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 2010 GROUP FINAL RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Year 2010 HK$'M	Year 2009 HK$'M (Restated)	% Change
Operating profit	**7,312.3**	106.8	**+6,746.7%**
Profit for the year attributable to equity holders of the parent	**6,928.8**	448.0	**+1,446.6%**
Basic earnings per ordinary share attributable to equity holders of the parent	**HK$6.88**	HK$0.44	**+1,463.6%**
Net asset value per ordinary share	**HK$11.51**	HK$4.45	**+158.7%**
Proposed final dividend	**HK8.5 cents**	HK6.8 cents	**+25.0%**

- **Achieved net profit attributable to shareholders of HK$6,928.8 million, significantly above the comparative amount of HK$448.0 million (as restated) attained in 2009.**
- **Final dividend and total dividends per ordinary share both increased by 25% for 2010.**
- **All the six Regal Hotels in Hong Kong achieved satisfactory operating results.**
- **In addition to the two connected houses contracted to be sold and pending completion, still owns 21 houses in Regalia Bay, Stanley, which are anticipated to further appreciate in value.**
- **First stage of the 50%-owned composite project in Chengdu, Sichuan, comprising a five-star hotel and residential development, is progressing steadily.**
- **Entered into a conditional agreement to join force with Paliburg group to form a sizeable joint venture, with maximum total capital commitment of HK$3,800 million, to undertake development of real estate projects for sale and/or leasing.**
- **The Group is in a very solid financial position with strong funding resources.**
- **Presently considering a number of investment proposals with a view to expanding the asset and income base, which will create long term benefits for the shareholders.**

FINANCIAL RESULTS

For the year ended 31st December, 2010, the Group achieved a consolidated profit attributable to shareholders of HK$6,928.8 million, which is significantly above the comparative amount of HK$448.0 million (as restated) attained for the preceding financial year.

As explained in the joint announcement dated 2nd December, 2010 by the Company, Regal Real Estate Investment Trust, which was formerly treated as an associate, has become a subsidiary of the Group with effect from 23rd July, 2010. Before the consolidation of Regal REIT, the Group's interest in Regal REIT as at 30th June, 2010 was only stated at a very low amount of HK$218.7 million for reasons previously explained. Consequently, on the consolidation of the assets and liabilities of Regal REIT as a subsidiary of the Group, a very substantial accounting profit of HK$6,637.4 million was recognised and reflected in the Group's results for the year presented.

BUSINESS OVERVIEW

HOTELS

HONG KONG HOTEL MARKET

2010 was on the whole a favourable year for the tourism and hotel industries in Hong Kong, with particularly strong performance in the fourth quarter. Visitors from all overseas markets generally recorded healthy growth, while the increase in the visitors from Mainland China has been most notable. Total visitor arrivals to Hong Kong during the year hit a new record high of over 36 million, with visitors from Mainland China increased to account for about 63% of the total count.

Visitors from Mainland China are on the whole growing in affluence. Based on the information published by Hong Kong Tourism Board, for the six months from January to June 2010, visitors from Mainland China had the highest Per Capita Overnight Visitor

Spending among major market areas, exceeding those from the Americas and Europe. With the further relaxation of the restrictions on overseas travel for the Mainland residents, the visitors from Mainland China are expected to grow in number and will continue to provide substantial support to the tourism and hotel industries in Hong Kong.

According to the Hotel Survey published by Hong Kong Tourism Board, the average hotel room occupancy rate for all hotels in different categories in Hong Kong for the year 2010 was 87%, as compared to 78% in the preceding year, while the average achieved room rate has improved by 13.9%.

HOTEL OWNERSHIP

The Group's hotel ownership business is undertaken through Regal REIT, in which the Group is holding approximately 74.4% of its issued units.

For the year ended 31st December, 2010, Regal REIT achieved a consolidated net profit before distribution to unitholders of HK$997.1 million, which was an increase of 46.1% over the comparative amount of HK$682.3 million (as restated) recorded for the year 2009. Total distributable income for the year amounted to approximately HK$682.9 million, as compared to HK$558.2 million for the preceding year.

The second stage conversion project at the Regal iClub Building in Wanchai has been completed in December 2010 and added another 49 fully furnished hotel guestrooms and suites. All the 99 guestrooms and suites in the Regal iClub Hotel are now in full operation. Regal REIT has also completed on 31st December, 2010 the transaction to acquire from Paliburg Holdings Limited the remaining 25% beneficial interest in this property. The business model of the Regal iClub Hotel has proven to be successful and generated very satisfactory operating results.

All the six Regal Hotels in Hong Kong, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel, Regal Riverside Hotel and the latest Regal iClub Hotel, are now wholly-owned by Regal REIT. This hotel portfolio commands an aggregate of 3,929 quality guestrooms and suites and accounts for over 11% of the total High Tariff A and

High Tariff B hotel room inventory in Hong Kong. The total valuation of this portfolio amounted to HK$14,880.0 million as at 31st December, 2010, representing an increase of about 4.1% as compared with that of the preceding year end.

Regal Portfolio Management Limited, a wholly-owned subsidiary of the Group, acts as the REIT Manager of Regal REIT.

HOTEL OPERATIONS

Benefiting from a relatively favourable operating environment and the extensive upgrading works invested over the recent years on enhancing the quality and standards of the hotel properties, the average occupancy rate for the five Regal Hotels in Hong Kong (apart from the Regal iClub Hotel which only came into full operation in December 2010) for the year was 85.8%, representing a year-on-year increase of 15.5%.

Faced with added competition in the airport area, the Regal Airport Hotel has adjusted its marketing strategy to take on some additional tour group businesses, with a view to regaining market share. For the year under review, the average occupancy rate for this hotel has rebounded by 36.2% which, although had some diluting effect on the average room rate, has served to increase the Revenue per Available Room (RevPAR) by 12.9% as compared with the previous year. The other four Regal Hotels have performed well and achieved a year-on-year increase of 19.6% in average RevPAR.

The five Regal Hotels in Hong Kong (other than the Regal iClub Hotel which is owned and operated by Regal REIT) are under lease by Regal REIT to a wholly-owned subsidiary of the Group. For the years 2011 to 2015, the rental package for the five hotels is subject to annual review and is to be determined by an independent professional property valuer to be jointly appointed by the lessors and the lessee under the lease arrangement. The rental review process to determine the rental package for 2011 has been completed and the aggregate base rent has been determined to be HK$560 million, with variable rent basing on a sharing of 50% of the excess of the aggregate net property income of the five hotels over the aggregate base rent. Based on present forecasts and barring any unforeseen circumstances, the net property income of these five Regal Hotels in 2011 should well exceed the base rent level.

HOTEL MANAGEMENT

All the six Regal Hotels in Hong Kong are managed by Regal Hotels International Limited, a wholly-owned subsidiary of the Group.

In China, the Regal Kangbo Hotel in Dezhou, Shandong was soft opened for business in September 2010. This 215-room deluxe hotel is the first five-star international hotel in Dezhou and is also the fifth hotel managed under the Regal name and operating in China. Earlier in the year, the Group entered into two management contracts for the provision of hotel management services to a four-star business hotel in Suzhou, Jiangsu, to be named as the Regal Fanhua Center Hotel, and a five-star hotel in Zhengzhou, Henan, to be named as the Regal Yuhong Hotel, respectively. The Regal Yuhong Hotel in Zhengzhou is scheduled to be opened for business in 2012 and the Regal Fanhua Center Hotel in Suzhou in 2013.

Recently, the Group concluded a management contract for a hotel project being constructed on top of a metro station in Foshan, Guangdong, located on the Guangzhou-Foshan railway network. The hotel will be a four-star business hotel with 230 well-appointed guestrooms and is scheduled to be opened in 2013. The Regal Plaza Hotel & Residence located in Waigaoqiao Free Trade Zone in Pudong, Shanghai, which is a hotel with service apartments offering a total of 282 units, is targeted to be soft opened in the second quarter of this year. This will be the fourth Regal hotel to come on stream in Shanghai and the sixth overall in China.

Backed by its strong operating base in Hong Kong, the Group will continue to expand its hotel network as planned.

PROPERTIES

The property market in Hong Kong during the year has been very active and buoyant, with property prices in most sectors reaching new highs. Due to the scarcity of supply of luxury residential properties and the soaring land prices, the Group has been cautious in the sale of the remaining houses held in Regalia Bay, Stanley, Hong Kong. Towards the end of the year, the Group entered into an agreement with the other shareholder in the jointly controlled entity that developed the Regalia Bay project, pursuant to which the Group agreed to acquire from that other shareholder its interests in the two remaining allocated houses held through the jointly controlled entity. The relevant transaction under the agreement was completed in January this year. Presently, the Group still owns 21 houses in Regalia Bay, in addition to the two connected houses which have been contracted to be sold and pending completion.

The Group owns a 50% interest in a composite development project in Chengdu, Sichuan. The project has an overall total gross floor area of approximately 5,360,000 square feet and will be developed in stages. The first stage now primarily comprises a five-star hotel and three residential towers, to be constructed on two separate land parcels. The hotel will have 306 hotel rooms and extensive facilities, with total gross floor area above ground of approximately 420,000 square feet. Foundation and basement works for the hotel development have commenced and the first phase of hotel is presently scheduled to be soft opened in the fourth quarter of 2012. The three residential towers included in the first stage will have about 340 apartment units with car parks and some ancillary commercial accommodation, commanding total saleable area of approximately 489,000 square feet. Site preparation and formation works for this part of the development have been completed and the basement works will commence shortly, with overall construction works scheduled to be completed in the fourth quarter of 2012. Presale of the residential units is anticipated to be launched in the first quarter of 2012. Development works for the other stages are planned to be carried out progressively.

The joint development project in the Central Business District in Beijing is held through an associate that is 50% owned by each of the Group and the Paliburg group. As reported before, the overall situation pertaining to this project remains very complicated. Despite strenuous efforts by management to overcome the adverse legal proceedings and to resolve the disputes with the other relevant parties in the Sino-foreign joint venture, progress in those regards was lacking and the project was virtually at standstill. While management will persist in striving to tackle the overall difficult situation and to protect the Group’s interests in the project, it was considered appropriate that further provision be made on the investment in this project, having regard to the adverse circumstances affecting the project. The provision made has been reflected in the results of the year under review. Further information on this project is contained in the section headed “Management Discussion and Analysis” below.

OTHER INVESTMENTS

The Group holds an investment portfolio consisting primarily of listed investments. The Group also holds within the portfolio a substantial holding of convertible bonds issued by Cosmopolitan group, apart from certain minor holding of issued shares of Cosmopolitan. The fair value gains arising from the securities held in the Cosmopolitan group, which were intended to be held for long term strategic purpose, have been reflected in the consolidated financial statements for the year under review.

OUTLOOK

The continuing integration of Hong Kong with China’s economy, which will be heightened through the construction of large scale infrastructure projects and transport networks connecting with the Pearl River Delta region, will increase Hong Kong’s competitive edge as an international gateway city. China’s 12th Five-year Plan has further endorsed and strengthened the positioning of Hong Kong as an international financial center, an international asset management center and a Renminbi offshore center. In the meantime, Hong Kong is embarking on a number of new tourism projects, such as the Ocean Park redevelopment and the HK Disneyland expansion, which will all help to maintain Hong Kong as a favourite tourist destination. All these positive factors will boost tourist and business travels to Hong Kong, which will in turn benefit the growth in the future capital value and earnings of the Group’s hotel properties.

The property market in Hong Kong continued on the rise during the first few months of this year. Considering the scarcity of supply and the mounting demand for high end luxury properties, management believes that the value of the houses in Regalia Bay will further appreciate.

Having regard to the prosperous outlook of the real estate market in Hong Kong and in Mainland China and in preparation for suitable acquisition opportunities that may become available, as announced on 17th March, 2011, the Group and the Paliburg group have entered into a conditional agreement to establish a joint venture for the development of real estate projects for sale and/or leasing. As many new development projects will be of varying scales and may involve different property types, it was considered to be of mutual benefit to both groups that they join force to form a sizeable joint venture company with greater financial capability and to tap and capitalise on the different experience and expertise of the two groups. The joint venture company will provide the Group and the Paliburg group with the required flexibility to swiftly respond to available opportunities, should the two groups consider it to be in their mutual interests that such opportunities should be undertaken through the joint venture.

The joint venture will be owned by the Group and the Paliburg group on a 50:50 basis and the maximum total capital commitment to the joint venture will be HK$3,800 million, to be contributed by the Group and the Paliburg group in a maximum capital commitment of HK$1,900 million each and on pro-rata basis in accordance with their respective shareholdings in the joint venture. The formation of the joint venture will be conditional upon, among others, the approval by the independent shareholders of the Company. It is the intention of the two groups that, upon the due establishment of the joint venture, the joint venture may acquire from the Paliburg group certain development projects in Hong Kong as its starting projects.

The Group is in a very solid financial position with strong funding resources. The Group is presently considering a number of investment proposals with a view to expanding its asset and income base, which will create long term benefits for the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's significant investments and principal business activities mainly comprise hotel operation and management businesses, hotel ownership through its investment in Regal REIT, the asset management of Regal REIT, property development and investment, including the interest in the retained houses in Regalia Bay in Stanley, and other investment businesses.

The performance of the Group's hotel, property and other investment businesses as well as that of Regal REIT during the year under review, the commentary on the local hotel industry and changes in general market conditions and the potential impact on their operating performance and future prospects are contained in the sections headed "Financial Results", "Business Overview" and "Outlook" above, respectively.

With respect to the joint development project in the Central Business District in Beijing, PRC and as previously reported, an associate that is 50% owned by each of the Group and the Paliburg group, which holds 59% shareholding interest in the Sino-foreign joint venture entities (which, in turn, own the development project), was engaged in arbitration proceedings conducted in Beijing, involving claims against the associate by the vendor for the rescission of the contracts entered into between the parties in 2005 for the purchase by the associate of 36% shareholding interest in the joint venture entities. Although the relevant court rejected the petitions made by the associate for the setting aside of the unfavourable arbitral awards, the associate is still resorting to other available legal means to safeguard the aforesaid 36% shareholding interest and to pursue its legal rights against the vendor. On the other hand, the joint venture entities are encountering various difficult issues including shareholders' disputes, lawsuits raised by the Chinese joint venture partner and a third party, and outstanding issues relating to the land development rights of the project. The associate and the joint venture entities are still in discussions with the Chinese joint venture partner and the relevant government authorities in an attempt to resolve the abovementioned issues. While the Group's management will persist in striving to tackle the overall difficult situation and to protect the Group's interests in the project, due to the lack of progress in resolving various issues for a prolonged period and having taken into account the complications in the overall situation, the Group's management considers it appropriate to make a further provision at the associate's level in respect of its investment in the project in the amount of HK$801.0 million and 50% of which is attributable to the Group.

As disclosed in the joint announcement by the Company dated 2nd December, 2010 and as further explained in note 5 to the consolidated financial statements below, Regal REIT has become a subsidiary of the Group with effect from 23rd July, 2010. Upon the consolidation of Regal REIT as a subsidiary of the Group, apart from the gains thereby arising, the assets (including the hotel properties) and liabilities (including the bank borrowings) of Regal REIT have been consolidated and recognised in the Group's consolidated financial statements based on their fair values as at 23rd July, 2010. The hotel properties that are owned by Regal REIT and leased to another subsidiary of the Group have been classified as property, plant and equipment in the Group's consolidated financial statements and subject to depreciation charges. Moreover, for so long as Regal REIT remains a subsidiary of the Group, all rental payments to Regal REIT for the leasing of these five Regal Hotels have been eliminated at the Group's level. All these and other consequential changes in accounting treatments due to the consolidation of Regal REIT have been incorporated in the Group's consolidated financial statements for the year under review.

During the year under review, there were net cash flows used in operating activities of HK$104.8 million (2009 – HK$401.7 million). Net interest paid for the year amounted to HK$85.2 million (2009 – net receipt of HK$4.5 million).

As at 31st December, 2010, the Group's borrowings net of cash and bank balances and deposits amounted to HK$3,334.3 million (2009 – net cash of HK$1,297.1 million). The increase in the level of borrowings was primarily due to the consolidation of the bank borrowings of Regal REIT.

As at 31st December, 2010, part of the Group's bank deposits in the amount of HK$1,000.0 million (2009 – HK$1,000.0 million) were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT, and certain of the Group's hotel buildings, investment properties, properties held for sale, bank deposits and cash balances in the total amount of HK$15,670.5

million (2009 – HK$1,055.1 million) were also pledged to secure other banking facilities granted to the Group.

Further information in relation to the maturity profile of the borrowings and the contingent liabilities of the Group as of 31st December, 2010 is disclosed in the annual report of the Company for the year ended 31st December, 2010 (the "2010 Annual Report"), which will be despatched to shareholders on or before 30th April, 2011. 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, 2010. Regal REIT had loan facilities aggregating HK$4,711.0 million as at 31st December, 2010 and in order to hedge against the floating interest rate, Regal REIT had, through its subsidiaries, entered into interest rate hedging arrangements for an aggregate notional principal amount of HK$4,350.0 million. Detailed information in relation to these aspects is contained in the Company's 2010 Annual Report.

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

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK8.5 cents per ordinary share for the year ended 31st December, 2010, representing an increase of 25% over the final dividend of HK6.8 cents per ordinary share paid for the last financial year. This proposed final dividend will absorb an amount of approximately HK$85.1 million (2009 – HK$68.7 million) and will be payable to the holders of ordinary shares on the Register of Ordinary Shareholders on 31st May, 2011.

Together with the interim dividend of HK2.5 cents (2009 – HK2.0 cents) per ordinary share paid in October 2010, total dividends per ordinary share for the year ended 31st December, 2010 will amount to HK11.0 cents, representing an increase of 25% over the total dividends of HK8.8 cents paid for the last financial year.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Friday, 27th May, 2011 to Tuesday, 31st May, 2011, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the proposed final dividend and be entitled to attend and vote at the forthcoming 2011 Annual General Meeting of the Company, 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 Thursday, 26th May, 2011. The relevant dividend warrants are expected to be despatched on or about 15th June, 2011.

YEAR END RESULTS

Consolidated Income Statement

	Year ended 31st December, 2010	Year ended 31st December, 2009
	HK$'M	**HK$'M**
		(Restated)
REVENUE (Notes 2 & 3)	**1,502.7**	1,381.2
Cost of sales	**(1,245.9)**	(1,611.4)
Gross profit/(loss)	**256.8**	(230.2)
Other income and gains (Note 3)	**27.0**	43.2
Administrative expenses	**(171.7)**	(151.6)
Other operating expense (Note 4)	**–**	(0.8)
Fair value gains on financial assets at fair value through profit or loss, net	**540.5**	311.4
Fair value gains upon reclassification of properties held for sale to investment properties	**–**	34.2
Fair value gains on investment properties	**181.7**	107.0
Fair value gain on remeasurement of investment in a listed associate (Note 5)	**4,134.8**	–
Gain on bargain purchase of a listed subsidiary (Note 5)	**2,502.6**	–
OPERATING PROFIT BEFORE DEPRECIATION	**7,471.7**	113.2
Depreciation	**(159.4)**	(6.4)
OPERATING PROFIT (Notes 2 & 6)	**7,312.3**	106.8
Finance costs (Note 7)	**(86.4)**	(4.9)
Share of profits and losses of:		
Jointly controlled entities	**(1.8)**	(2.3)
Associates	**(159.3)**	361.1
PROFIT BEFORE TAX	**7,064.8**	460.7
Income tax expense (Note 8)	**(74.0)**	(12.7)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**6,990.8**	448.0

Attributable to:		
Equity holders of the parent	**6,928.8**	448.0
Non-controlling interests	**62.0**	–
	6,990.8	448.0
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 10)		(Restated)
Basic and diluted	**HK$6.88**	HK$0.44

Consolidated Statement of Comprehensive Income

	Year ended 31st December, 2010 HK$'M	Year ended 31st December, 2009 HK$'M (Restated)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**6,990.8**	448.0
OTHER COMPREHENSIVE INCOME/(LOSS)		
Available-for-sale investment:		
Reclassification adjustment for loss included in the consolidated income statement	**–**	0.8
Cash flow hedges:		
Change in fair value of cash flow hedges	**(17.4)**	–
Transfer from hedge reserve to income statement	**62.7**	–
	45.3	–
Exchange differences on translating foreign operations	**3.6**	1.0
Share of other comprehensive income of associates/jointly controlled entity	**34.1**	1.2
Share of other comprehensive income/(loss) of the listed associate	**10.4**	(20.0)
Other comprehensive income/(loss) for the year	**93.4**	(17.0)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**7,084.2**	431.0
Attributable to:		
Equity holders of the parent	**7,010.6**	431.0
Non-controlling interests	**73.6**	–
	7,084.2	431.0

Consolidated Statement of Financial Position

	31st December, 2010	31st December, 2009
	HK$'M	HK$'M
		(Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	**13,879.6**	38.2
Investment properties	**1,379.5**	805.0
Investments in jointly controlled entities	**182.5**	176.6
Investments in associates	**10.1**	601.8
Financial assets at fair value through profit or loss	**636.5**	358.0
Other loan	**13.3**	13.3
Pledged bank deposits	–	1,000.0
Total non-current assets	**16,101.5**	2,992.9
CURRENT ASSETS		
Hotel inventories	**22.9**	21.2
Properties held for sale	**806.7**	795.6
Debtors, deposits and prepayments (Note 11)	**323.8**	261.7
Financial assets at fair value through profit or loss	**774.7**	546.1
Restricted cash	**72.0**	–
Pledged time deposits	**1,003.0**	3.6
Time deposits	**280.8**	251.2
Cash and bank balances	**405.8**	358.5
Total current assets	**3,689.7**	2,237.9

Consolidated Statement of Financial Position (Cont'd)

	31st December, 2010	31st December, 2009
	HK$'M	HK$'M
		(Restated)
CURRENT LIABILITIES		
Creditors and accruals (Note 12)	**(345.6)**	(407.8)
Interest bearing bank borrowings	**(152.6)**	(69.4)
Tax payable	**(22.3)**	(12.8)
Total current liabilities	**(520.5)**	(490.0)
NET CURRENT ASSETS	**3,169.2**	1,747.9
TOTAL ASSETS LESS CURRENT LIABILITIES	**19,270.7**	4,740.8
NON-CURRENT LIABILITIES		
Interest bearing bank borrowings	**(4,943.3)**	(246.8)
Derivative financial instruments	**(142.4)**	–
Deferred tax liabilities	**(1,102.4)**	–
Total non-current liabilities	**(6,188.1)**	(246.8)
Net assets	**13,082.6**	4,494.0
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**100.2**	101.1
Reserves	**11,350.7**	4,322.9
Proposed final dividend	**85.1**	68.7
	11,536.0	4,492.7
Non-controlling interests	**1,546.6**	1.3
Total equity	**13,082.6**	4,494.0

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 instruments 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 when otherwise indicated.

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (early adopted)
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*

HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised) and amendments to HKAS 12, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKFRS 3 (Revised) also requires that, if the acquirer holds a non-controlling equity investment in the acquiree immediately before obtaining control, the acquirer remeasures that previously held equity investment at its acquisition-date fair value and recognises any resulting gain or loss in profit or loss.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes,* HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1st January, 2010.

(b) Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Amendments to HKAS 12 were issued in December 2010 which introduce a rebuttable presumption that deferred tax on investment property measured using the fair value model in HKAS 40 *Investment Property* should be determined on the basis that its carrying amount will be recovered through sale. The amendments also require that deferred tax on non-depreciable assets measured using the revaluation model in HKAS 16 *Property, Plant and Equipment* should always be measured on a sale basis. As a result of the amendments, Hong Kong (SIC)-21 *Income Taxes – Recovery of Revalued Non-depreciable Assets*, will be superseded once the amendments become effective. Although the amendments are effective for annual periods beginning on or after 1st January, 2012, the Group has decided to early adopt the amendments in these financial statements.

The Group has previously provided deferred tax on the fair value gains on its investment properties assuming that the carrying amounts of these properties will be recovered through use. Upon the adoption of the Amendments to HKAS 12, the Group now measures deferred tax on investment properties assuming that their carrying amounts will be recovered through sale. The effects of the above changes are summarised below:

	2010	**2009**
	HK$'M	**HK$'M**
Consolidated income statement for the year ended 31st December		
Decrease in fair value gain on remeasurement of investment in a listed associate	**(24.3)**	–
Increase in share of profits and losses of associates	**7.4**	16.9
Decrease in income tax expense	**9.9**	–
Increase/(Decrease) in profit for the year	**(7.0)**	16.9
Increase in profit attributable to non-controlling interests	**2.5**	–
Increase/(Decrease) in basic and diluted earnings per share	**HK(0.9) cent**	HK1.7 cents
Consolidated statement of financial position at 31st December		
Increase in investments in associates	**–**	16.9
Decrease in deferred tax liabilities	**9.9**	–
Increase in retained profits	**7.4**	16.9
Increase in non-controlling interests	**2.5**	–

The retrospective application of the amendments has had no impact on the statement of financial position as at 1st January, 2009 and, accordingly, such statement is not presented in these financial statements.

2. OPERATING SEGMENT INFORMATION

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

(a) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income through Regal REIT;

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

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

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

(e) the others segment mainly comprises travel agency services and bakery operations.

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

Segment assets exclude time deposits, cash and bank balances, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest bearing bank borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31st December, 2010 and 2009.

Group

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Securities investment		Others		Eliminations		Consolidated	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	HK$'M	**HK$'M** (Restated)	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M** (Restated)
Segment revenue:														
Sales to external customers	1,366.3	1,079.0	38.4	70.8	14.3	155.8	17.0	32.3	66.7	43.3	-	-	1,502.7	1,381.2
Intersegment sales	8.4	11.9	37.0	-	3.4	3.3	-	-	0.3	0.8	(49.1)	(16.0)	-	-
Total	1,374.7	1,090.9	75.4	70.8	17.7	159.1	17.0	32.3	67.0	44.1	(49.1)	(16.0)	1,502.7	1,381.2
Segment results before depreciation	6,776.3	(455.4)	28.2	59.7	142.8	203.0	556.0	341.3	(1.3)	(4.1)	-	-	7,502.0	144.5
Depreciation	(158.4)	(5.1)	(0.3)	(0.5)	(0.1)	(0.1)	-	-	(0.2)	(0.3)	-	-	(159.0)	(6.0)
Segment operating results	6,617.9	(460.5)	27.9	59.2	142.7	202.9	556.0	341.3	(1.5)	(4.4)	-	-	7,343.0	138.5
Interest income and unallocated non-operating and corporate gains													8.7	10.1
Unallocated non-operating and corporate expenses, net													(39.4)	(41.8)
Operating profit													7,312.3	106.8
Finance costs													(86.4)	(4.9)
Share of profits and losses of:														
Jointly controlled entities	-	-	-	-	(1.8)	(2.3)	-	-	-	-	-	-	(1.8)	(2.3)
Associates	234.9	485.8	-	-	(418.7)	(124.5)	-	-	24.5	(0.2)	-	-	(159.3)	361.1
Profit before tax													7,064.8	460.7
Income tax expense													(74.0)	(12.7)
Profit for the year before allocation between equity holders of the parent and non-controlling interests													6,990.8	448.0
Attributable to:														
Equity holders of the parent													6,928.8	448.0
Non-controlling interests													62.0	-
													6,990.8	448.0

Group

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Securities investment		Others		Eliminations		Consolidated	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	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**
		(Restated)												(Restated)
Segment assets	14,628.3	198.3	39.7	33.6	1,714.2	1,661.5	1413.1	903.0	14.5	8.3	(39.0)	-	17,770.8	2,804.7
Investments in jointly controlled entities	-	-	-	-	182.5	176.6	-	-	-	-	-	-	182.5	176.6
Investments in associates	7.4	164.3	-	-	1.1	424.5	-	-	1.6	13.0	-	-	10.1	601.8
Cash and unallocated assets													1,827.8	1,647.7
Total assets													19,791.2	5,230.8
Segment liabilities	(1,423.6)	(239.1)	(7.1)	(13.1)	(44.0)	(29.8)	(0.1)	(98.4)	(3.4)	(2.4)	39.0	-	(1,439.2)	(382.8)
Bank borrowings and unallocated liabilities													(5,269.4)	(354.0)
Total liabilities													(6,708.6)	(736.8)
Other segment information:														
Capital expenditure*	14,511.1	27.8	0.1	-	2.8	-	-	-	0.2	0.1				

*Capital expenditure in 2010 mainly consists of additions to hotel buildings and investment property as a result of the business combination during the year.

Geographical information

(a) Revenue from external customers

	2010	2009
	HK$'M	HK$'M
Hong Kong	**1,423.6**	1,337.0
Mainland China	**79.1**	44.2
	1,502.7	1,381.2

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2010	2009
	HK$'M	HK$'M
		(Restated)
Hong Kong	**15,260.7**	1,013.6
Mainland China	**191.0**	608.0
	15,451.7	1,621.6

The non-current asset information above is based on the location of assets and excludes financial instruments.

Information about a major customer

No further information about a major customer is presented as no more than 10% of the Group's revenue was derived from sales to any single customer.

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

	2010 HK$'M	2009 HK$'M
Revenue		
Hotel operations and management services	**1,327.4**	1,051.6
Other operations, including estate management, estate agency, travel agency and bakery operations	**67.6**	44.3
Rental income:		
Hotel properties	**28.3**	27.4
Properties held for sale	**–**	2.2
Investment properties	**24.0**	24.2
Net gain from sale of financial assets at fair value through profit or loss	**13.9**	30.2
Dividend income from listed investments	**3.1**	2.1
Asset management service	**38.4**	70.8
Sale of properties	**–**	128.4
	1,502.7	1,381.2
Other income		
Bank interest income	**2.7**	2.8
Other interest income	**5.1**	5.6
Others	**0.7**	1.7
	8.5	10.1
Gains		
Fair value gain on derivative financial instruments	**1.9**	–
Gain on disposal of investment properties	**16.4**	33.1
Gain on disposal of property, plant and equipment	**0.2**	–
	18.5	33.1
	27.0	43.2

4. Other operating expense represents the following item:

	2010 HK$'M	2009 HK$'M
Loss on disposal of available-for-sale investment	–	0.8

5. As disclosed in the Company's joint announcement dated 2nd December, 2010, certain amendments (the "Amendments") were made to the trust deed constituting Regal REIT (the "Trust Deed") in compliance with the revisions made by the Securities and Futures Commission of Hong Kong (the "SFC") to the REIT Code. The key Amendments were to:

   i. allow the trustee of Regal REIT (the "Trustee") to remove the REIT manager by written notice if an ordinary resolution is passed to dismiss the REIT manager. Such removal right replaces the previous ability of the Trustee to remove the REIT manager where holders representing at least 75% in value of the units issued and outstanding (excluding those held or deemed to be held by REIT manager and the holders who have interest in retaining the REIT manager) deliver to the Trustee a written request or a special resolution is passed, to dismiss the REIT manager;

   ii. require that the appointment of a new manager of Regal REIT be subject to the prior approval of the SFC and, to the extent required by the REIT Code (as may be modified by any waivers or exemptions), the passing of an ordinary resolution; and

   iii. where a resolution is proposed for the removal or appointment of any person who (as the case may be) is proposed to be, or is, the manager of Regal REIT, permit all holders, including (insofar as they are holders) the outgoing REIT manager, the proposing REIT manager and their respective associates, to vote and be counted in the quorum for the purposes of passing such resolution.

   As a result of the Amendments, the Group is considered to have the unilateral power to retain or remove the REIT manager and therefore the unilateral control over the financial and operating policies of Regal REIT and, consequently, Regal REIT should be treated as a subsidiary of the Company. The Board of Directors of the Company has accordingly determined that Regal REIT, which had previously been treated as an associate, should be consolidated as a subsidiary of Regal effective as from 23rd July, 2010, the date the Amendments came into effect. As a result of the consolidation, a fair value gain on remeasurement of investment in a listed associate of HK$4,134.8 million and a gain on bargain purchase of a listed subsidiary of HK$2,502.6 million are reflected in the Group's consolidated income statement.

6. An analysis of profit on sale of investments and properties of the Group included in the operating profit is as follows:

	2010	**2009**
	HK$'M	**HK$'M**
Profit on disposal of listed investments	**13.6**	30.2
Profit on disposal of properties	**16.4**	46.7

7. Finance costs of the Group are as follows:

	2010	**2009**
	HK$'M	**HK$'M**
Interests on bank loans wholly repayable within five years	**31.4**	4.9
Fair value changes of derivative financial instruments – cash flow hedge (transfer from hedge reserve)	**55.0**	–
Total finance costs	**86.4**	4.9

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

	2010 HK$'M	2009 HK$'M
Group:		
Current – Hong Kong		
Charge for the year	**41.2**	12.4
Overprovision in prior years	**(0.4)**	–
Current – Overseas		
Charge for the year	**0.5**	0.3
Deferred	**32.7**	–
Total tax charge for the year	**74.0**	12.7

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2009 – 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

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

The Group did not share the tax charge attributable to Regal REIT for the period before the consolidation of Regal REIT since the Group's share of profit of Regal REIT for the period was offset against the previously unrecognised share of loss of Regal REIT (2009 – Nil).

No provision for tax is required for the jointly controlled entities and other associates as no assessable profits were earned by the jointly controlled entities and other associates during the year (2009 – Nil).

9. Dividends:

	2010	2009
	HK$'M	**HK$'M**
Interim – HK2.5 cents (2009 – HK2.0 cents) per ordinary share	**25.1**	20.2
Proposed final – HK8.5 cents (2009 – HK6.8 cents) per ordinary share	**85.1**	68.7
	110.2	88.9

10. 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$6,928.8 million (2009 – HK$448.0 million, as restated), and on the weighted average of 1,007.5 million (2009 – 1,011.1 million) ordinary shares of the Company in issue during the year.

No adjustment has been made to the basic earnings per ordinary share amounts presented for the years ended 31st December, 2009 and 31st December, 2010 in respect of a dilution as the exercise price of the share options of the Company outstanding during both years is higher than the average market price of the Company's ordinary shares for the respective years and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

11. Included in debtors, deposits and prepayments is an amount of HK$102.2 million (2009 – HK$79.6 million) representing the trade debtors of the Group. The aged analysis of such debtors as at the end of the reporting period, based on the invoice date, is as follows:

	2010	2009
	HK$'M	HK$'M
Outstanding balances with ages:		
Within 3 months	**95.5**	74.9
Between 4 to 6 months	**3.5**	2.4
Between 7 to 12 months	**1.5**	0.7
Over 1 year	**2.7**	3.0
	103.2	81.0
Impairment	**(1.0)**	(1.4)
	102.2	79.6

Credit terms

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

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

12. Included in creditors and accruals is an amount of HK$56.6 million (2009 – HK$53.0 million) representing the trade creditors of the Group. The aged analysis of such creditors as at the end of the reporting period, based on the invoice date, is as follows:

	2010	**2009**
	HK$'M	**HK$'M**
Outstanding balances with ages:		
Within 3 months	**56.3**	52.4
Between 4 to 6 months	**–**	0.3
Over 1 year	**0.3**	0.3
	56.6	53.0

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

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

During the year ended 31st December, 2010, the Company repurchased a total of 8,758,000 ordinary shares of the Company at an aggregate purchase price of HK$25,987,740 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$)	Price per ordinary share Lowest (HK$)	Aggregate purchase price (HK$)
May 2010	2,210,000	2.790	2.530	5,938,340
June 2010	2,256,000	3.110	2.670	6,795,720
July 2010	696,000	3.110	2.990	2,121,620
November 2010	1,480,000	3.190	3.110	4,644,780
December 2010	2,116,000	3.190	3.010	6,487,280
Total	8,758,000			25,987,740
		Total expenses on shares repurchased		88,620
				26,076,360

Out of the 8,758,000 repurchased ordinary shares, 7,438,000 repurchased ordinary shares were cancelled during the year, and the remaining 1,320,000 repurchased ordinary shares were cancelled subsequent to the year end date. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

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

REVIEW OF RESULTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31st December, 2010, 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 during the year ended 31st December, 2010, except that:

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

2. The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but, during the year under review, arrangements had been put in place such that the Non-Executive Director and the Independent Non-Executive Directors would retire, and were 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. Further, following the relevant amendments to the Bye-laws on 9th June, 2010, all Directors (including the Non-Executive Director and the Independent Non-Executive Directors) of the Company would be subject to retirement by rotation, and eligible for re-election, at least once every three years.

ANNUAL GENERAL MEETING

An Annual General Meeting of the Company will be convened to be held on Tuesday, 31st May, 2011. 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 2010 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
Mr. Allen WAN Tze Wai

Non-Executive Director:
Dr. Francis CHOI Chee Ming, GBS, 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, 23rd March, 2011