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 2008 GROUP FINAL RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

- 2008 was an eventful but difficult and challenging year.
- Total revenue of HK$1,511.8 million for 2008, with revenue from hotel operations and management services accounting for HK$1,329.9 million, an increase of 5.6%.
- The five Regal Hotels in Hong Kong strategically positioned to cater to different clienteles and market segments. Achieved an increase of 0.7% in RevPAR in 2008, above the market average.
- Total distributable income for Regal REIT for 2008 amounted to HK$501.9 million, with total distributions per Unit for 2008 up 9.4% over the prior period.
- Group's results adversely affected by losses arising from fair values changes of certain investment properties and financial assets held by the Group and Regal REIT, resulting in loss for the year attributable to equity holders of the parent of HK$808.8 million.
- The fair value losses are non-cash items and have no immediate impact on the cash flow of the Group.
- Expanding Regal's hotel management network in China, with two additional managed hotels opening in Shanghai and Chengdu within this year.
- The Group is financially strong and in net cash position and well-poised to capitalise on acquisition and expansion opportunities.

PER SHARE DATA

	Year 2008
Proposed final dividend	**HK5.0 cents**
#Total dividends for the year	**HK8.0 cents**
✦Adjusted net asset value per ordinary share	**HK$10.00**

#the interim dividend paid for the year has been adjusted for the effect of the 10-into-1 share consolidation in October 2008

✦compiled on an adjusted basis, for the purpose of reference, 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

FINANCIAL RESULTS

For the year ended 31st December, 2008, the Group recorded a consolidated loss attributable to shareholders of HK$808.8 million, as compared to the consolidated profit of HK$2,957.3 million attained in 2007 which, as explained before, included a one-off gain of HK$2,293.5 million derived from the spin-off of Regal Real Estate Investment Trust.

The loss incurred by the Group for the year under review was mainly attributable to the losses arising from the changes in the fair values of certain investment properties and financial assets held by the Group and Regal REIT, a listed associate of the Group.

The decrease in the fair values of the investment properties and financial assets held by the Group and Regal REIT largely reflected the significant downturn in the financial and property market conditions in Hong Kong which, in turn, was brought about by the recent global financial crisis. These fair value losses are however non-cash items and do not have an immediate impact on the cash flow of the Group.

Nevertheless, the underlying net asset value of the Company's ordinary shares is still significantly higher than the market price of the shares. With a view to enhancing the net asset value of the outstanding shares of the Company, the Company has continued with the share repurchases pursuant to the mandate granted to the Directors and repurchased an aggregate of about 35.4 million ordinary shares (as adjusted for the 10-into-1 share consolidation in October 2008) during the year under review.

For the purpose of reference, supplementary information on the net assets of the Group, compiled on an adjusted basis to reflect more fairly the underlying net assets attributable to the interests held by the Group in Regal REIT, is provided in the section headed "Management Discussion and Analysis" below.

In December 2008, the outstanding 16,748 5¼% convertible cumulative redeemable preference shares, which were issued by the Company in 1993, matured for redemption. Although the Company has the option to redeem the preference shares by issuing to the preference shareholders new ordinary shares at an issue price effectively based on 95% of the market share price which, as mentioned above, was at substantial discount to its underlying net asset value, the Company has elected to redeem all the outstanding preference shares for an aggregate cash redemption amount of approximately HK$129.9 million.

SHARE CONSOLIDATION

To achieve savings for shareholders on the trading and transaction costs for dealing in the ordinary shares of the Company, which are charged on a per board lot basis, the Company implemented earlier in October 2008 a share consolidation scheme by consolidating every 10 ordinary shares of HK$0.01 each into 1 ordinary share of HK$0.10. Following the share consolidation, the issued ordinary share capital of the Company as at 31st December, 2008 comprised approximately 1,014.6 million ordinary shares of HK$0.10 each.

REVIEW OF OPERATIONS

HOTELS

Hong Kong

During the year under review, the tourist industry in Hong Kong remained relatively stable until the latter part of 2008, when the adverse impact of the global financial crisis became more apparent and exacerbated. Visitors from major long haul markets have on the whole recorded negative growth on a year-on-year basis, though the shortfall was compensated by the continuing influx of visitors from Mainland China. For the whole year of 2008, the total number of visitors to Hong Kong was over 29.5 million, a growth of about 4.7% as compared with 2007, with visitors from Mainland China having further increased to account for about 57.1% of the total number.

Based on the information published by Tourism Research of the Hong Kong Tourism Board, the average hotel room occupancy rate for all hotels in different categories for the year 2008 was 85%, which was only marginally below the 86% recorded for 2007. Due to the reduction in the number of long haul visitors, particularly those from America and Europe, there was increased pressure on room rates since the last quarter of the year, especially for the upscale hotel category, but on a year round basis, the average achieved room rate for all hotels as a whole was still able to be maintained at about the same level recorded for 2007.

The five Regal Hotels in Hong Kong, which are now owned by Regal REIT but operated and managed by the Group, have on the whole performed steadily during the year. Despite the relatively competitive market condition in the latter part of 2008, the five Regal Hotels managed to achieve a modest improvement of 0.7% in their average RevPAR (Revenue per Available Room) over 2007, which is above market average.

Regal Hotels International Limited, which is the hotel management arm of the Group and acts as the hotel manager of the five Regal Hotels in Hong Kong, was awarded "The Best Hotel Management Group of China of China Hotel Starlight Award (2008)". In recognition of its quality and service standard, the Regal Airport Hotel was awarded "Best Airport Hotel in the World 2008" by Business Traveller, UK Magazine, the "Best Airport Hotel in Asia-Pacific" by Business Traveller Asia-Pacific Magazine and TTG Asia Media Pte Limited for many consecutive years since 2001 and 2005, respectively, as well as "The Top 10 Convention & Exhibition Hotels of China of China Hotel Starlight Award (2007-2008)". Moreover, the Regal Oriental Hotel was also awarded "The Top 10 City – Nova Hotels of China of China Hotel Starlight Award (2008)".

The People's Republic of China

The Group will continue to expand its hotel operations in Mainland China, which will initially be focused on major first and second tier cities.

In April 2008, the Group entered into a formal management contract with Shanghai Jinfeng Investment Co. Ltd. for the provision of hotel management services to a 380-room four star business hotel in Pudong, Shanghai. The hotel is being named as Regal Jinfeng Hotel and now scheduled to be opened in the third quarter of 2009.

Lately in January this year, the Group entered into a hotel management contract with Sichuan Master Investment Group Company Limited for the Group to provide management services to a 350-room five star luxury hotel in Chengdu, the capital city of Sichuan. The hotel is being named as Regal Master Hotel and scheduled for opening in the fourth quarter of this year.

The Group is also providing hotel consultancy and pre-opening services to a hotel project in Dezhou in Shandong and, subject to further agreement on the detailed terms, may extend to full management services to the hotel when it comes into business operations.

Together with the two hotels in Shanghai presently managed by the Group, there will be a total of four Regal managed hotels in the Mainland by the end of this year. The Group is endeavouring to expand its portfolio to more than 20 managed or owned hotels in the first and second tier cities of China within the next five years.

REGAL REAL ESTATE INVESTMENT TRUST

For the year ended 31st December, 2008, Regal REIT recorded a consolidated net loss before distributions to its unitholders of approximately HK$2,150.2 million. The loss incurred by Regal REIT was mainly attributable to the revaluation deficit arising from the changes in the fair values of its hotel portfolio based on the independent valuer's appraisal as at 31st December, 2008. Total distributable income for the year under review amounted to approximately HK$501.9 million, as compared to HK$421.5 million for the period ended 31st December, 2007.

Although 2009 is expected to be a very challenging year, Regal REIT's existing lease structure with the Group provides a strong shelter to protect against fluctuations in market conditions. Moreover, all the five Regal Hotels in Hong Kong are of good quality and cater strategically to different clienteles and market segments.

In 2008, Regal REIT has committed to capital additions projects with a total cost of about HK$85 million covering all the five Regal Hotels. Notable projects that have since been completed included the conversion of space in Regal Hongkong Hotel, Regal Oriental Hotel and Regal Riverside Hotel to add a total of approximately 16,700 square feet of state-of-the-art conference and meeting facilities, the renovation and upgrade of another guest room floor with 51 hotel rooms in Regal Kowloon Hotel to club floor standard, the setting up of 3 additional food outlets in Regal Riverside Hotel offering various choices of specialty cuisine, and the upgrade of the external façade at Regal Oriental Hotel. Projects approved and scheduled for completion in 2009 include the re-decoration and upgrade of the Chinese restaurant in Regal Kowloon Hotel and the renovation and upgrade of the external façades at Regal Kowloon Hotel and Regal Riverside Hotel.

The delay in the implementation by Regal REIT of the expansion plans for the acquisition of hotel properties has apparently proven to have been a correct strategy. Management of Regal REIT continues to actively review hotel acquisition opportunities but in view of the uncertainty on the timing of an overall economic revival, the near-term focus of Regal REIT is still to preserve liquidity and be prepared for any appropriate acquisition opportunities that may arise.

Regal Portfolio Management Limited

Regal Portfolio Management Limited is a wholly-owned subsidiary of the Group and acts as the manager of Regal REIT. Aggregate manager's fees received or receivable from Regal REIT for 2008 amounts to approximately HK$66.7 million, representing an increase of about 25% as compared with the total fees received for 2007, as the financial year ended 31st December, 2008 was the first full year of operation for Regal REIT since its separate listing on 30th March, 2007.

PROPERTIES

Hong Kong

Regalia Bay, Stanley

The Group beneficially owns 31 houses in Regalia Bay, some of which have been leased out for rental purposes and generated gross rental revenues of about HK$30.3 million in 2008. During the year under review, 15 of those houses that were leased to third party lessees have been reclassified from properties held for sale to investment properties. Due to such reclassification, a fair value gain of HK$358.5 million was recognised in the interim results for 2008, based on their independent professional valuations as at 30th June, 2008.

Affected by the global financial crisis, the property market in Hong Kong as a whole has been adversely impacted since the second half of 2008. Market valuations as at 31st December, 2008 of the Regalia Bay houses that are now held as investment properties have similarly been affected. Consequently, a fair value loss of HK$321.6 million, reflecting the decrease in their market valuations since 1st July, 2008, has also been incorporated in the results for the year under review.

However, the carrying costs of the remaining 16 houses that are being held for sale are still below their market valuations as at the last balance sheet date. Pending revival of the property market, the Group may in the interim period lease out some of these houses for rental income, unless the prices offered by prospective purchasers are favourable.

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 owned by the Group and Paliburg Holdings Limited, the effective controlling shareholder of the Company. Based on latest available information, it is anticipated that the joint venture entity will succeed in its application to secure the award by the Beijing Municipal Bureau of Land and Resources of the primary development rights for the Phase II land site. Pending further resolution of detailed terms of joint venture with the local partner, it is hopeful that the Sino-foreign joint venture entity will be able to solidly proceed with this prominent large scale project in Beijing in the not too distant future.

Development Project in Xindu District, Chengdu, Sichuan Province

This development project is 50% beneficially owned by each of the Group and Cosmopolitan International Holdings Limited. The land transfer consideration for the subject site of RMB213.1 million was fully settled in July 2008.

This is a mixed-use project comprising a hotel and commercial complex with aggregate gross floor area of about 180,000 square meters above ground together with about 56,000 square meters of commercial, auxiliary services and car park areas below ground as well as residential development with aggregate gross floor area of about 315,000 square meters. Planning works are still in progress but further development works might proceed at a more controlled pace due to the recent changes in the general market conditions in China.

OTHER INVESTMENTS

During the year, the Group has further invested in the convertible bonds issued by the Cosmopolitan group. Further information in this respect was contained in the 2008 Interim Report and other previous announcements released by the Company.

Presently, the Group holds substantial interests in the convertible bonds issued by Cosmopolitan group and, in addition, approximately 3.0% of the issued ordinary shares of Cosmopolitan. Assuming that all the outstanding convertible bonds and options on convertible bonds granted by the Cosmopolitan group, including those held by the Group, are fully converted and/or exercised, the Group can come to own up to approximately 32.8% of the enlarged share capital of Cosmopolitan.

Apart from the joint venture with the Group on the development project in Xindu District in Chengdu, Cosmopolitan group has been working on a large scale development project involving re-forestation and landscaping works in Urumqi City in Xinjiang as well as certain proposed projects in other parts of China.

As also noted in the 2008 Interim Report, the strategic investments in Cosmopolitan group is expected to provide an opportunity to the Group to share in its growth potential, while creating a platform for further mutually beneficial business collaborations between the two groups in the future.

As part of its ordinary businesses, the Group also undertakes other investments in financial instruments and securities which are conducted with a prudent and conservative approach and the Group has no exposure to any highly leveraged or speculative investment products. Nevertheless, due to the severely adverse market conditions experienced by the stock market in Hong Kong in 2008, particularly in the second half, the Group has incurred in the year ended 31st December, 2008 an overall net loss of approximately HK$202.8 million in its investment businesses. This included the losses on fair value changes in securities investments held by the Group as well as the provisions in the amount of approximately HK$111.7 million for the fair value losses on the Group's holding of the convertible bonds issued by Cosmopolitan group, partly reversing the fair value gain of HK$228.2 million recorded in 2007.

OUTLOOK

The adverse effects to the overall economy caused by the global financial crisis are unprecedented and the impact to the financial and capital markets worldwide is far reaching. Revival of global economy will depend on when liquidity can be reinstated to normal levels and overall confidence restored. The Chinese government has recently announced enormous stimulus packages to generate liquidity and to boost domestic consumption, with a view to maintaining the GDP growth in the Mainland. In the meantime, plans are also being devised to help sustain the tourist industry and economic development in Hong Kong. Nevertheless, overall business environment in Hong Kong in 2009 will be very challenging and competitive.

The Group has since last year taken a relatively cautious approach towards commitment to new significant investments. The Group is financially strong and in net cash position. While the Group is well-prepared for the challenges that may lie ahead, it is also at the same time well-poised to capitalise on any appropriate acquisition and expansion opportunities that will become available.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, net cash outflow from operating activities totalled HK$110.9 million (2007 – HK$237.1 million). Net interest receipt for the year amounted to HK$30.0 million (2007 – HK$2.7 million).

Based on the consolidated balance sheet as at 31st December, 2008, the book net asset value of the ordinary shares of the Company was HK$4.08 per share. Such book net asset value has been significantly affected by the elimination of the unrealised gain on the disposal of the subsidiaries owning the hotel properties to Regal REIT in 2007 against the Group’s interest held in Regal REIT as well as the sharing of the fair value loss on the hotel properties held by Regal REIT for the year under review, which resulted in the interest held by the Group in Regal REIT having been stated at zero value as at 31st December, 2008. In order to more fairly reflect the underlying net asset value of the Group, management of the Group considers it appropriate to also present, for the purposes of reference and ease of comparison, supplementary information on the Group’s net assets position, compiled on an adjusted basis to reflect the share of the underlying net assets of Regal REIT attributable to the Group. Accordingly, on the basis that the interest of the Group held in Regal REIT were to be stated based on the published net asset value per unit of Regal REIT of HK$2.596 as at 31st December, 2008, the adjusted net asset value of the ordinary shares of the Company would be HK$10.00 per share.

	As at 31st December, 2008
Book net asset value per ordinary share	**HK$4.08**
Adjusted net asset value per ordinary share	**HK$10.00**

As at 31st December, 2008, the Group had total cash and bank balances, net of long term bank loans, of HK$1,200.3 million (2007 – total cash and bank balances, net of a short term bank loan and other borrowings, of HK$1,411.5 million).

As at 31st December, 2008, part of the Group's bank deposits in the amount of HK$1,000.0 million (2007 – bank deposits and certain other financial assets at fair value through profit or loss 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, and certain of the Group's investment properties, properties held for sale, bank deposits and cash balances in the total amount of HK$512.5 million (2007 – bank deposits in the amount of HK$24.0 million) were also pledged to secure other banking facilities granted to the Group. 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, of which HK$101.6 million has been paid by the Group up to 31st December, 2008.

Further information in relation to the maturity profile of the borrowings and the contingent liabilities of the Group as of 31st December, 2008 is disclosed in the annual report of the Company for the year ended 31st December, 2008 (the "2008 Annual Report"), which will be despatched to shareholders on or before 30th April, 2009. 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, 2008. Detailed information in such aspects is contained in the Company's 2008 Annual Report.

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

The Group's significant investments principally comprise its interests in the operation and management of the five Regal Hotels in Hong Kong, the investment in Regal REIT, the asset management of Regal REIT, the interest in the remaining houses in Regalia Bay in Stanley 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 properties as well as the performance of Regal

REIT are contained in the sections headed “Financial Results”, “Review of Operations” and “Outlook” above, respectively.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK5.0 cents (2007 – HK10.0 cents, as adjusted for the share consolidation implemented in October 2008) per ordinary share for the year ended 31st December, 2008, absorbing an amount of approximately HK$50.5 million (2007 – HK$103.8 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 9th June, 2009. The final dividend being recommended is comparatively lower than that in last year as it is considered prudent for the Company to conserve cash resources under the present economic climate.

Together with the interim dividend of HK3.0 cents (as adjusted for the share consolidation) per ordinary share paid in October 2008 (2007 – HK3.0 cents, as adjusted), the total dividends per ordinary share for the year ended 31st December, 2008 will amount to HK8.0 cents (2007 – HK13.0 cents, as adjusted).

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Thursday, 4th June, 2009 to Tuesday, 9th June, 2009, 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 Wednesday, 3rd June, 2009. The relevant dividend warrants are expected to be despatched on or about 30th June, 2009.

YEAR END RESULTS

Consolidated Income Statement

	Year ended 31st December, 2008 HK$'M	Year ended 31st December, 2007 HK$'M
REVENUE (Notes 2 & 3)	**1,511.8**	1,722.9
Cost of sales	**(1,545.5)**	(1,643.0)
Gross profit/(loss)	**(33.7)**	79.9
Other income and gains (Note 3)	**43.1**	80.0
Administrative expenses	**(172.8)**	(186.3)
Other operating expense (Note 4)	**(59.3)**	–
Gain on disposal of subsidiaries (Note 5)	**–**	2,293.5
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	**(145.7)**	237.6
Fair value gain upon reclassification of properties held for sale to investment properties net of fair value loss upon revaluation	**36.9**	–
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION AND AMORTISATION	**(331.5)**	2,504.7
Depreciation and amortisation	**(4.0)**	(9.6)
OPERATING PROFIT/(LOSS) (Notes 2 & 6)	**(335.5)**	2,495.1
Finance costs (Note 7)	**(9.9)**	(84.2)
Share of profits and losses of:		
Jointly controlled entities	**(4.9)**	41.6
Associates	**(457.9)**	527.0
PROFIT/(LOSS) BEFORE TAX	**(808.2)**	2,979.5
Tax (Note 8)	**(0.6)**	(22.2)
PROFIT/(LOSS) FOR THE YEAR	**(808.8)**	2,957.3
Attributable to:		
Equity holders of the parent	**(808.8)**	2,957.3
Minority interests	**–**	–
	(808.8)	2,957.3

DIVIDENDS		
Interim	**30.6**	32.0
Proposed final	**50.5**	103.8
	81.1	135.8
EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 9)		(Restated)
Basic	**HK$(0.79)**	HK$2.96
Diluted	**N/A**	HK$2.78

Consolidated Balance Sheet

	31st December, 2008 HK$'M	31st December, 2007 HK$'M
NON-CURRENT ASSETS		
Property, plant and equipment	**16.8**	11.1
Investment properties	**855.0**	–
Interests in jointly controlled entities	**203.8**	112.1
Interests in associates	**517.4**	1,277.3
Financial assets at fair value through profit or loss	**423.0**	380.7
Available-for-sale investment	**3.1**	–
Other loan	**36.1**	36.1
Pledged bank deposits	**1,000.0**	970.0
Deposit for acquisition of land	**–**	134.4
Total non-current assets	**3,055.2**	2,921.7
CURRENT ASSETS		
Hotel and other inventories	**22.7**	17.0
Properties held for sale	**963.5**	1,771.3
Debtors, deposits and prepayments (Note 10)	**217.1**	551.0
Financial assets at fair value through profit or loss	**108.1**	229.8
Pledged time deposits	**8.3**	24.0
Time deposits	**153.3**	489.6
Cash and bank balances	**307.2**	77.9
Total current assets	**1,780.2**	3,160.6

Consolidated Balance Sheet (Cont'd)

	31st December, 2008	31st December, 2007
	HK$'M	HK$'M
CURRENT LIABILITIES		
Creditors and accruals (Note 11)	**(427.2)**	(646.8)
Derivative financial instrument	**–**	(0.1)
Interest bearing bank borrowings	**–**	(21.4)
Convertible preference shares	**–**	(128.6)
Tax payable	**(3.5)**	(3.7)
Total current liabilities	**(430.7)**	(800.6)
NET CURRENT ASSETS	**1,349.5**	2,360.0
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,404.7**	5,281.7
NON-CURRENT LIABILITIES		
Interest bearing bank borrowings	**(268.5)**	–
Net assets	**4,136.2**	5,281.7
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**101.4**	104.9
Reserves	**3,983.0**	5,071.7
Proposed final dividend	**50.5**	103.8
	4,134.9	5,280.4
Minority interests	**1.3**	1.3
Total equity	**4,136.2**	5,281.7

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 investment properties, available-for-sale investments, derivative financial instrument and financial assets at fair value through profit or loss, which have been measured at fair value. 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 interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* [1]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives* [5]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]

HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [2]
HK(IFRIC)-Int 18	*Transfer of Assets from Customers* [2]

Apart from the above, the HKICPA also issued *Improvements* to *HKFRSs*[⁕] which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1st July, 2009, other amendments are effective for annual periods beginning on or after 1st January, 2009 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1st January, 2009

[2] Effective for annual periods beginning on or after 1st July, 2009

[3] Effective for annual periods beginning on or after 1st July, 2008

[4] Effective for annual periods beginning on or after 1st October, 2008

[5] Effective for annual periods ending on or after 30th June, 2009

[⁕] Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and presentation of financial statements and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have significant impact on the Group's results of operations and financial position.

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 geographical segment information is presented as over 90% of the Group's revenue is derived from customers based 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 services to Regal REIT;

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

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

(e) the others segment mainly comprises travel agency services, 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/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31st December, 2008 and 2007.

Group

	Hotel ownership/ operation and management		Asset management		Property development and investment		Securities investment		Others		Eliminations		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'M	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**
Segment revenue:														
Sales to external customers	1,360.9	1,289.2	66.7	53.5	31.2	371.3	2.2	6.8	50.8	2.1	-	-	1,511.8	1,722.9
Intersegment sales	0.1	0.1	-	-	3.4	0.3	-	-	4.1	3.5	(7.6)	(3.9)	-	-
Total	1,361.0	1,289.3	66.7	53.5	34.6	371.6	2.2	6.8	54.9	5.6	(7.6)	(3.9)	1,511.8	1,722.9
Segment results before depreciation and amortisation	(230.1)	(190.1)	54.3	37.8	55.0	113.7	(203.5)	244.7	(4.5)	(10.3)	-	-	(328.8)	195.8
Depreciation and amortisation	(2.7)	(7.5)	(0.4)	(0.3)	(0.1)	(0.1)	-	-	(0.4)	(0.1)	-	-	(3.6)	(8.0)
Segment operating results	(232.8)	(197.6)	53.9	37.5	54.9	113.6	(203.5)	244.7	(4.9)	(10.4)	-	-	(332.4)	187.8
Interest income and unallocated non-operating and corporate gains													43.1	2,372.8
Unallocated non-operating and corporate expenses, net													(46.2)	(65.5)
Operating profit/(loss)													(335.5)	2,495.1
Finance costs													(9.9)	(84.2)
Share of profits and losses of:														
Jointly controlled entities	-	-	-	-	(4.9)	41.6	-	-	-	-	-	-	(4.9)	41.6
Associates	(445.9)	583.3	-	-	(11.9)	(56.0)	-	-	(0.1)	(0.3)	-	-	(457.9)	527.0
Profit/(Loss) before tax													(808.2)	2,979.5
Tax													(0.6)	(22.2)
Profit/(Loss) for the year													(808.8)	2,957.3
Attributable to:														
Equity holders of the parent													(808.8)	2,957.3
Minority interests													-	-
													(808.8)	2,957.3

Business segments (continued)

Group

	Hotel ownership/ operation and management		Asset management		Property development and investment		Securities investment		Others		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	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 assets	227.1	204.8	24.5	27.3	1,823.5	2,129.7	534.4	625.5	8.8	1.2	-	(0.1)	2,618.3	2,988.4
Interests in jointly controlled entities	-	-	-	-	203.8	112.1	-	-	-	-	-	-	203.8	112.1
Interests in associates	7.4	796.3	-	-	496.8	467.7	-	-	13.2	13.3	-	-	517.4	1,277.3
Cash and unallocated assets													1,495.9	1,704.5
Total assets													4,835.4	6,082.3
Segment liabilities	(287.9)	(375.5)	(5.5)	(5.4)	(7.8)	(24.3)	(1.2)	(7.6)	(5.6)	(0.8)	-	0.1	(308.0)	(413.5)
Bank borrowings and unallocated liabilities													(391.2)	(387.1)
Total liabilities													(699.2)	(800.6)
Other segment information:														
Capital expenditure	9.5	2.3	0.1	1.1	-	-	-	-	0.2	-				
Other non-cash expenses	-	29.5	-	-	-	-	-	-	-	-				

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

	2008 HK$'M	2007 HK$'M
Revenue		
Hotel operations and management services	**1,329.9**	1,259.5
Other operations, including estate management, estate agency, travel agency, health products and bakery operations	**51.7**	3.1
Rental income:		
Hotel properties	**31.0**	29.7
Properties held for sale	**14.4**	3.0
Investment properties	**15.9**	–
Net gain from sale of financial assets at fair value through profit or loss✡	**0.1**	6.8
Dividend income from listed investments	**2.1**	–
Asset management service	**66.7**	53.5
Sale of properties	**–**	367.3
	1,511.8	1,722.9
Other income		
Bank interest income	**24.8**	64.0
Interest income from other loan	**0.2**	–
Interest income from a jointly controlled entity	**1.3**	–
Other interest income	**14.9**	9.9
Dividend income from listed investments	**–**	0.7
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	**1.8**	0.5
	43.0	79.5

Gains		
Fair value gain on derivative financial instrument	**0.1**	0.5
	43.1	80.0

☼In prior years, the Group's proceeds from sale of listed investments at fair value through profit or loss was presented under "Revenue" with the corresponding cost of sales included under "Cost of sales". During the current year, the Group has changed the presentation, as in the opinion of the Directors, it is more appropriate to include the gain/loss from sale of listed investments at fair value through profit or loss in the "Revenue" only. To conform with the current year's presentation, the revenue and cost of sales in the prior year were decreased by the same amount of HK$57.8 million with the gross profit remaining the same.

4. Other operating expense represents the following item:

	2008 **HK$'M**	**2007** **HK$'M**
Loss on settlement of financial assets at fair value through profit or loss	**59.3**	–

5. Gain on disposal of subsidiaries

The gain arose from the completion of the spin-off of Regal REIT (the "Spin-off") in the prior year, which comprised the global offering and separate listing of the units in Regal REIT on The Stock Exchange of Hong Kong Limited and all the incidental arrangements which primarily involved the disposal of the Group's subsidiaries owning the five hotel properties in Hong Kong to Regal REIT, a real estate investment trust constituted by a trust deed between Regal Portfolio Management Limited, a wholly-owned subsidiary of the Group, as the manager of Regal REIT and DB Trustees (Hong Kong) Limited as the trustee of Regal REIT. The Group retained 70.5% interest in Regal REIT and effectively disposed of 29.5% of its interest in the hotel properties upon the completion of the Spin-off (after accounting for the exercise of the over allotment option of the units in Regal REIT pursuant to the global offering).

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

	2008 HK$'M	2007 HK$'M
Profit on disposal of listed investments	**0.1**	6.9

7. Finance costs of the Group are as follows:

	2008 HK$'M	2007 HK$'M
Interest on bank loans wholly repayable within five years	**2.2**	76.5
Dividends on convertible preference shares *(classified as financial liabilities)*	**7.7**	7.7
Total finance costs	**9.9**	84.2

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

	2008 HK$'M	2007 HK$'M
Group:		
Current – Hong Kong		
Charge for the year	**0.1**	3.0
Current – Overseas		
Charge for the year	**0.5**	0.6
Deferred tax	**–**	18.6
Total tax charge for the year	**0.6**	22.2

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2007 – 17.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31st December, 2008.

Taxes on the profits of subsidiaries operating overseas are 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 entities as no assessable profits were earned by the jointly controlled entities during the year (2007 – Nil).

The share of tax credit attributable to associates amounting to HK$266.6 million (2007 – tax charge of HK$163.2 million) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

There was no material unprovided deferred tax in respect of the year and as at the balance sheet date.

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

9. The calculation of basic earnings/(loss) per ordinary share is based on the loss for the year attributable to equity holders of the parent of HK$808.8 million (2007 – profit of HK$2,957.3 million), and on the weighted average of 1,029.3 million ordinary shares of the Company in issue during the year, as adjusted for the effect of the consolidation of ordinary shares of the Company on the basis that every ten then existing issued and unissued ordinary shares of HK$0.01 each were consolidated into one ordinary share of HK$0.10 effective from 23rd October, 2008 (the "Share Consolidation") (2007 – 1,000.0 million ordinary shares, as adjusted for the Share Consolidation).

No diluted loss per ordinary share is presented for the year ended 31st December, 2008 since (i) the conversion of the convertible preference shares of the Company is anti-dilutive for the year and is not included in the calculation of diluted loss per ordinary share; and (ii) 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 loss per ordinary share.

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2007 was 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 the 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 1,068.2 million (as adjusted for the Share Consolidation) 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 and all outstanding convertible preference shares of the Company 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 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.

10. Included in debtors, deposits and prepayments is an amount of HK$106.9 million (2007 – HK$447.9 million) representing the trade debtors of the Group. The aged analysis of such debtors, based on the invoice date, is as follows:

	2008 **HK$'M**	**2007** **HK$'M**
Outstanding balances with ages:		
Within 3 months	**90.6**	440.0
Between 4 to 6 months	**12.2**	3.5
Between 7 to 12 months	**2.5**	2.6
Over 1 year	**2.7**	3.0
	108.0	449.1
Impairment	**(1.1)**	(1.2)
	106.9	447.9

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.

11. Included in creditors and accruals is an amount of HK$60.1 million (2007 – HK$87.8 million) representing the trade creditors of the Group. The aged analysis of such creditors, based on the invoice date, is as follows:

	2008 HK$'M	**2007 HK$'M**
Outstanding balances with ages:		
Within 3 months	**58.7**	84.1
Between 4 to 6 months	**1.0**	1.4
Between 7 to 12 months	**–**	0.4
Over 1 year	**0.4**	1.9
	60.1	87.8

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

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

During the period from 1st January, 2008 to 22nd October, 2008 (the date immediately before the 10-into-1 Share Consolidation became effective), the Company repurchased a total of 311,036,000 ordinary shares of HK$0.01 each of the Company at an aggregate purchase price of HK$133,474,772 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the period from the effective date of the Share Consolidation to the balance sheet date, the Company repurchased a total of 4,276,800 ordinary shares of HK$0.10 each of the Company at an aggregate purchase price of HK$7,397,724 on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

During January to October (up to 22nd October, 2008) 2008

Month of repurchase	Number of ordinary shares of HK$0.01 each repurchased	Price per ordinary share of HK$0.01 Highest (HK$)	Lowest (HK$)	Aggregate purchase price (HK$)
January 2008	106,872,000	0.640	0.510	63,925,280
February 2008	6,120,000	0.570	0.540	3,325,500
April 2008	47,082,000	0.475	0.425	21,283,480
May 2008	2,898,000	0.440	0.430	1,253,140
June 2008	36,292,000	0.425	0.365	14,116,960
July 2008	39,266,000	0.390	0.355	14,456,780
September 2008	51,892,000	0.245	0.188	11,435,482
October 2008 (up to 22nd October, 2008)	20,614,000	0.218	0.160	3,678,150
Total	311,036,000			133,474,772

During October (from 23rd October, 2008) to December 2008

Month of repurchase	Number of ordinary shares of HK$0.10 each repurchased	Price per ordinary share of HK$0.10 Highest (HK$)	Lowest (HK$)	Aggregate purchase price (HK$)
October 2008 (from 23rd October, 2008)	1,260,800	1.680	1.290	1,823,766
November 2008	916,000	1.920	1.590	1,652,538
December 2008	2,100,000	2.140	1.710	3,921,420
Total	4,276,800			7,397,724
Total expenses on shares repurchased during the year				979,200
				141,851,696

Except for 654,000 repurchased ordinary shares of HK$0.10 each, which were cancelled subsequent to the balance sheet date, all ordinary shares repurchased during the year were cancelled during the year. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

In addition, all the outstanding 16,748 Preference Shares were redeemed by the Company at the fifteenth anniversary of the Closing Date (being the issue date of the Preference Shares of 13th December, 1993) at the reference amount of US$1,000 per share pursuant to the terms of the Preference Shares. The redemption monies in an aggregate amount of US$16,748,000, together with the 2008 preference shares dividend in the aggregate amount of US$879,270, were paid to the holders of all outstanding 16,748 Preference Shares so redeemed. Following the final redemption of the Preference Shares, the listing of the Preference Shares on Société de la Bourse de Luxembourg was withdrawn and cancelled in December 2008.

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, 2008, 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, 2008, 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 Tuesday, 9th June, 2009. 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 2008 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, 31st March, 2009