富豪酒店國際控股有限公司
Regal Hotels
International Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 78)

ANNOUNCEMENT OF 2007 GROUP RESULTS

FINANCIAL HIGHLIGHTS

	Year 2007	Year 2006	% Change
	HK$'M	HK$'M	
Revenue	**1,780.7**	1,261.2	**+41.2%**
Operating profit	**2,495.1**	414.5	**+502.0%**
Profit for the year attributable to equity holders of the parent	**2,957.3**	331.3	**+792.6%**
Basic earnings per ordinary share	**HK29.6 cents**	HK3.9 cents	**+659.0%**
Proposed final dividend	**HK1.0 cent**	HK0.60 cent	**+66.7%**
Total regular dividends for the year	**HK1.3 cents**	HK0.85 cent#	**+52.9%**

not including the special cash dividend of HK1.0 cent paid for the 2006 financial year

FINANCIAL AND BUSINESS REVIEW

FINANCIAL REVIEW

For the year ended 31st December, 2007, the Group achieved a consolidated profit attributable to shareholders of HK$2,957.3 million, as compared with HK$331.3 million attained in 2006.

The profit achieved in the year under review included a gain of HK$2,293.5 million derived from the sale of the five Regal Hotels in Hong Kong to Regal Real Estate Investment Trust, as attributable to the 29.5% interest in Regal REIT effectively disposed of by the Group pursuant to the initial public offering of Regal REIT implemented in March 2007.

As at 31st December, 2007, the Group held approximately 71.7 % of the outstanding issued units of Regal REIT and Regal REIT is being equity-accounted for as an associate of the Group. Regal REIT has also just announced that it attained a consolidated net profit of HK$2,850.2 million, before distributions to its unitholders, for the period from its establishment in December 2006 to 31st December, 2007. The attributable contribution from Regal REIT has been included in the share of profit of associates in the financial statements of the Group for the year under review.

The interest held in Regal REIT represents the Group's most significant investment asset. Due to the elimination of the unrealised gain attributable to the interest retained by the Group in Regal REIT, the interest held in Regal REIT was only stated in the consolidated balance sheet as at 31st December, 2007 at a net sum of HK$788.9 million, which amount already included the Group's attributable share of the post-acquisition profit of Regal REIT up to the balance sheet date. If the interest held in Regal REIT were to be valued plainly based on the Group's attributable share of the underlying net assets of Regal REIT and reflecting the latest market valuation of the five Regal Hotels as at 31st December, 2007, the Group's investment in Regal REIT would have instead been stated at HK$7,815.2 million. In order to more fairly reflect the underlying net asset value of the Group and for the purposes of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on a proforma basis to reflect the share of the underlying nets assets as attributable to the 71.7% interest held in Regal REIT as mentioned above, is provided in the section headed "Management Discussion and Analysis" below.

Having regard to the significantly higher underlying value of the Company's ordinary shares as compared with the market traded price, the Company has since August 2007 repurchased an aggregate of 296.8 million ordinary shares pursuant to the repurchase mandate granted to the Directors. Such repurchases have the effect of enhancing the underlying net asset value of the outstanding issued shares of the Company and would benefit the shareholders as a whole. Depending on the market circumstances, the Company may undertake further share repurchases as the Directors may consider to be appropriate.

BUSINESS REVIEW

HOTELS

Hong Kong

Following the separate listing of Regal REIT in March 2007, the overall holding and operating structure of the hotel businesses of the Group has changed. The five Regal Hotels in Hong Kong are now directly owned by Regal REIT, while the Group continues to be the operator and manager of these hotel properties under the lease arrangements and hotel management agreements with Regal REIT.

For the first period of the lease term commencing from the listing date on 30th March, 2007 to 31st December, 2007, the aggregate base rent for the five hotels was HK$475.9 million, as prorated from the agreed aggregate base rent of HK$630 million for the whole year of 2007, and 100% of the net property income in excess of the aggregate base rent was accounted to Regal REIT in the form of variable rent. In addition, the Group pays to Regal REIT during the lease term contributions to a Furniture, Fixtures & Equipment Reserve equivalent to 2% of the total hotel revenues. The aggregate base rent for 2008 will be increased to HK$700 million but the variable rent will be reduced to 70% of the collective net property income excess.

In 2007, Hong Kong received a new record high number of over 28 million visitors, which was an increase of about 11.6% over that in 2006. Overall business for the hotel sector in Hong Kong remained strong. While the average room occupancy for all the hotels in different categories surveyed by the Hong Kong Tourism Board has marginally decreased by one percentage point from that in 2006 to 86%, primarily because of the increased supply of new hotel rooms, the average achieved room rate has managed to grow by about 11.4%.

During the year under review, the five Regal Hotels in Hong Kong continued to perform well and, compared on a year on year basis, the combined average occupancy and the combined average room rate have improved by about 4.7% and 10.1% respectively, resulting in a growth in the Revenue Per Available Room (RevPAR) of over 15%. To enhance the Regal brand name and customer affiliation, the Group has also incurred additional expenditure during the year on the launching of an extensive marketing and promotional programme, targeting on the international tourism trade as well as the local clientele.

The People's Republic of China

The Group adopts a multi-directional approach in the expansion of its hotel businesses in the PRC which, depending on individual circumstances and requirements, can be undertaken in the form of management services, management contracts with equity participation, acquisition of hotel and hospitality-related properties as well as development of new hotel projects, either on its own or through joint ventures.

On the hotel management front, the Group is presently managing two hotels in Shanghai, which are operating satisfactorily. Earlier this year, the Group entered into a letter of intent with Shanghai Jinfeng Investment Co. Ltd. for the Group's provision of hotel management services, including pre-opening consultancy and pre-opening services, to a 400-room four star business hotel in Pudong, Shanghai, to be named as Regal Jinfeng Hotel and scheduled to start operation in the latter part of this year.

More recently, the Group entered into a memorandum of understanding with Nanjing based Jinling Hotels & Resorts for the formation of a strategic alliance between the two hotel groups. Jinling is one of the leading hotel management groups in the PRC and is managing 64 hotels in various cities in China. The strategic partnership will cover different facets of the hotel operations and is intended to create a platform for close co-operation between the two groups in the development of their respective hotel businesses.

As part of its property development business, the Group is undertaking the joint development of a comprehensive project in Chengdu, which is planned to have a five star hotel and related commercial areas as one of its key components. Further details on this joint development project are set out in the section headed “Properties” below.

PROPERTIES

Hong Kong

Regalia Bay, Stanley

In late November last year, the Group entered into a supplemental shareholders’ agreement with China Overseas Land & Investment Ltd., the joint venture partner in this development project, primarily to allocate the unsold house units remaining held within the joint venture development company between the two shareholders. Pursuant to this supplemental agreement, the Group was allocated 35 houses with a total gross area of about 162,200 square feet. In order to more appropriately reflect the commercial arrangements under this supplemental agreement, the houses allocated to the Group have been accounted for in the Group’s financial statements directly as properties held for sale as from the date of the supplemental agreement, which were before then treated as held through a jointly controlled entity.

Prior to the year end date, the Group has disposed of 4 allocated houses at satisfactory prices. Due to the limited supply, the price levels of luxury residential properties, particularly those on the Hong Kong Island, are expected to remain strong. The Group will continue to dispose of the remaining allocated houses if the prices offered are attractive but may also in the meantime consider retaining some of the houses for long term rental purposes.

The People’s Republic of China

Development Project in the Central Business District of Beijing

This development project is held through a Sino-foreign joint venture entity that is 59% owned by an associate which, in turn, is 50% each held by the Group and Paliburg Holdings Limited. The Sino-foreign joint venture entity has obtained in May 2007 the Land Use Right Certificates for the Phase I land site and is continuing to work on securing the development rights over the Phase II land site comprised within the development project. As compared with the carrying costs of the Group with respect to its interest in this joint development project, the present land value of this very prominent site in the CBD of Beijing has appreciated significantly.

Development Projects in Chengdu, Sichuan Province
Development Project in Xindu District

On 31st October, 2007, the Group successfully acquired at a public land auction a prime development site in Chengdu, the provincial capital of Sichuan Province, at a land transfer consideration of RMB213.1 million. The site is prominently located along two major roadways in Xindu District with a total construction site area of about 111,868 square meters, planned for hotel and residential use. On 14th November, 2007, the Group entered into a conditional agreement with Cosmopolitan International Holdings Limited and one of its wholly-owned subsidiaries for the formation of a joint venture for the development of this site, in which the Group and the Cosmopolitan group will each hold a 50% interest. The joint venture has been formally established in February 2008 after the conditions were fulfilled.

This development is presently planned to compose of a five star hotel together with related commercial areas with a total gross floor area of about 185,000 square meters and residential accommodation with a total gross floor area of about 315,000 square meters. The construction works are expected to commence later this year and the project is targeted to be completed in stages from late 2009.

Development Project in Gaoxin District

On 24th November, 2007, a wholly-owned subsidiary of the Group entered into an agreement with an independent third party for the proposed establishment of a Sino-foreign equity joint venture company to jointly develop a site, located in South Gaoxin District of Chengdu, planned for hotel and commercial use. The formation of this proposed joint venture was subject to the obtaining of all necessary approvals and the completion of all necessary filing and registration procedures. As of this date, certain of the relevant approvals and registration procedures are yet to be completed and some detailed terms and arrangements pertaining to the proposed joint venture are still to be finalised. Shareholders will be kept informed on further development in due course.

OTHER INVESTMENTS

On 6th December, 2007, a subscription agreement was entered into with the Cosmopolitan group pursuant to which the Cosmopolitan group has agreed to issue to the Group zero coupon guaranteed convertible bonds due 2013 in a principal amount of HK$100 million and to grant an option to the Group to subscribe for additional convertible bonds in a further principal amount of HK$100 million. Following fulfillment of the requisite conditions, the subscription agreement was duly completed in February 2008. These convertible bonds due 2013 are convertible into new ordinary shares of Cosmopolitan at an initial conversion price of HK$0.6 per share (subject to adjustments) and carry a redemption yield of 5% per annum.

Apart from its joint venture with the Group with respect to the development project in Xindu District in Chengdu, Cosmopolitan group is itself working on a number of major development projects in different parts of the PRC. The Group is optimistic on the PRC property related businesses in which the Cosmopolitan group is involved and considers that the subscription of the convertible bonds due 2013 issued by the Cosmopolitan group will provide the Group with an opportunity to further share in the prospects of the PRC property market as well as in the growth potentials of the Cosmopolitan group.

Prior to the subscription of these additional convertible bonds, the Group already held certain convertible bonds due 2010 issued by the Cosmopolitan group in a principal amount of HK$102.5 million, which are convertible into 500 million new ordinary shares of Cosmopolitan at a conversion price of HK$0.205 per share (subject to adjustments). The fair value gain accruing to these 2010 convertible bonds, assessed by reference to the market price of the shares of Cosmopolitan as at the balance sheet date, has been reflected in the financial statements of the Group for the financial year ended 31st December, 2007.

REGAL REAL ESTATE INVESTMENT TRUST

For the period from 11th December, 2006 (the date of establishment of Regal REIT) to 31st December, 2007, Regal REIT achieved a consolidated net profit before distributions to its unitholders of HK$2,850.2 million. This included a gain of HK$2,044.4 million which originated from its acquisition of the five Regal Hotels in Hong Kong from the Group at a discount to their appraised values and a gain of HK$591.8 million arising from the change in the fair value of these five hotels being held by Regal REIT as investment properties.

Further information on the principal business operations and outlook of Regal REIT, including its management discussion and analysis, was contained in Regal REIT's announcement released yesterday.

OUTLOOK

The expanding international tourism and the continuing growth in the overall economy and affluence in Mainland China will continue to be the main drivers of the tourist business in Hong Kong and outlook on this business sector in 2008 is very positive.

The Hong Kong Government has recently announced various tourism related proposals with a view to strengthening the competitiveness of the local tourism and hotel sector, including the removal of the hotel accommodation tax, the exemption of the duties on wine and the plan to include land sites in the application list for government land auctions that will be restricted to hotel use. Furthermore, the Government has lately also started the process to select the developer for the new cruise terminal in East Kowloon and, more importantly, has also made the commitment to proceed with the Hong Kong-Zhuhai-Macao Bridge project. The construction of this new bridge will promote closer ties and co-operation among the three areas and will also help fostering the formation of a large economic region that provides new business and expansion opportunities for all concerned.

Amid some intense competition, Hong Kong has won the Best MICE (Meeting, Incentive, Convention and Exhibition) City Award in the 2008 Industry Awards organised by CEI Asia Pacific Magazine. Hong Kong has the appropriate infrastructure and resources to further develop as a prime city for conference and exhibition, and the Hong Kong Government is also allocating additional resources to further promote the development of the MICE industry. The Group has over the past few years taken steps to enhance the facilities and services at the five Regal Hotels in Hong Kong to capture this growing high yield market.

In the first two months of 2008, business operations at the five Regal Hotels in Hong Kong have been encouraging, with RevPAR and Gross Operating Profits both enjoying healthy growth over the comparable period in 2007. Being the year of the Beijing Olympics and with Hong Kong hosting the Olympic equestrian events, the five Regal Hotels in Hong Kong on the whole are expected to yield better results in 2008 than those attained in the year under review.

The Group is confident of the prospects of the hotel industry in Hong Kong in the long term and is actively reviewing the list of potential hotel sites that are planned to be made available to the market for auction by the Hong Kong Government in the near future.

The outlook on the hotel and property businesses in Mainland China is also optimistic. Although it is expected that there could be short term market fluctuations and volatilities in view of the tightening measures on the bank lending policies imposed by the Central Government, such challenging environment would present potential acquisition opportunities. The Group is a developer and long-term investor and selects property projects and assets based on their long term profit potentials. In fact, over the past year, the Group has been actively and seriously reviewing numerous hotel properties and potential projects and it is hopeful that further acquisitions beneficial to its long term growth will be successfully concluded from time to time in the coming years.

In this respect and specifically as concerning the current hotel expansion plans in Mainland China, the Group is targeting principally on hotels ranging between 4 to 5 stars in 1st tier gateway and 2nd tier cities. The Group aims to increase, over a 5 years' time span, the number of hotels to be managed and/or owned by the Group in the PRC to more than 20, and it is expected that some of the hotels will be owned by Regal REIT. In the meantime, plans are also being formulated to establish a separate mid-market line for hotels ranging between 3 to 4 stars to be operated in the region.

The Group is in a strong financial position and the progressive disposal of the allocated remaining houses in Regalia Bay at increasing prices will contribute further significant profits and cash proceeds. However, as the sub-prime loan crisis in the United States has caused substantial disturbance to the capital and financial markets globally, the Directors have taken the cautious view to conserve cash when considering dividend distributions and have also adopted a prudent approach in the course of pursuing the expansion plans under the present challenging environment.

Overall, the Directors are very optimistic of the continuing growth and prosperity of the Group in the years to come.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, net cash outflow from operating activities totalled HK$237.1 million (2006 – net cash inflow of HK$481.5 million). Net interest receipt for the year amounted to HK$2.7 million (2006 – net interest payment of HK$268.2 million). The net interest receipt resulted from an increase in interest income on the Group's cash balances and a decrease in interest payment largely due to the full repayment of bank borrowings during the year upon spin-off of Regal REIT.

Aggregate depreciation and amortisation provided for the year under review amounted to HK$9.6 million (2006 – HK$139.0 million). No depreciation on the hotel buildings and related fixed assets was charged to the income statement for the year (2006 – HK$114.2 million) as the effective sale of the five hotel properties in Hong Kong to Regal REIT was completed on 30th March, 2007.

In order to more fairly reflect the underlying net asset value of the Group and for the purposes of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on a proforma basis to adjust for the interest held in Regal REIT to reflect the share of the underlying net assets of Regal REIT attributable to the Group, is provided as follows:

Statement of Proforma Net Assets

	31st December, 2007 (Unaudited) HK$'M
Non-current assets	
Interest in Regal REIT	7,815.2
Interests in other associates	488.4
Other non-current assets	1,644.4
Total non-current assets	9,948.0
Net current assets	2,360.0
Total assets less current liabilities	12,308.0
Non-current liabilities	–
Minority interests	(1.3)
Proforma net assets attributable to equity holders of the parent	12,306.7
Proforma net asset value per ordinary share	HK$1.17

As at 31st December, 2007, the Group had no long-term bank loans and had total cash and bank balances, net of a short term bank loan and other borrowings, of HK$1,411.5 million (2006 – net borrowings of HK$4,375.0 million, representing a gearing ratio of 61.8% based on total assets of HK$7,078.4 million).

As at 31st December, 2007, part of the Group's bank deposits and certain other financial assets in the total amount of HK$1,000.8 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. Under the lease agreements in connection with the leasing of the hotel properties from Regal REIT, the Group has also guaranteed a total minimum variable rent payable for the period from 30th March, 2007 to 31st December, 2010 in the amount of HK$220.0 million. In addition, pursuant to the distributable income guarantee deed signed in connection with the spin-off of Regal REIT, the Group has guaranteed the total distributable income of Regal REIT for the period from the date of its listing (i.e. 30th March, 2007) to 31st

December, 2007 to be not less than HK$420.3 million. In addition, certain time deposit in the amount of HK$24.0 million was also pledged to secure a short term bank loan of the Group as at 31st December, 2007.

Further information in relation to the maturity profile of the borrowings and the pledge of assets of the Group as of 31st December, 2007 is disclosed in the annual report of the Company for the year ended 31st December, 2007 (the “2007 Annual Report”), which will be despatched to shareholders on or before 30th April, 2008. During the year under review, the Company continued to adopt similar funding, treasury and remuneration policies as disclosed in the interim report of the Company for the six months ended 30th June, 2007. Detailed information in such aspects is contained in the Company’s 2007 Annual Report.

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

Following the spin-off of the Regal REIT on 30th March, 2007, the Group’s significant investments principally comprised its interests in the operation and management of the five Regal Hotels in Hong Kong, the investment in Regal REIT (which directly owns the five Regal hotels in Hong Kong after the spin-off), the asset management of Regal REIT, the interest in the Regalia Bay development and other investment businesses. The performance of the Group’s hotel operations during the year under review, their future prospects, the commentary on the local hotel industry and changes in general market conditions and their potential impact on the operating performance, the progress and prospects on the Regalia Bay development as well as the performance of Regal REIT are contained in the sections headed “Business Review” and “Outlook” above, respectively.

DIVIDEND

In view of the satisfactory results achieved, the Directors have resolved to recommend the payment of a final dividend of HK1.0 cent (2006 – final dividend of HK0.6 cent and special cash dividend of HK1.0 cent) per ordinary share for the year ended 31st December, 2007, absorbing an amount of approximately HK$103.8 million (2006 – a total amount of HK$146.5 million including HK$91.6 million for special cash dividend), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 5th June, 2008. Together with the interim dividend of HK0.3 cent per ordinary share paid in October 2007 (2006 – HK0.25 cent), the total regular dividends per ordinary share for the year ended 31st December, 2007 will amount to HK1.3 cents, representing an increase of about 53% as compared with the regular dividends of HK0.85 cent (not including the special cash dividend of HK1.0 cent) paid for the 2006 financial year.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Monday, 2nd June, 2008 to Thursday, 5th June, 2008, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the proposed final dividend, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company’s branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Friday, 30th May, 2008. The relevant dividend warrants are expected to be despatched on or about 30th June, 2008.

YEAR END RESULTS

Consolidated Income Statement

	Year ended 31st December, 2007 HK$'M	Year ended 31st December, 2006 HK$'M
REVENUE (Notes 2 & 3)	**1,780.7**	1,261.2
Cost of sales	**(1,700.8)**	(699.3)
Gross profit	**79.9**	561.9
Other income and gains (Note 3)	**317.6**	85.5
Administrative expenses	**(186.3)**	(93.9)
Gain on disposal of subsidiaries	**2,293.5**	–
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION	**2,504.7**	553.5
Depreciation and amortisation	**(9.6)**	(139.0)
OPERATING PROFIT (Note 2)	**2,495.1**	414.5
Finance costs (Note 5)	**(84.2)**	(265.8)
Share of profits and losses of:		
Jointly controlled entity	**41.6**	203.6
Associates	**527.0**	2.9
PROFIT BEFORE TAX	**2,979.5**	355.2
Tax (Note 6)	**(22.2)**	(23.9)
PROFIT FOR THE YEAR	**2,957.3**	331.3
Attributable to:		
Equity holders of the parent	**2,957.3**	331.3
Minority interests	**–**	–
	2,957.3	331.3

DIVIDENDS		
Interim	**32.0**	21.1
Proposed final	**103.8**	54.9
Proposed special	**–**	91.6
	135.8	167.6
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 7)		
Basic	**HK29.6 cents**	HK3.9 cents
Diluted	**HK27.8 cents**	HK3.3 cents

Consolidated Balance Sheet

	31st December, 2007	31st December, 2006
	HK$'M	HK$'M
NON-CURRENT ASSETS		
Property, plant and equipment	**11.1**	10.6
Interest in a jointly controlled entity	**112.1**	2,032.6
Interests in associates	**1,277.3**	488.8
Financial assets at fair value through profit or loss	**380.7**	–
Other loan	**36.1**	65.6
Deferred tax assets	**–**	2.4
Pledged bank deposits	**970.0**	–
Deposit for acquisition of land	**134.4**	–
Total non-current assets	**2,921.7**	2,600.0
CURRENT ASSETS		
Hotel and other inventories	**17.0**	17.8
Properties held for sale	**1,771.3**	–
Debtors, deposits and prepayments (Note 8)	**551.0**	162.0
Financial assets at fair value through profit or loss	**229.8**	29.8
Pledged time deposit	**24.0**	–
Time deposits	**489.6**	156.3
Cash and bank balances	**77.9**	66.4
	3,160.6	432.3
Assets of a disposal group classified as held for sale (Note 10)	**–**	4,046.1
Total current assets	**3,160.6**	4,478.4

Consolidated Balance Sheet (Cont'd)

	31st December, 2007	31st December, 2006
	HK$'M	HK$'M
CURRENT LIABILITIES		
Creditors and accruals (Note 9)	**(646.8)**	(229.4)
Derivative financial instrument	**(0.1)**	(0.6)
Interest bearing bank borrowings	**(21.4)**	(1,718.7)
Convertible bonds	**–**	(122.5)
Convertible preference shares	**(128.6)**	–
Tax payable	**(3.7)**	(2.4)
	(800.6)	(2,073.6)
Liabilities directly associated with the assets of a disposal group classified as held for sale (Note 10)	**–**	(29.1)
Total current liabilities	**(800.6)**	(2,102.7)
NET CURRENT ASSETS	**2,360.0**	2,375.7
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,281.7**	4,975.7
NON-CURRENT LIABILITIES		
Convertible preference shares	**–**	(127.7)
Interest bearing bank borrowings	**–**	(2,628.8)
Total non-current liabilities	**–**	(2,756.5)
Net assets	**5,281.7**	2,219.2
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**104.9**	91.4
Equity component of convertible bonds	**–**	13.6
Reserves	**5,071.7**	1,966.4
Proposed final and special dividends	**103.8**	146.5
	5,280.4	2,217.9
Minority interests	**1.3**	1.3
Total equity	**5,281.7**	2,219.2

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instrument and financial assets at fair value through profit or loss, which have been measured at fair value. A disposal group classified as held for sale is stated at the lower of carrying amount and fair value less costs to sell. These financial statements are presented in Hong Kong dollars (“HK$”) and all values are rounded to the nearest million except where otherwise indicated.

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements. Except for in certain cases which will give rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
HK(IFRIC)-Int 8	*Scope of HKFRS 2*
HK(IFRIC)-Int 9	*Reassessment of Embedded Derivatives*
HK(IFRIC)-Int 10	*Interim Financial Reporting and Impairment*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, certain comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 Presentation of Financial Statements - *Capital disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in notes to the financial statements.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1st January, 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

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

(a) the hotel ownership/operation† and management segment engages in hotel operations and the provision of hotel management services;

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

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

(d) the others segment mainly comprises the Group’s securities trading, other investment business, health products operations and bakery operations.

† The Group owned and operated its hotels in Hong Kong until the disposal of the hotel properties to Regal REIT for a separate listing on 30th March, 2007 and thereafter leased the hotel properties from Regal REIT for hotel operations.

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.

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31st December, 2007 and 2006.

Group

	Hotel ownership/ operation and management		Asset management		Property development and investment		Others		Eliminations		Consolidated	
	2007 HK$'M	**2006 HK$'M**	**2007 HK$'M**	**2006 HK$'M**	**2007 HK$'M**	**2006 HK$'M**	**2007 HK$'M**	**2006 HK$'M**	**2007 HK$'M**	**2006 HK$'M**	**2007 HK$'M**	**2006 HK$'M**
Segment revenue:												
Sales to external customers	1,289.2	1,202.5	53.5	-	371.3	0.9	66.7	57.8	-	-	1,780.7	1,261.2
Intersegment sales	0.1	1.2	-	-	0.3	0.3	3.5	2.9	(3.9)	(4.4)	-	-
Total	1,289.3	1,203.7	53.5	-	371.6	1.2	70.2	60.7	(3.9)	(4.4)	1,780.7	1,261.2
Segment results before depreciation and amortisation	(190.1)	528.3 *	37.8	-	113.7	0.3	234.4	61.6	-	-	195.8	590.2
Depreciation and amortisation	(7.5)	(138.0) *	(0.3)	-	(0.1)	(0.1)	(0.1)	(0.1)	-	-	(8.0)	(138.2)
Segment operating results	(197.6)	390.3	37.5	-	113.6	0.2	234.3	61.5	-	-	187.8	452.0
Interest income and unallocated non-operating and corporate gains											2,372.8	13.2
Unallocated non-operating and corporate expenses, net											(65.5)	(50.7) *
Operating profit											2,495.1	414.5
Finance costs											(84.2)	(265.8)
Share of profits and losses of:												
Jointly controlled entity	-	-	-	-	41.6	203.6	-	-	-	-	41.6	203.6
Associates	583.3	(0.4)	-	-	(56.0)	3.4	(0.3)	(0.1)	-	-	527.0	2.9
Profit before tax											2,979.5	355.2
Tax											(22.2)	(23.9)
Profit for the year											2,957.3	331.3
Attributable to:												
Equity holders of the parent											2,957.3	331.3
Minority interests											-	-
											2,957.3	331.3

* Restated to reflect the reallocation of certain staff costs and directors' emoluments in the amount of HK$31.6 million and related depreciation of HK$0.8 million from segment results of hotel ownership/operation and management to unallocated non-operating and corporate expenses to conform with current year classification.

Business segments (continued)

Group

	Hotel ownership/ operation and management		Asset management		Property development and investment		Others		Eliminations		Consolidated	
	2007 HK$'M	**2006 HK$'M**	**2007 HK$'M**	**2006 HK$'M**	**2007 HK$'M**	**2006 HK$'M**	**2007 HK$'M**	**2006 HK$'M**	**2007 HK$'M**	**2006 HK$'M**	**2007 HK$'M**	**2006 HK$'M**
Segment assets	204.8	211.0 *	27.3	-	2,129.7	3.4	626.7	44.6	(0.1)	(0.8)	2,988.4	258.2
Interest in a jointly controlled entity	-	-	-	-	112.1	2,032.6	-	-	-	-	112.1	2,032.6
Interests in associates	796.3	6.7	-	-	467.7	468.3	13.3	13.8	-	-	1,277.3	488.8
Assets of a disposal group classified as held for sale	-	4,046.1	-	-	-	-	-	-	-	-	-	4,046.1
Cash and unallocated assets											1,704.5	252.7 *
Total assets											6,082.3	7,078.4
Segment liabilities	(375.5)	(207.2)	(5.4)	-	(24.3)	(0.1)	(8.4)	(5.4)	0.1	0.8	(413.5)	(211.9)
Liabilities directly associated with the assets of a disposal group classified as held for sale	-	(29.1)	-	-	-	-	-	-	-	-	-	(29.1)
Bank borrowings and unallocated liabilities											(387.1)	(4,618.2)
Total liabilities											(800.6)	(4,859.2)
Other segment information:												
Capital expenditure	2.3	106.8	1.1	-	-	-	-	0.6				
Other non-cash expenses	29.5	0.1	-	-	-	-	-	0.1				

* Restated to reflect the reclassification of other loan in the amount of HK$65.6 million from unallocated assets to segment assets of hotel ownership/operation and management to conform with current year classification.

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

	2007 HK$'M	2006 HK$'M
<u>Revenue</u>		
Hotel operations and management services	**1,259.5**	1,170.8
Other operations, including estate management, estate agency, health products and bakery operations	**3.0**	8.2
Rental income from hotel properties and properties held for sale	**32.7**	31.7
Proceeds from sale of financial assets at fair value through profit or loss	**64.7**	50.5
Asset management service	**53.5**	–
Sale of properties	**367.3**	–
	1,780.7	1,261.2
<u>Other income</u>		
Bank interest income	**64.0**	4.7
Interest income from other loan	**–**	3.5
Other interest income	**9.9**	–
Dividend income from listed investments	**0.7**	3.1
Net settlement amount received for the claim in connection with the agreement for the sale and purchase of the Group's hotel property in Canada in 2002	**4.4**	–
Others	**0.5**	0.2
	79.5	11.5

Gains		
Fair value gains on financial assets at fair value through profit or loss, net	**237.6**	6.1
Fair value gain on derivative financial instrument	**0.5**	4.8
Gain on disposal of financial assets at fair value through profit or loss	**–**	63.1
	238.1	74.0
	317.6	85.5

4. An analysis of profit on sale of investments of the Group is as follows:

	2007 HK$'M	**2006 HK$'M**
Profit on disposal of listed investments	**6.9**	67.5

5. Finance costs of the Group are as follows:

	2007 HK$'M	**2006 HK$'M**
Interest on bank loans wholly repayable within five years	**76.5**	245.7
Interest on convertible bonds	**–**	11.3
Dividends on convertible preference shares *(classified as financial liabilities)*	**7.7**	7.6
Interest on a promissory note payable	**–**	1.2
Total finance costs	**84.2**	265.8

6. The tax charge for the year arose as follows:

	2007 **HK$'M**	**2006** **HK$'M**
Group:		
Current – Hong Kong		
Provision for tax in respect of profits for the year	**3.0**	–
Current – Overseas		
Provision for tax in respect of profits for the year	**0.6**	0.7
Prior year underprovision	**–**	0.8
Deferred tax	**18.6**	22.4
Total tax charge for the year	**22.2**	23.9

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 17.5% (2006 – 17.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

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

No provision for tax is required for the jointly controlled entity as no assessable profits were earned by the jointly controlled entity during the year (2006 – Nil).

The share of tax attributable to associates amounting to HK$163.2 million (2006 – HK$0.2 million) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

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

7. The calculation of basic earnings per ordinary share is based on the profit for the year attributable to equity holders of the parent of HK$2,957.3 million (2006 – HK$331.3 million), and on the weighted average of 10,000.0 million (2006 – 8,485.4 million) ordinary shares of the Company in issue during the year.

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2007 is based on the adjusted profit for the year attributable to equity holders of the parent of HK$2,964.5 million as adjusted for the interest savings and fair value gain on derivative component of the convertible preference shares arising from the conversion of the convertible preference shares into ordinary shares of the Company, and on the adjusted weighted average of 10,682.0 million ordinary shares of the Company that would have been in issue during the year assuming all outstanding convertible bonds (including optional convertible bonds) and convertible preference shares of the Group were converted into, and the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of the year. The exercise price of the share options of the Company outstanding during the year is higher than the average market price of the Company's ordinary shares and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2006 was based on the adjusted profit for that year attributable to equity holders of the parent of HK$342.7 million as adjusted for the interest savings arising from the conversion of the convertible bonds into ordinary shares of the Company, and on the adjusted weighted average of 10,448.3 million ordinary shares of the Company that would have been in issue during that year assuming all outstanding convertible bonds (including optional convertible bonds) of the Group were converted into, and the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for, ordinary shares of the Company at the beginning of that year. The conversion of the outstanding convertible preference shares of the Company was anti-dilutive for that year. In addition, the exercise price of the share options of the Company outstanding during that year was higher than the average market price of the Company's ordinary shares and, accordingly, they had no dilutive effect on the basic earnings per ordinary share.

8. Included in debtors, deposits and prepayments is an amount of HK$447.9 million (2006 – HK$91.1 million) representing the trade debtors of the Group. The aged analysis of such debtors, based on the invoice date, is as follows:

	2007 HK$'M	2006 HK$'M
Outstanding balances with ages:		
Within 3 months	**440.0**	81.7
Between 4 to 6 months	**3.5**	5.8
Between 7 to 12 months	**2.6**	2.0
Over 1 year	**3.0**	2.3
	449.1	91.8
Impairment	**(1.2)**	(0.7)
	447.9	91.1

Credit terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amount less impairment which are made when collection of the full amount 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 that the Group's trade debtors relate to a large number of diversified customers (except for sale proceeds receivable from disposal of properties held for sale), there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

9. Included in creditors and accruals is an amount of HK$87.8 million (2006 – HK$64.2 million) representing the trade creditors of the Group. The aged analysis of such creditors, based on the invoice date, is as follows:

	2007 HK$'M	2006 HK$'M
Outstanding balances with ages:		
Within 3 months	**84.1**	61.9
Between 4 to 6 months	**1.4**	1.6
Between 7 to 12 months	**0.4**	0.6
Over 1 year	**1.9**	0.1
	87.8	64.2

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

10. During the year, the Group completed the spin-off of Regal REIT and disposed of the entire issued share capital of certain of the Group's subsidiaries holding directly and indirectly the five hotel properties in Hong Kong (the "Disposal Group") to Regal REIT.

The spin-off of Regal REIT had not been completed at 31st December, 2006 and in accordance with HKFRS 5, certain assets and liabilities of the Disposal Group were presented as assets and liabilities of a disposal group classified as held for sale under the current assets and current liabilities section, respectively.

The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 31st December, 2006 were as follows:

	2006 **HK$'M**
Assets	
Property, plant and equipment	2,899.8
Prepaid land lease payments	1,065.8
Deferred tax assets	80.5
Assets classified as held for sale	4,046.1
Liabilities	
Deferred tax liabilities	(29.1)
Liabilities directly associated with the assets classified as held for sale	(29.1)
Net assets directly associated with the Disposal Group	4,017.0

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

During the year, the Company repurchased a total of 183,838,000 ordinary shares of the Company at an aggregate consideration of HK$108,786,040 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest (HK$)	Lowest (HK$)	Aggregate purchase price (HK$)
August 2007	11,030,000	0.580	0.570	6,377,400
September 2007	55,426,000	0.600	0.570	32,165,220
October 2007	20,310,000	0.670	0.610	12,863,640
December 2007	97,072,000	0.640	0.560	57,379,780
Total	183,838,000			108,786,040
		Total expenses on shares repurchased		601,715
				109,387,755

Out of the 183,838,000 repurchased ordinary shares, 152,708,000 repurchased ordinary shares were cancelled during the year and the remaining 31,130,000 repurchased ordinary shares were cancelled subsequent to the balance sheet date, and the issued share capital of the Company was reduced by the par value thereof. The above repurchases were effected by the Directors, pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

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

REVIEW OF RESULTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31st December, 2007, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31st December, 2007, except that:

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

(2) The Non-Executive Director and the Independent Non-Executive Directors of the Company were not appointed for specific terms, but arrangements have been put in place such that the Non-Executive Director and the Independent Non-Executive Directors would retire, and are subject to re-election, either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years.

ANNUAL GENERAL MEETING

An Annual General Meeting of the Company will be convened to be held on Thursday, 5th June, 2008. The Notice of the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and sent to the shareholders of the Company, together with the Company's 2007 Annual Report, in due course.

BOARD OF DIRECTORS

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

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

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

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

By Order of the Board

LO YUK SUI

Chairman

Hong Kong, 27th March, 2008