portfolio of investments comprising listed securities and other investments, including investment funds, bonds, and treasury and yield enhancement products denominated in Renminbi. Apart from the position held in Cosmopolitan by the Regal group, the Group itself presently holds a 17.1% interest in the issued shares of Cosmopolitan and including the optional bonds for HK\$100 million subscribed in July this year, total convertible bonds due 2013 issued by the Cosmopolitan group in an aggregate principal amount of HK\$200 million, which are convertible into 3,333.3 million new shares of Cosmopolitan.

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

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

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

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

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

During the period under review, the Regal group's core hotel business continued to achieve steady performance, but as the interim results attained last year included profit contributions from the sale of houses in Regalia Bay as well as from the realisation of hedge reserve, which was one-off in nature, the profit recorded for the current period was comparatively lower.

HOTELS

MARKET OVERVIEW

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

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

HOTEL OWNERSHIP

REGAL REAL ESTATE INVESTMENT TRUST

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

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

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

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

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

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

In the roll out of its expansion plans, Regal REIT has entered into the Share Purchase Agreement and the Option Agreement with P&R Holdings for the acquisition of two hotels being developed in Sheung Wan and North Point, respectively, details of which are already disclosed above.

The Sheung Wan Hotel has a gross floor area of approximately 7,197 square meters and will have 34 storeys with 248 guestrooms and suites, while the North Point Hotel has a gross floor area of approximately 6,849 square meters and will have 32 storeys with 338 guestrooms. These two new hotels will be leased to a wholly owned subsidiary of Regal for an initial 5-year term from their respective dates of completion of the sale and purchase, which is renewable at the option of Regal REIT for a further term of 5 years. The rentals for the first 3 years of the initial term will be fixed at 5%, 5.25% and 5.5%, respectively, of the purchase considerations and the rentals for the subsequent years will be determined annually by a jointly appointed independent valuer. The two hotels will also be managed by the Regal group and will be operated under the upscale select-service brand of "iclub by Regal", modeling on the successful operating mode of the Regal iClub Hotel in Wanchai.

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

HOTEL OPERATIONS

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

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

HOTEL MANAGEMENT

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

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

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

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

PROPERTIES

Apart from the 19 houses retained in Regalia Bay, which are directly held by the Regal group, the Regal group's current property development business in Hong Kong is now, for practical considerations, principally undertaken through the jointly controlled P&R Holdings, which is 50% owned by the Regal group.

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

OTHER INVESTMENTS

The Regal group has a substantial portfolio of investments comprising listed securities and other investments, including investment funds, bonds, and treasury and yield enhancement products denominated in Renminbi. The Regal group itself holds within the portfolio about 2.83% of the existing issued ordinary shares of Cosmopolitan and, together with the optional convertible bonds due 2013 of HK\$100.0 million recently subscribed by the Regal group in July 2013, convertible bonds of Cosmopolitan in a total principal amount of HK\$341.5 million. As mentioned above, the Regal group has together with the Group entered into the transactions relating to the disposals of their respective interests held in Cosmopolitan to P&R Holdings.

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

OUTLOOK

REGAL GROUP

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

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

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

PALIBURG GROUP

The various development projects in Hong Kong of P&R Holdings are on the whole progressing steadily and scheduled to be completed over the course of the next few years. The disposal transactions with Regal REIT in respect of the two hotel projects will regenerate for P&R Holdings substantial new funds, which can be used by P&R Holdings for reinvestments in new property projects. Moreover, the other ongoing projects, including the other two hotel projects in Sheung Wan and To Kwa Wan and the residential development in Yuen Long, are also expected to contribute significant revenue when they are completed and sold. In the meantime, the new shopping mall project in Ma On Shan is presently intended to be retained for rental income after it is completed, with a view to strengthening the recurring revenue base of the Group.

P&R Holdings and Regal have agreed to dispose of their respective interests in the Chengdu project and the Tianjin project in China to the Cosmopolitan group, pending approvals by the independent shareholders of Cosmopolitan. The Company and Regal have also recently announced that they will sell their interests held in the issued shares and convertible bonds of Cosmopolitan to P&R Holdings, so that they would overall be consolidated into one strategic block to be held through P&R Holdings. If these transactions are duly approved and implemented, P&R Holdings will assess if it will exercise these convertible bonds for conversion into new shares of Cosmopolitan, which could give to P&R Holdings a controlling position in Cosmopolitan, with the Cosmopolitan group serving as a new platform for undertaking property development businesses in China.

The series of transactions recently proposed have been initiated with the objective to rationalise the corporate and asset holding structure of the Group and to pave way for future growth in different business spheres. With its solid financial strength and expertise, the Group will continue to pursue new property acquisitions and other investment opportunities, as and when circumstances are considered to be appropriate. Overall, the Directors are optimistic of the future development and prospects of the Group.

LO YUK SUI

Chairman

Hong Kong
26th August, 2013

Management Discussion and Analysis

BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise property development and investment, construction and building related businesses, hotel ownership, hotel operation and management, asset management and other investments including securities investment, and aircraft ownership and leasing business.

The significant investments and business interests of Regal Hotels International Holdings Limited ("RHIHL"), the Group's principal listed subsidiary, comprise hotel ownership business undertaken through Regal Real Estate Investment Trust ("Regal REIT") (a listed subsidiary of the Company held through RHIHL), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings Limited ("P&R Holdings") and the interest in the retained houses in Regalia Bay in Stanley, and other investment businesses.

The performance of the Group's property, construction and building related and other investment businesses, RHIHL's hotel, property and other investment businesses as well as that of Regal REIT during the period under review, the commentary on the local hotel and property sectors and changes in general market conditions and the potential impact on their operating performance and future prospects are contained in the preceding Chairman's Statement.

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

Joint Venture – P&R Holdings Limited

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

Hong Kong

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

Nos.132-140 Bonham Strand, Sheung Wan

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

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

Nos. 14-20 Merlin Street, North Point

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

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

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

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

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

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

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

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

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

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

Mainland China

Composite development project in Xindu District, Chengdu, Sichuan

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

This project in Chengdu is a mixed use development planned to consist of hotel, commercial, office and residential components. The project has an overall total gross floor area above ground of approximately 496,000 square meters (5,340,000 square feet) and will be developed in stages. The first stage primarily comprises a five-star hotel and three residential towers, constructed on two separate land parcels. The hotel will have 306 hotel rooms and extensive facilities, with total gross floor area above ground of approximately 41,400 square meters (446,000 square feet). The structural frame for the hotel development has been completed and the external facade works are in progress. The first phase of the hotel is presently scheduled to be soft opened in mid-2014. The three residential towers included in the first stage will have about 340 apartment units with car parks and some ancillary commercial accommodation, commanding total gross floor area above ground of approximately 45,500 square meters (490,000 square feet). The structural frames for the residential towers have also been completed and the overall construction works are scheduled to be completed by mid-2014. Presale of the residential units is anticipated to be launched in the fourth quarter of 2013. Development works for the other stages are planned to be carried out progressively.

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

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

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

FINANCIAL REVIEW

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

Property development projects are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date.

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

Cash Flow

Net cash flows used in operating activities during the period under review amounted to HK\$1,092.2 million (2012 – net cash flows generated from operating activities of HK\$135.6 million). Net interest payment for the period amounted to HK\$102.7 million (2012 – HK\$22.8 million).

Borrowings and Gearing

As at 30th June, 2013, the Group's borrowings, net of cash and bank balances and deposits (including cash and bank balances attributable to the disposal groups classified as held for sale), amounted to HK\$5,248.0 million (31st December, 2012 – HK\$3,320.2 million).

As at 30th June, 2013, the gearing ratio of the Group was 15.4% (31st December, 2012 – 10.5%), representing the Group's borrowings net of cash and bank balances and deposits (including cash and bank balances attributable to the disposal groups classified as held for sale) of HK\$5,248.0 million (31st December, 2012 – HK\$3,320.2 million), as compared to the total assets of the Group of HK\$34,075.8 million (31st December, 2012 – HK\$31,745.1 million).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2013 are shown in notes 13 and 14 to the condensed consolidated financial statements.

Pledge of Assets

As at 30th June, 2013, certain of the Group's property, plant and equipment, investment properties and properties held for sale in the total amount of HK\$20,107.9 million (31st December, 2012 – HK\$20,153.1 million) were pledged to secure general banking facilities granted to the Group and, in addition, part of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$391.1 million (31st December, 2012 – HK\$380.0 million) were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 31st December, 2012, certain ordinary shares in a listed subsidiary with a market value of HK\$338.8 million were also pledged to secure general banking facilities granted to the Group.

The above details of the pledge of assets of the Group are also shown in note 16 to the condensed consolidated financial statements.

Capital Commitments

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

Contingent Liabilities

The Group had no contingent liability as at 30th June, 2013.

Share Capital

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

CLOSURE OF REGISTER

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

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

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

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

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

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

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

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

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

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

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

The Chengdu Transaction constituted a major transaction for the Company subject to reporting, announcement and shareholders' approval requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), while the Other Chengdu Transaction did not constitute notifiable transactions for each of the Company and RHIHL under the Listing Rules. Relevant details of the transactions under the Chengdu Agreement, the Other Chengdu Agreement and the Novation Agreement were disclosed in the joint announcement of the Company dated 27th June, 2013.

Acquisition of the subsidiaries of Cosmopolitan holding properties in Yuen Long, Hong Kong

On 27th June, 2013, a conditional sale and purchase agreement was entered into between Cosmopolitan as the vendor and P&R Holdings as the purchaser in relation to the transfer of the entire interest in Kola Glory Limited ("Kola Glory"), a wholly owned subsidiary of Cosmopolitan, and the shareholder's loans owing by Lead Fortune Development Limited ("Lead Fortune"), a wholly owned subsidiary of Kola Glory, (the "Rainbow Lodge Agreement") (the "Rainbow Lodge Transaction"). Kola Glory holds, through Lead Fortune, the properties comprise 10 duplex residential units and 14 car parking spaces in Rainbow Lodge located at 9 Ping Shan Lane, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong (the "Rainbow Lodge Properties").

The initial consideration for the Rainbow Lodge Transaction (the "Rainbow Lodge Consideration") was HK\$88 million (subject to adjustments). The Rainbow Lodge Consideration was determined primarily based on the preliminary valuation of the Rainbow Lodge Properties of HK\$88 million as of 31st May, 2013 as appraised by a qualified independent professional valuer jointly engaged by P&R Holdings and Cosmopolitan. The Rainbow Lodge Consideration is payable by P&R Holdings to Cosmopolitan upon completion of the Rainbow Lodge Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subsequent to the end of the reporting period, on 20th August, 2013, a conditional sale and purchase agreement was entered into between Paliburg Development BVI Holdings Limited (“PDBVI”) (a wholly owned subsidiary of the Company), Regal BVI and Regal Hotels (Holdings) Limited (“RHH”) (both wholly owned subsidiaries of RHIHL), each as a vendor, and P&R Holdings, as the purchaser, relating to the disposals of the entire issued share capital of, and (if any) the shareholder's loans to, among others, Winart Investments Limited, Lendas Investments Limited, Great Select Holdings Limited, Jumbo Pearl Investments Limited and Sun Joyous Investments Limited (all wholly owned subsidiaries of PDBVI) (the “Paliburg Target Companies”), and Fountain Sky Limited (a wholly owned subsidiary of RHH), Time Crest Investments Limited, Valuegood International Limited and Well Mount Investments Limited (all wholly owned subsidiaries of Regal BVI) (the “Regal Target Companies”) to P&R Holdings (the “Cosmopolitan Agreement”) (the “Cosmopolitan Transactions”). The Paliburg Target Companies and Regal Target Companies currently hold, in total, 2,350,666,666 issued ordinary shares of Cosmopolitan and convertible bonds in an aggregate principal amount of HK\$541,450,000, which are convertible into a total of 10,202,916,664 new ordinary shares of Cosmopolitan, issued by the Cosmopolitan group.

The aggregate consideration for disposal of Paliburg Target Companies is approximately HK\$374.5 million while the aggregate consideration for disposal of Regal Target Companies is approximately HK\$504.3 million, both of which were based on an agreed value of HK\$0.07 per each issued or underlying share of Cosmopolitan. The aggregate considerations for disposal of Paliburg Target Companies and Regal Target Companies were determined after arm's length negotiation between the parties taking into account the net book value and market price of issued ordinary shares of Cosmopolitan and the business prospects of Cosmopolitan. The considerations shall be payable in cash upon completion of the Cosmopolitan Transactions.

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

The Cosmopolitan Transactions did not constitute notifiable transactions for the Company under the Listing Rules, but constituted a discloseable transaction and a connected transaction for RHIHL subject to reporting, announcement and shareholders' approval requirements under the Listing Rules. Relevant details of the Cosmopolitan Transactions under the Cosmopolitan Agreement were disclosed in the joint announcement of the Company dated 20th August, 2013.

STAFF AND REMUNERATION POLICY

The Group, together with the RHIHL group, employ approximately 2,130 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 and RHIHL maintain the share option schemes named as "The Paliburg Holdings Limited Share Option Scheme" and "The Regal Hotels International Holdings Limited Share Option Scheme", respectively, under which share options had been granted to selected eligible persons.

Condensed Consolidated Income Statement

		Six months ended 30th June, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2	975.2	597.5
Cost of sales		(512.7)	(463.0)
Gross profit		462.5	134.5
Other income	3	52.8	10.2
Fair value gains on investment properties, net		8.0	4.8
Fair value losses on financial assets at fair value through profit or loss, net		(20.0)	(55.4)
Fair value loss on remeasurement of investments in a listed associate and an unlisted joint venture, net	20	–	(4,355.0)
Gain on bargain purchase of a listed subsidiary	20	–	6,473.4
Administrative expenses		(128.1)	(57.6)
Other operating income	4	–	0.6
OPERATING PROFIT BEFORE DEPRECIATION		375.2	2,155.5
Depreciation		(223.2)	(78.0)
OPERATING PROFIT	2, 5	152.0	2,077.5
Finance costs	6	(117.6)	(26.8)
Share of profits and losses of:			
Joint ventures		0.1	(0.2)
Associates		46.3	131.9
PROFIT BEFORE TAX		80.8	2,182.4
Income tax	7	(20.4)	27.3
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		60.4	2,209.7
Attributable to:			
Equity holders of the parent		27.5	2,220.3
Non-controlling interests		32.9	(10.6)
		60.4	2,209.7
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		HK\$0.02	HK\$1.94

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	HK\$'million	HK\$'million
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	60.4	2,209.7
OTHER COMPREHENSIVE INCOME/(LOSS):		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	0.5	1.4
Cash flow hedges:		
Changes in fair value of cash flow hedges	4.8	–
Transfer from hedge reserve to the income statement	2.9	–
	<u>7.7</u>	<u>–</u>
Exchange differences on translating foreign operations	45.1	(7.0)
Reclassification adjustments on deemed disposals of a listed associate and an unlisted joint venture	–	(32.6)
Share of other comprehensive loss of:		
A joint venture	–	(1.1)
Associates	–	(56.2)
	<u>53.3</u>	<u>(95.5)</u>
Other comprehensive income/(loss) for the period		
	<u>113.7</u>	<u>2,114.2</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
	<u>113.7</u>	<u>2,114.2</u>
Attributable to:		
Equity holders of the parent	57.0	2,126.4
Non-controlling interests	56.7	(12.2)
	<u>113.7</u>	<u>2,114.2</u>

Condensed Consolidated Statement of Financial Position

		30th June, 2013 (Unaudited)	31st December, 2012 (Audited)
	Notes	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment		19,194.6	20,269.8
Investment properties		956.3	948.3
Properties under development		–	370.8
Investment in a joint venture		397.0	251.2
Investments in associates		18.9	26.1
Available-for-sale investments		10.7	9.5
Financial assets at fair value through profit or loss		166.9	164.5
Derivative financial instruments		5.0	–
Loans receivable		22.3	21.7
Deposits		43.0	2.3
Trademark		610.2	610.2
Total non-current assets		21,424.9	22,674.4
CURRENT ASSETS			
Properties under development		922.9	831.1
Properties held for sale		1,511.8	1,510.8
Inventories		47.9	38.1
Debtors, deposits and prepayments	10	629.0	934.8
Loans receivable		0.3	0.3
Held-to-maturity investments		159.7	210.8
Financial assets at fair value through profit or loss		1,342.4	1,085.4
Derivative financial instruments		11.1	–
Restricted cash		53.4	44.2
Pledged time deposits and bank balances		235.0	321.9
Time deposits		1,552.4	2,727.2
Cash and bank balances		2,979.5	1,366.1
Assets of disposal groups classified as held for sale	11	9,445.4 3,205.5	9,070.7 –
Total current assets		12,650.9	9,070.7
CURRENT LIABILITIES			
Creditors and accruals	12	(558.3)	(611.2)
Deposits received		(15.6)	(47.0)
Interest bearing bank borrowings	13	(664.9)	(81.5)
Derivative financial instruments		(1.3)	(2.1)
Tax payable		(87.5)	(47.4)
Liabilities directly associated with the assets of disposal groups classified as held for sale	11	(1,327.6) (517.3)	(789.2) –
Total current liabilities		(1,844.9)	(789.2)
NET CURRENT ASSETS		10,806.0	8,281.5
TOTAL ASSETS LESS CURRENT LIABILITIES		32,230.9	30,955.9

Condensed Consolidated Statement of Financial Position (Cont'd)

		30th June, 2013 (Unaudited)	31st December, 2012 (Audited)
	Notes	HK\$'million	HK\$'million
TOTAL ASSETS LESS CURRENT LIABILITIES		32,230.9	30,955.9
NON-CURRENT LIABILITIES			
Creditor	12	(448.1)	(448.1)
Deposits received		(2.5)	(2.5)
Interest bearing bank borrowings	13	(5,208.4)	(5,404.3)
Other borrowings	14	(4,219.0)	(2,293.8)
Derivative financial instruments		–	(2.8)
Deferred tax liabilities		(1,930.4)	(2,286.8)
Total non-current liabilities		(11,808.4)	(10,438.3)
Net assets		20,422.5	20,517.6
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		111.5	111.5
Reserves		10,956.3	10,923.8
Dividends		24.5	98.1
		11,092.3	11,133.4
Non-controlling interests		9,330.2	9,384.2
Total equity		20,422.5	20,517.6

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2013

	Attributable to equity holders of the parent											
	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital reserve (Unaudited)	Special reserve (Unaudited)	Available-for-sale investment revaluation reserve (Unaudited)	Hedge reserve (Unaudited)	Exchange equalisation reserve (Unaudited)	Retained profits (Unaudited)	Dividends (Unaudited)	Disposal groups classified as held for sale (Unaudited)	Total equity (Unaudited)
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
At 1st January, 2013	111.5	1,357.2	4.2	169.6	689.6	(0.6)	(0.6)	65.2	8,639.2	98.1	-	20,517.6
Profit for the period	-	-	-	-	-	-	-	-	27.5	-	-	60.4
Other comprehensive income for the period:												
Changes in fair value of available-for-sale investments	-	-	-	-	-	0.4	-	-	-	-	-	0.5
Cash flow hedges	-	-	-	-	-	-	2.9	-	-	-	-	7.7
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	26.2	-	-	-	45.1
Total comprehensive income for the period	-	-	-	-	-	0.4	2.9	26.2	27.5	-	-	113.7
Final 2012 dividend declared	-	-	-	-	-	-	-	-	-	(98.1)	-	(208.8)
Interim 2013 dividend	-	-	-	-	-	-	-	-	(24.5)	24.5	-	-
Transfer of amounts recognised in other comprehensive income relating to disposal groups classified as held for sale	-	-	-	-	-	-	-	(21.6)	-	-	21.6	-
At 30th June, 2013	111.5	1,357.2	4.2	169.6	689.6	(0.2)	2.3	69.8	8,642.2	24.5	21.6	20,422.5

For the six months ended 30th June, 2013

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Condensed Consolidated Statement of Cash Flows

	Six months ended 30th June, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	HK\$'million	HK\$'million
Net cash flows from/(used in) operating activities	(1,092.2)	135.6
Net cash flows from/(used in) investing activities	(405.7)	801.0
Net cash flows from/(used in) financing activities	1,958.0	(21.7)
Net increase in cash and cash equivalents	460.1	914.9
Cash and cash equivalents at beginning of period	4,093.3	1,478.2
Effect of foreign exchange rate changes, net	2.5	(4.1)
Cash and cash equivalents at end of period	4,555.9	2,389.0
Analysis of balances of cash and cash equivalents		
Cash and bank balances	2,979.5	854.0
Non-pledged time deposits with original maturity of less than three months when acquired	1,552.4	1,535.0
Cash and bank balances attributable to disposal groups classified as held for sale	24.0	—
	4,555.9	2,389.0

Notes to Condensed Consolidated Financial Statements

1. Accounting Policies

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31st December, 2012, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which are effective for the Group’s annual periods beginning on or after 1st January, 2013.

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

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

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

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

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

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

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

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

HKFRS 13 *Fair Value Measurement*

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

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required in the condensed consolidated interim financial statements for financial instruments; accordingly, the Group provides these disclosures in the notes to the condensed consolidated financial statements.

2. Operating Segment Information

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

- (a) the property development and investment segment comprises the development and sale of properties, the leasing of properties and the provision of estate agency services;
- (b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;
- (c) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income through Regal Real Estate Investment Trust ("Regal REIT");
- (d) the securities investment segment engages in securities trading and investment businesses; and
- (e) the others segment mainly comprises aircraft ownership and leasing business, provision of financing services, provision of asset management services to Regal REIT, travel agency services, development and distribution of edutainment products and sale of food products.

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

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

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

Group

	Property development and investment		Construction and building related businesses		Hotel operation and management and hotel ownership		Securities investment		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2013	2012	Six months ended 30th June, 2013	2012	Six months ended 30th June, 2013	2012	Six months ended 30th June, 2013	2012	Six months ended 30th June, 2013	2012	Six months ended 30th June, 2013	2012	Six months ended 30th June, 2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Segment revenue:														
Sales to external customers	5.1	288.5	12.6	34.5	942.7	259.6	(3.3)	2.2	18.1	12.7	-	-	975.2	597.5
Intersegment sales	2.4	0.8	78.0	6.2	-	-	-	-	43.8	12.6	(124.2)	(19.6)	-	-
Total	7.5	289.3	90.6	40.7	942.7	259.6	(3.3)	2.2	61.9	25.3	(124.2)	(19.6)	975.2	597.5
Segment results before depreciation	16.0	(2.5)	2.0	7.5	422.0	109.6	(20.7)	(52.4)	(5.1)	(1.3)	-	-	414.2	60.9
Depreciation	(0.6)	(0.1)	(0.2)	(0.3)	(220.3)	(77.4)	-	-	(2.0)	(0.1)	-	-	(223.1)	(77.9)
Segment results	15.4	(2.6)	1.8	7.2	201.7	32.2	(20.7)	(52.4)	(7.1)	(1.4)	-	-	191.1	(17.0)
Unallocated interest income and unallocated non-operating and corporate gains													17.5	6,481.7
Unallocated non-operating and corporate expenses													(56.6)	(4,387.2)
Operating profit													152.0	2,077.5
Finance costs													(117.6)	(26.8)
Share of profits and losses of:														
Joint ventures	0.1	(0.2)	-	-	-	-	-	-	-	-	-	-	0.1	(0.2)
Associates	47.3	(2.1)	-	-	(0.3)	134.3*	-	-	(0.7)	(0.3)	-	-	46.3	131.9
Profit before tax													80.8	2,182.4
Income tax													(20.4)	27.3
Profit for the period before allocation between equity holders of the parent and non-controlling interests													60.4	2,209.7
Attributable to:														
Equity holders of the parent													27.5	2,220.3
Non-controlling interests													32.9	(10.6)
													60.4	2,209.7

* The amount represents contribution from Regal Hotels International Holdings Limited ("RHIHL"), the former associate of the Company, and its subsidiaries (including Regal REIT and its subsidiaries) (the "RHIHL Group"), which were previously accounted for as associates and became subsidiaries of the Company since 7th May, 2012.

3. Other Income

Other income represents the following items:

	Six months ended 30th June, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	HK\$'million	HK\$'million
Interest income	22.6	9.9
Forfeiture of deposits	27.1	–
Others	3.1	0.3
	<u>52.8</u>	<u>10.2</u>

4. Other Operating Income

Other operating income represents the following item:

	Six months ended 30th June, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	HK\$'million	HK\$'million
Reversal of impairment of loans receivable	<u>–</u>	<u>0.6</u>

5. An analysis of profit/(loss) on sale of investments and property of the Group is as follows:

	Six months ended 30th June, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	HK\$'million	HK\$'million
Profit/(Loss) on disposal of listed investments	(10.7)	0.6
Profit on disposal of property	<u>0.2</u>	<u>–</u>

6. Finance Costs

	Six months ended 30th June, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans wholly repayable within five years	64.7	20.4
Interest on other borrowings wholly repayable within five years	65.1	–
Fair value changes on derivative financial instruments		
- cash flow hedge (transfer from hedge reserve)	2.9	–
Amortisation of debt establishment costs	16.2	4.5
Other loan costs	3.5	3.7
	<u>152.4</u>	<u>28.6</u>
Less: Finance costs capitalised	<u>(34.8)</u>	<u>(1.8)</u>
	<u>117.6</u>	<u>26.8</u>

7. Income Tax

	Six months ended 30th June, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	HK\$'million	HK\$'million
Group:		
Current - Hong Kong		
Charge for the period	38.3	4.6
Current - Overseas		
Charge for the period	3.4	–
Underprovision/(Overprovision) in prior years	0.1	(0.9)
Deferred	<u>(21.4)</u>	<u>(31.0)</u>
Total tax charge/(credit) for the period	<u>20.4</u>	<u>(27.3)</u>

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

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

The share of tax charge attributable to associates amounting to HK\$9.3 million (2012 - HK\$7.7 million) is included in "Share of profits and losses of associates" in the condensed consolidated income statement.

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

8. Dividend

The Directors have declared the payment of an interim dividend of HK2.2 cents (2012 - HK2.0 cents) per ordinary share for the financial year ending 31st December, 2013, absorbing a total amount of approximately HK\$24.5 million (2012 - HK\$22.4 million).

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

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the period attributable to equity holders of the parent of HK\$27.5 million (2012 - HK\$2,220.3 million) and on the weighted average of 1,115.0 million (2012 - 1,144.5 million) ordinary shares of the Company in issue during the period.

(b) Diluted earnings per ordinary share

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

10. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$120.2 million (31st December, 2012 - HK\$151.2 million) representing the trade debtors of the Group. The aged analysis of such debtors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2013 (Unaudited)	31st December, 2012 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	93.8	127.4
Between 4 to 6 months	10.8	7.8
Between 7 to 12 months	6.1	7.1
Over 1 year	11.7	11.1
	<u>122.4</u>	<u>153.4</u>
Impairment	(2.2)	(2.2)
	<u>120.2</u>	<u>151.2</u>

Credit terms

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

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

Included in the balance is an amount due from a related company of HK\$1.3 million (31st December, 2012 - HK\$1.3 million) which is unsecured, non-interest bearing and repayable on demand.

The balance at 31st December, 2012 also included an amount due from the Group's associates of HK\$0.1 million which was unsecured, non-interest bearing and repayable on demand.

11. Disposal Groups Classified as Held for Sale

On 27th June, 2013, the RHIHL Group entered into a sale and purchase agreement with a wholly owned subsidiary of Cosmopolitan International Holdings Limited ("Cosmopolitan") to dispose of its entire equity interests in a wholly owned subsidiary which through its subsidiaries (together, the "Tianjin Group") holds a plot of land in Tianjin City, the People's Republic of China (the "PRC") at an initial sale consideration of HK\$1,417.5 million.

On the same date, respective agreements were entered into between P&R Holdings Limited ("P&R Holdings") and a joint venture 50/50 held by the RHIHL Group and Cosmopolitan, as the vendors, and a wholly owned subsidiary of Cosmopolitan as the purchaser, pursuant to which the vendors agreed to sell their respective 70% and 30% equity interests in two companies which through their subsidiaries (together, the "Chengdu Group") hold a mixed-use development project presently under development in Xindu District, Chengdu City, Sichuan Province, the PRC, to the purchaser. The consideration will be determined based on a 5% discount to the valuation of the Chengdu project of RMB1,540 million as of 31st May, 2013 conducted by an independent professional valuer jointly engaged by the parties.

As both of the transactions are expected to be completed before the end of 2013, the assets and liabilities of the Tianjin Group and the Chengdu Group are classified under disposal groups held for sale as at 30th June, 2013.

12. Creditors and Accruals

Included in the balance under current liabilities is an amount of HK\$88.5 million (31st December, 2012 - HK\$84.6 million) representing the trade creditors of the Group. The aged analysis of such creditors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2013 (Unaudited)	31st December, 2012 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	87.8	83.1
Between 4 to 6 months	—	1.1
Between 7 to 12 months	0.3	0.1
Over 1 year	0.4	0.3
	<u>88.5</u>	<u>84.6</u>

The trade creditors are non-interest bearing and are normally settled within 90 days.

Included in the balance under current liabilities are amounts due to the Group's joint venture, an associate and fellow subsidiaries of HK\$200.0 million (31st December, 2012 - HK\$200.0 million), HK\$1.9 million (31st December, 2012 - HK\$2.0 million) and HK\$4.1 million (31st December, 2012 - HK\$3.0 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment except for the amount due to the Group's joint venture which is repayable within one year.

The balance included under non-current liabilities represents an amount due to a joint venture which is unsecured, non-interest bearing and not repayable within one year.

13. Interest Bearing Bank Borrowings

	30th June, 2013 (Unaudited)	31st December, 2012 (Audited)
	Maturity	Maturity
	HK\$'million	HK\$'million
Current		
Bank loans - secured	2013-2014 664.9	2013 81.5
Non-current		
Bank loans - secured	2014-2015 5,208.4	2014-2015 5,404.3
	<u>5,873.3</u>	<u>5,485.8</u>

	30th June, 2013 (Unaudited)	31st December, 2012 (Audited)
	HK\$'million	HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year	664.9	81.5
In the second year	5,208.4	229.6
In the third to fifth years, inclusive	—	5,174.7
	<u>5,873.3</u>	<u>5,485.8</u>

Included in the bank loans under non-current liabilities is a facility of HK\$4.5 billion granted to the Regal REIT group (the "Facility") for a term of three years. The Facility bears interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.1% per annum and is repayable in full on 9th March, 2015. The Regal REIT group also entered into interest rate swap arrangements to hedge against the interest rate exposure of the Facility for a notional principal amount of HK\$3.0 billion.

The Facility and another term loan facility of HK\$331.0 million, which also bears HIBOR-based interest, of the Regal REIT group are guaranteed by Regal REIT and secured by, amongst others:

- (i) legal charges and debentures over the corresponding properties;
- (ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, and relating to the relevant properties;
- (iii) charges over the relevant rental account, sale proceeds account and other control accounts, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant Regal REIT group companies; and
- (v) an equitable charge over the shares in the relevant Regal REIT group companies.

The Group's other bank borrowings are secured by a pledge of the Group's certain assets as further detailed in note 16 to the condensed consolidated financial statements.

14. Other Borrowings

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

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

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

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

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

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

15. Related Party Transactions

(a) Transactions with related parties

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

	Six months ended 30th June, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	HK\$'million	HK\$'million
The listed ultimate holding company:		
Management fees	15.3	9.4
A former joint venture:		
Gross construction fee income	—	1.5
Gross development consultancy fee income	—	10.4
The former listed associate:		
Gross construction fee income	—	4.4
Gross development consultancy fee income	—	1.8
Gross income in respect of security systems and products and other software	—	0.6
An associate:		
Advertising and promotion fees (including cost reimbursements)	4.8	1.9

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

As detailed in note 20, RHIHL and P&R Holdings were previously treated as an associate and a joint venture, respectively, and became subsidiaries of the Company with effect from 7th May, 2012, since which date all significant transactions between RHIHL, P&R Holdings and other subsidiaries of the Group have been eliminated upon consolidation. Accordingly, all the amounts with the former listed associate and a former joint venture as disclosed under note 15(a) represent those for the period prior to that date.

(b) Outstanding balances with related parties:

	30th June, 2013 (Unaudited)	31st December, 2012 (Audited)
	HK\$'million	HK\$'million
Due from associates	16.2	12.1
Due from a related company	1.3	1.3
Due to fellow subsidiaries	(4.1)	(3.0)
Due to an associate	(1.9)	(2.0)
Due to a joint venture	(794.1)	(795.5)
Loan to a joint venture	12.8	14.4

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

	Six months ended 30th June, 2013 (Unaudited)	Six months ended 30th June, 2012 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	14.8	7.0
Staff retirement scheme contributions	1.1	0.5
Total compensation paid to key management personnel	15.9	7.5

16. Pledge of Assets

As at 30th June, 2013, certain of the Group's property, plant and equipment, investment properties and properties held for sale in the total amount of HK\$20,107.9 million (31st December, 2012 – HK\$20,153.1 million) were pledged to secure general banking facilities granted to the Group and, in addition, part of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$391.1 million (31st December, 2012 – HK\$380.0 million) were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 31st December, 2012, certain ordinary shares in a listed subsidiary with a market value of HK\$338.8 million were also pledged to secure general banking facilities granted to the Group.

17. Operating Lease Arrangements

(a) As lessor

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

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

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

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

(b) As lessee

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

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

	30th June, 2013 (Unaudited)	31st December, 2012 (Audited)
	HK\$'million	HK\$'million
Land and buildings:		
Within one year	14.3	12.1
In the second to fifth years, inclusive	36.6	28.2
After five years	26.7	25.6
	77.6	65.9
Other equipment:		
Within one year	0.3	0.3
In the second to fifth years, inclusive	0.4	0.4
	0.7	0.7
	78.3	66.6

18. Commitments

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

	30th June, 2013 (Unaudited)	31st December, 2012 (Audited)
	HK\$'million	HK\$'million
Authorised, but not contracted for:		
Properties	891.2	572.3
Hotel buildings	21.3	40.0
	<u>912.5</u>	<u>612.3</u>
Contracted, but not provided for:		
Properties	1,492.7	1,474.2
Aircraft	74.8	–
	<u>1,567.5</u>	<u>1,474.2</u>
	<u><u>2,480.0</u></u>	<u><u>2,086.5</u></u>

19. Share Options

The Paliburg Holdings Limited Share Option Scheme

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

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

The Regal Hotels International Holdings Limited Share Option Scheme

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

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

20. Business Combinations

On 20th April, 2012, RHIHL, the then listed associate of the Group, announced a share repurchase programme for the repurchase of up to 38,886,400 ordinary shares of RHIHL at a maximum repurchase price of HK\$3.80 per share, which was to be operative until 21st July, 2012. Up to 7th May, 2012, an aggregate of 12,600,000 ordinary shares of RHIHL had been repurchased under the programme and, as a result, the aggregate proportionate shareholdings in RHIHL held by the Group increased from 49.3714% to 50.0005%. Accordingly, RHIHL and its subsidiaries became subsidiaries of the Company on that date. As P&R Holdings and Hang Fok Properties Limited ("Hang Fok") were 50:50 owned joint venture and associate, respectively, between the Company and RHIHL, P&R Holdings and its subsidiaries (the "P&R Holdings Group") and Hang Fok together with its subsidiary (the "Hang Fok Group") also became subsidiaries of the Company upon RHIHL becoming a subsidiary of the Company on 7th May, 2012. As a result of the business combinations, a net fair value loss on remeasurement of investments in a listed associate and an unlisted joint venture of HK\$4,355.0 million and a gain on bargain purchase of a listed subsidiary of HK\$6,473.4 million were recorded in the Group's condensed consolidated income statement for the period ended 30th June, 2012. The gain on bargain purchase was resulted from the lower market value of the ordinary shares of RHIHL as compared to the fair values of the net identifiable assets of the RHIHL Group.

The Group had elected to measure the non-controlling interests in the RHIHL Group and the P&R Holdings Group at the non-controlling interests' proportionate share of the identifiable net assets of the RHIHL Group and the P&R Holdings Group, respectively.

The aggregate fair values of the identifiable assets and liabilities of the RHIHL Group, the P&R Holdings Group and the Hang Fok Group as at the date of the deemed acquisitions were as follows:

	Fair value recognised on deemed acquisitions HK\$'million
Property, plant and equipment	20,286.4
Investment properties	887.0
Investment in a joint venture	357.5
Investments in associates	318.3
Available-for-sale investments	26.6
Financial assets at fair value through profit or loss	784.6
Loans receivable	32.6
Trademark	610.2
Properties under development	1,129.9
Properties held for sale	1,791.5
Inventories	25.9
Debtors, deposits and prepayments	325.6
Held-to-maturity investments	94.9
Restricted cash	52.1
Pledged time deposits and bank balances	424.8
Time deposits	89.3
Cash and bank balances	552.5
Creditors and accruals	(1,266.4)
Deposits received	(37.8)
Interest bearing bank borrowings	(5,401.2)
Tax payable	(20.8)
Deferred tax liabilities	(2,334.0)
Non-controlling interests	(9,707.3)
	<hr/>
	9,022.2
Gain on bargain purchase	(6,473.4)
	<hr/>
	2,548.8
	<hr/>
Satisfied by:	
Investment in a joint venture	934.0
Investments in associates	1,614.8
	<hr/>
	2,548.8
	<hr/>

The fair values of the trade debtors, other debtors and loans receivable as at the date of deemed acquisitions amounted to HK\$130.3 million, HK\$83.5 million and HK\$32.6 million, respectively. The gross contractual amounts of the trade debtors, other debtors and loans receivable were HK\$131.6 million, HK\$83.5 million and HK\$32.6 million, respectively, of which trade debtors of HK\$1.3 million were expected to be uncollectible.

An analysis of the cash flows in respect of the deemed acquisitions was as follows:

	HK\$'million
Time deposits acquired	89.3
Cash and bank balances acquired	552.5
	<hr/>
Inflow of cash and cash equivalents included in cash flows from investing activities	641.8
	<hr/>

Since the deemed acquisitions, the RHIHL Group, the P&R Holdings Group and the Hang Fok Group contributed HK\$559.7 million to the Group's revenue and HK\$112.4 million to the consolidated profit before allocation between equity holders of the parent and non-controlling interests for the period ended 30th June, 2012.

Had the combinations taken place at the beginning of the period ended 30th June, 2012, the revenue of the Group and the consolidated profit before allocation between equity holders of the parent and non-controlling interests of the Group for that period would have been HK\$1,269.0 million and HK\$2,363.9 million, respectively.

21. Fair Value and Fair Value Hierarchy

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

Fair value hierarchy

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

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

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

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

	Level 1 (Unaudited) HK\$'million	Level 2 (Unaudited) HK\$'million	Level 3 (Unaudited) HK\$'million	Total (Unaudited) HK\$'million
Available-for-sale investments:				
Unlisted equity investments	–	–	10.7	10.7
Derivative financial instruments	–	16.1	–	16.1
Financial assets at fair value through profit or loss:				
Listed equity investments	579.6	–	–	579.6
Unlisted equity investments	–	90.5	–	90.5
Listed debt investments	–	78.0	–	78.0
Unlisted debt investments	–	571.0	–	571.0
Structured deposits	–	190.2	–	190.2
	<u>579.6</u>	<u>945.8</u>	<u>10.7</u>	<u>1,536.1</u>

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

	2013 (Unaudited) HK\$'million
Available-for-sale investments – unlisted:	
At 1st January	9.5
Purchases	0.7
Total gains recognised in other comprehensive income	<u>0.5</u>
At 30th June	<u>10.7</u>

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

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

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

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

Valuation techniques

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

The unlisted equity investments are carried at the net asset values provided by financial institutions or valued by a financial institution based on the quoted market price of the underlying listed security.

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

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

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

22. Events after the Reporting Period

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

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

- (b) On 23rd July, 2013, the Regal REIT group entered into a new facility agreement (the "New Facility Agreement") for a new term loan facility of up to HK\$4,500.0 million and a revolving facility of up to HK\$300.0 million (together, the "New Facilities"). The final maturity of the New Facilities will be on 20th July, 2018, which is approximately five years from the date of execution of the New Facility Agreement. The new term loan facility will be wholly used to early refinance the existing term loan facility of the same principal amount to take benefit of a longer loan term and lower interest costs, while the revolving facility will be used for general corporate funding purposes of the Regal REIT group. Moreover, the New Facilities will only be secured on three of the five initial hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel. Upon drawdown of the new term loan facility and repayment of the existing term loan facility, two of the initial hotels, namely, Regal Kowloon Hotel and Regal Oriental Hotel, will be free of mortgages and held on an unencumbered basis.
- (c) Subsequent to the end of the reporting period, the Group (excluding the RHIHL Group) and the RHIHL Group have entered into agreements with P&R Holdings to sell their holdings in the issued shares of Cosmopolitan and the convertible bonds of the Cosmopolitan group to P&R Holdings, and at the same time, each of the Group (excluding the RHIHL Group) and the RHIHL Group has also agreed to provide P&R Holdings with a revolving credit facility for an amount of up to HK\$1,000.0 million. Details of the above disposal and facility agreements are contained in the Company's joint announcement dated 20th August, 2013.

23. Approval of the Unaudited Condensed Consolidated Financial Statements

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

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

The Company/ Name of Associated Corporation	Name of Director	Class of shares held	Personal interests	Number of shares held		Total (Approximate percentage of the issued shares as at 30th June, 2013)
				Corporate interests	Family/Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (issued)	85,484,014	739,970,803 (Note b)	15,000	825,469,817 (74.03%)
	Mr. Donald Fan Tung	Ordinary (issued)	556	–	–	556 (0.000%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
	Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
	Mr. Ng Siu Chan	Ordinary (issued)	–	–	80,474	80,474 (0.007%)
	Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	–	–	6,200 (0.001%)

Other Information (Cont'd)

The Company/ Name of Associated Corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2013)
			Personal interests	Corporate interests	Family/Other interests	
2. Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	99,587,396	1,769,164,691 (Note a)	380,683	1,869,132,770 (58.18%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
	Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.003%)
	Mr. Ng Siu Chan	Ordinary (issued)	–	–	3,521,973	3,521,973 (0.11%)
	Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
3. Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (i) issued	24,200	494,835,261 (Note c)	260,700	495,120,161
		(ii) underlying	–	27,542,000 (Note d)	–	27,542,000
					Total (i) & (ii):	522,662,161 (54.21%)
	Miss Lo Po Man	Ordinary (issued)	300,000	–	269,169 (Note e)	569,169 (0.06%)
	Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)

The Company/ Name of Associated Corporation	Name of Director	Class of shares held	Personal interests	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2013)
				Corporate interests	Family/Other interests		
4. 8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note f)	–		1,000 (100%)
5. Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	–	2,434,282,102 (Note g)	–		2,434,282,102 (74.73%)

Notes:

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

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

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

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

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

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

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

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2013, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares held	Total number of ordinary shares (issued and underlying) held	Approximate percentage of issued ordinary shares as at 30th June, 2013
CCIHL (Note i)	693,234,547	–	693,234,547	62.17%
Century City BVI Holdings Limited ("CCBVI") (Note ii)	693,234,547	–	693,234,547	62.17%
Almighty International Limited ("Almighty") (Note ii)	346,104,526	–	346,104,526	31.04%
Cleerview Investments Limited ("Cleerview") (Note ii)	180,811,470	–	180,811,470	16.22%

Notes:

- (i) Mr. Lo Yuk Sui directly and indirectly held 58.16% shareholding interests in CCIHL, and the interests in these ordinary shares of the Company held by CCIHL through its wholly owned subsidiaries were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) These companies are wholly owned subsidiaries of CCIHL and their interests in the ordinary shares of the Company were included in the interests held by CCIHL.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 30th June, 2013, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

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

- (1) Mr. Lo Yuk Sui, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Ng Kwai Kai, Mr. Ng Siu Chan and Mr. Wong Chi Keung are directors of CCIHL.
- (2) Mr. Lo Yuk Sui, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of CCBVI, Almighty and Cleerview.

CHANGE IN INFORMATION OF DIRECTORS

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

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

- | | |
|-----------------------------------|--|
| Hon Abraham Shek Lai Him, GBS, JP | <ul style="list-style-type: none">Awarded the Gold Bauhinia Star (G.B.S.) by The Government of the Hong Kong Special Administrative Region on 1st July, 2013 |
|-----------------------------------|--|

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

CORPORATE GOVERNANCE

Corporate Governance Code

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

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

Code of Conduct for Securities Transactions by Directors

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

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

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

REVIEW OF RESULTS

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

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

Mr. Bowen Joseph Leung Po Wing, GBS, JP (*Independent Non-Executive Director*)

Mr. Ng Siu Chan (*Independent Non-Executive Director*)

Hon Abraham Shek Lai Him, GBS, JP (*Independent Non-Executive Director*)

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group, auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30th June, 2013, in conjunction with the external auditors. The review report of the external auditors is set out on page 60 of this report.

Report on Review of Interim Financial Information



To the Board of Directors of Paliburg Holdings Limited

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information of Paliburg Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 25 to 52 which comprises the condensed consolidated statement of financial position as at 30th June, 2013 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

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

26th August, 2013

