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 股份代號: 78)




ANNUAL REPORT 2007 年報

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Corporate Information

DIRECTORS

Lo Yuk Sui
(Chairman and Chief Executive Officer)
Francis Choi Chee Ming, JP
(Vice Chairman)*
Belinda Yeung Bik Yiu
(Chief Operating Officer)
Donald Fan Tung
Alice Kan Lai Kuen#
Jimmy Lo Chun To
Lo Po Man
Kenneth Ng Kwai Kai
Ng Siu Chan#
Wong Chi Keung#

* *Non-Executive Director*
\# *Independent Non-Executive Director*

AUDIT COMMITTEE

Wong Chi Keung (Chairman)
Francis Choi Chee Ming, JP
Alice Kan Lai Kuen
Ng Siu Chan

REMUNERATION COMMITTEE

Lo Yuk Sui (Chairman)
Alice Kan Lai Kuen
Ng Siu Chan
Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank
(Hong Kong) Limited
Industrial and Commercial Bank
of China (Asia) Limited
China Construction Bank Corporation,
Hong Kong Branch
The Bank of East Asia, Limited
Deutsche Bank AG, Hong Kong Branch
Standard Bank Asia Limited

AUDITORS

Ernst & Young

PRINCIPAL REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road,
Pembroke, Bermuda

BRANCH REGISTRAR IN HONG KONG

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wan Chai,
Hong Kong

REGISTERED OFFICE

Rosebank Centre, 11 Bermudiana Road,
Pembroke, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street,
Causeway Bay,
Hong Kong

Tel: 2894 7888
Fax: 2890 1697
Website: www.regal.com.hk

Directors' Profile

Mr. Lo Yuk Sui, *aged 63; Chairman and Chief Executive Officer* — Chairman and Managing Director since 1989 when the Company was established in Bermuda as the holding company of the Group. Mr. Lo has been the Managing Director and the Chairman of the predecessor listed company of the Group since 1984 and 1987 respectively. Mr. Lo was designated as the Chief Executive Officer of the Company in 2007. He is also the chairman and chief executive officer of Century City International Holdings Limited ("CCIHL") and Paliburg Holdings Limited ("PHL"), of which the Company is the listed associate, and the chairman of Regal Portfolio Management Limited ("RPML"), the manager of Regal Real Estate Investment Trust (the listed associate of the Company). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

Dr. Francis Choi Chee Ming, JP*, aged 62; Vice Chairman and Non-Executive Director* — Invited to the Board as Non-Executive Director and elected Vice Chairman in 2004. Dr. Choi holds a master degree in business administration from the Newport University in the United States of America and a bachelor degree in business administration from the Sussex College of Technology in the United Kingdom. He also holds a Ph. D in Business Management from Harbin Institute of Technology, the People's Republic of China. Dr. Choi is the chairman of Early Light International (Holdings) Ltd. and has extensive business interests in the manufacturing industry and the property sector. He is the Honorary President of the Toys Manufacturer's Association of Hong Kong, Honorary President of the Hong Kong Young Industrialists Council and the Council Member of the Hong Kong Polytechnic University. He is also a Member of National Committee of the Chinese People's Political Consultative Conference. Dr. Choi is also the vice chairman and non-executive director of Town Health International Holdings Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Ms. Belinda Yeung Bik Yiu, *aged 49; Executive Director and Chief Operating Officer* — Appointed to the Board in 2002 and designated as the Chief Operating Officer in 2007. Ms. Yeung joined the Group in 1987. Having obtained her hotel management university degree in U.S.A., Ms. Yeung has acquired extensive hotel management experience in U.S.A., Mainland China as well as in Hong Kong — in both multi-unit corporate and single-unit hotel management levels. As the Chief Operating Officer in charge of the hotel operation and management functions of the Group, Ms. Yeung is responsible for overseeing the hotel business operations of the Group. She is also the general manager of one of the Group's hotels in Hong Kong. On top of her hotel management responsibilities, Ms. Yeung is also in charge of the human resources management of the Century City Group.

Mr. Donald Fan Tung, *aged 51; Executive Director* — Appointed to the Board in 2002. Mr. Fan has been with the Group since 1987. He is primarily in charge of the property investment and development businesses and all the hotel project works of the Group. Mr. Fan is also an executive director of CCIHL, an executive director and the chief operating officer of PHL and a non-executive director of RPML. Mr. Fan is involved in the property development, architectural design and project management functions as well as overseeing the building construction business of the Paliburg Group. He is a qualified architect.

Ms. Alice Kan Lai Kuen, *aged 53; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. Ms. Kan is a shareholder and the managing director of Asia Investment Management Limited providing corporate advisory and investment management services and Asia Investment Research Limited involving in research work in Hong Kong and China based companies. She is a licensed person under the Securities and Futures Ordinance of Hong Kong (the "SFO") to carry out certain regulated activities. She has over 18 years of experience in corporate finance and is well experienced in both the equity and debt markets. She formerly held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is an independent non-executive director of CASIL Telecommunications Holdings Limited, Shougang Concord International Enterprises Company Limited, Shougang Concord Technology Holdings Limited, G-Vision International (Holdings) Limited, Shimao Property Holdings Limited and Sunway International Holdings Limited, all of which are companies listed on the Stock Exchange.

Mr. Jimmy Lo Chun To, *aged 34; Executive Director* — Appointed to the Board in 1999. He is also an executive director of CCIHL and PHL and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, U.S.A. with a degree in architecture. Apart from his involvement with the design of the Group's property and hotel projects, he also undertakes responsibilities in the business development function of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Miss Lo Po Man, *aged 28; Executive Director* — Appointed to the Board in 2004. Miss Lo graduated from Duke University, North Carolina, U.S.A. with a bachelor degree in psychology. She is also an executive director of CCIHL and PHL. Miss Lo joined the Group in 2000 and has been involved in the marketing and sales functions of the Group. She is an executive director of the estate agency business of the Group and has undertaken an active role in directing the marketing campaign of the Group's luxury residential development, Regalia Bay in Stanley, Hong Kong. She also undertakes responsibilities in the business development function of the Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Kenneth Ng Kwai Kai, *aged 53; Executive Director* — Joined the Group in 1985 and appointed to the Board in 1998. Mr. Ng is a Chartered Secretary and is in charge of the company secretarial and corporate finance functions of the Group. He is also an executive director and the chief operating officer of CCIHL and an executive director of PHL.

Mr. Ng Siu Chan, *aged 77; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2005. Mr. Ng is also an independent non-executive director of CCIHL and PHL. He is a director of Transport International Holdings Limited, which is publicly listed in Hong Kong.

Mr. Wong Chi Keung, *aged 53; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. Mr. Wong is also an independent non-executive director of CCIHL and PHL. He holds a master's degree in business administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management, advising on securities and advising on corporate finance for Legend Capital Partners, Inc. under the SFO. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited, a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, First Natural Foods Holdings Limited, FU JI Food and Catering Services Holdings Limited, Golden Eagle Retail Group Limited, Great Wall Motor Company Limited, International Entertainment Corporation, PacMOS Technologies Holdings Limited and TPV Technology Limited, all of which companies are listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management.

Chairman's Report

Dear shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31st December, 2007.

FINANCIAL RESULTS

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

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

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

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

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

DIVIDEND

In view of the satisfactory results achieved, the Directors have resolved to recommend the payment of a final dividend of HK1.0 cent (2006 – final dividend of HK0.6 cent and special cash dividend of HK1.0 cent) per ordinary share for the year ended 31st December, 2007, absorbing an amount of approximately HK$103.8 million (2006 – a total amount of HK$146.5 million including HK$91.6 million for special cash dividend), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 5th June, 2008.

Together with the interim dividend of HK0.3 cent per ordinary share paid in October 2007 (2006 – HK0.25 cent), the total regular dividends per ordinary share for the year ended 31st December, 2007 will amount to HK1.3 cents, representing an increase of about 53% as compared with the regular dividends of HK0.85 cent (not including the special cash dividend of HK1.0 cent) paid for the 2006 financial year.

CLOSURE OF REGISTER

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

REVIEW OF OPERATIONS

HOTELS

Hong Kong

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

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

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

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

The People's Republic of China

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

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

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

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

REGAL REAL ESTATE INVESTMENT TRUST

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

Total Distributable Income for the period from the date of listing of Regal REIT on 30th March to 31st December, 2007, as adjusted for mainly the non-cash items included in the profit achieved, amounted to HK$421.5 million, which slightly exceeds the forecast amount as contained in the profit forecast in Regal REIT's Offering Circular.

Over the past year, management of Regal REIT has been actively reviewing numerous hotel investment proposals in Mainland China. However, faced with challenges arising from keen competition from other potential investors and the high expectations on property prices among most sellers, driven by the Olympic fervour, the Regal REIT has taken a prudent view and remained disciplined with the set investment criteria.

The primary strategy of Regal REIT is to maintain and grow a strong and balanced investment portfolio of hotel and hospitality-related properties, and its objective is to achieve stable and long-term growth in the distributions and the net asset value of the REIT Units through a combination of pro-active asset management and selective acquisitions of additional properties.

Regal Portfolio Management Limited

Regal Portfolio Management Limited is a wholly owned subsidiary of the Group and acts as the REIT Manager providing asset management services to Regal REIT. Aggregate management fees to be received from Regal REIT for the period from its listing to the end of 2007 amount to approximately HK$53.5 million, all of which would be settled in the form of Regal REIT units.

PROPERTIES

Hong Kong

Regalia Bay, Stanley

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

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

The People's Republic of China

Development Project in the Central Business District of Beijing

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

Development Project in Xindu District, Chengdu, Sichuan Province

On 31st October, 2007, the Group successfully acquired at a public land auction a prime development site in Chengdu, the provincial capital of Sichuan Province, at a land transfer consideration of RMB213.1 million. The site is prominently located along two major roadways in Xindu District with a total construction site area of about 111,868 square meters, planned for hotel and residential use.

On 14th November, 2007, the Group entered into a conditional agreement with Cosmopolitan International Holdings Limited and one of its wholly owned subsidiaries for the formation of a joint venture for the development of this site, in which the Group and the Cosmopolitan group will each hold a 50% interest. The joint venture has been formally established in February 2008 after the conditions were fulfilled.

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

Development Project in Gaoxin District, Cheugdu, Sichuan Province

On 24th November, 2007, a wholly owned subsidiary of the Group entered into an agreement with an independent third party for the proposed establishment of a Sino-foreign equity joint venture company to jointly develop a site, located in South Gaoxin District of Chengdu, planned for hotel and commercial use. The formation of this proposed joint venture was subject to the obtaining of all necessary approvals and the completion of all necessary filing and registration procedures. Further details on this proposed joint venture were contained in the joint announcement of the Company dated 6th December, 2007.

As of this date, certain of the relevant approvals and registration procedures are yet to be completed and some detailed terms and arrangements pertaining to the proposed joint venture are still to be finalised. Shareholders will be kept informed on further development in due course.

OTHER INVESTMENTS

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

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

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

OUTLOOK

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

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

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

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

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

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

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

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

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

DIRECTORS AND STAFF

Taking this opportunity, I would like to thank my fellow Directors on the Board for their contribution and advice and all the management and staff members for their efforts and dedication over the past year.

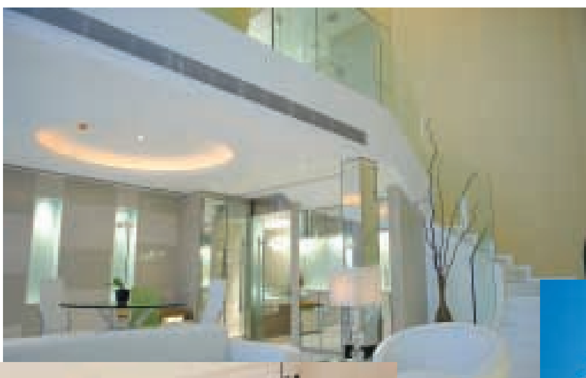
LO YUK SUI
Chairman

Hong Kong
27th March, 2008

Regal Hotels in Hong Kong 香港富豪酒店

Regal Airport Hotel 富豪機場酒店

Ballroom
宴會廳



Duplex Bedroom Suite
複式套房

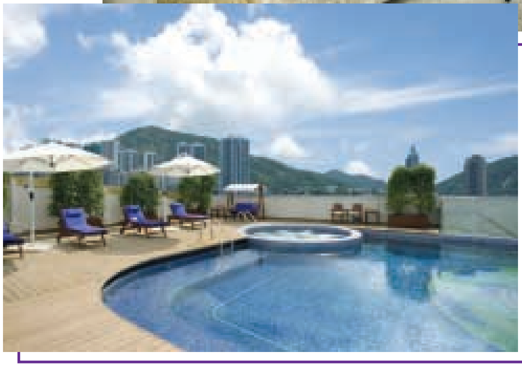
OM Spa
水療按摩中心

Regal Hotels in Hong Kong 香港富豪酒店

Regal Hongkong Hotel 富豪香港酒店

Regal Royale Lounge Reception
御富豪酒廊接待處

Regal Royale Guest Room
御富豪客房



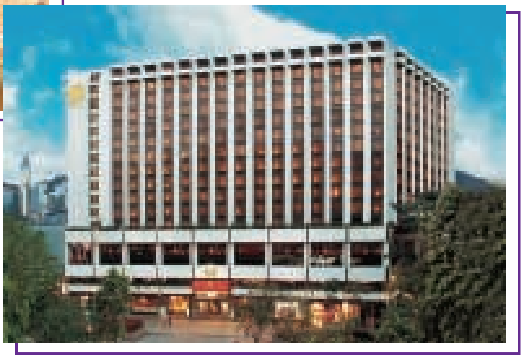
Swimming Pool
游泳池

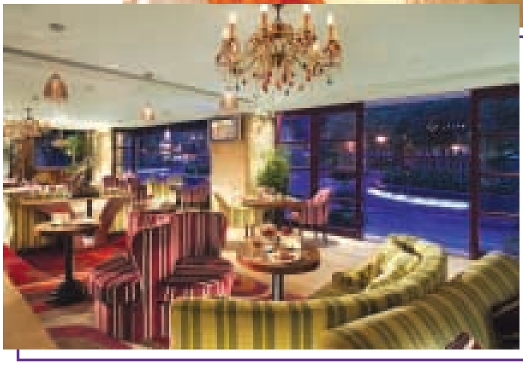
Regal Hotels in Hong Kong 香港富豪酒店

Regal Kowloon Hotel 富豪九龍酒店

Zeffirino Ristorante
風情畫意大利餐廳

Function Room
宴會廳



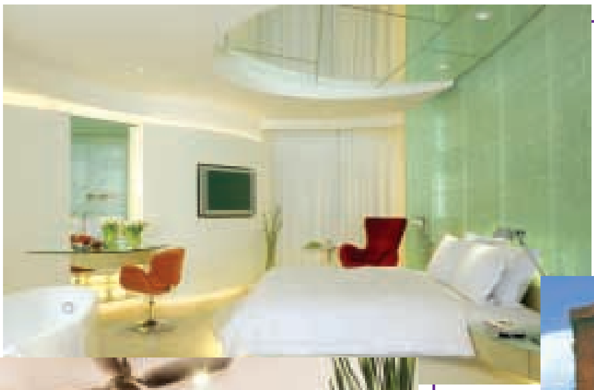


Regala Cafe' & Dessert Bar

Regal Hotels in Hong Kong 香港富豪酒店

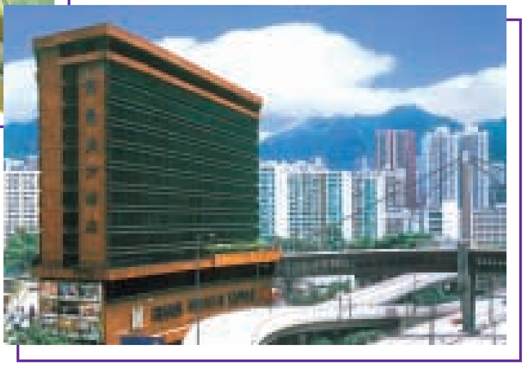
Regal Oriental Hotel 富豪東方酒店

Regal i-Club Lounge
富豪薈酒廊



Regal i-Club Guest Room
富豪薈客房

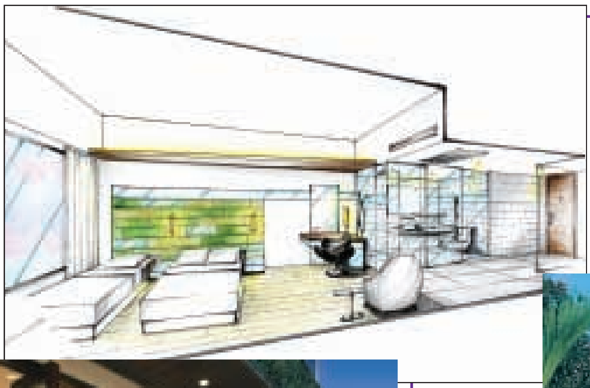
La Plantation
園林咖啡室



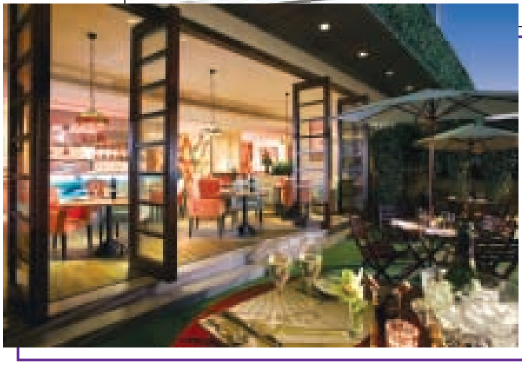
Regal Hotels in Hong Kong 香港富豪酒店

Regal Riverside Hotel 麗豪酒店

Ballroom
宴會廳



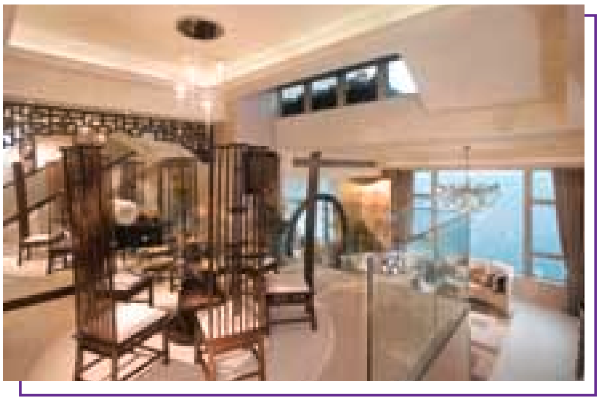
Rendering of New Guest Room
新客房設計概念

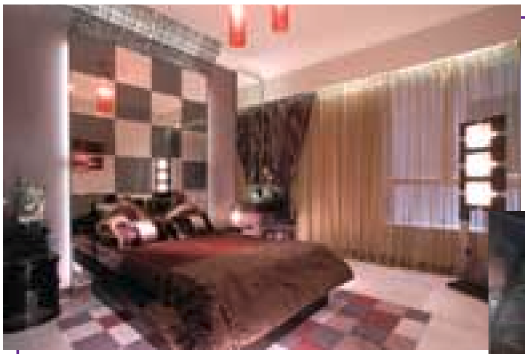


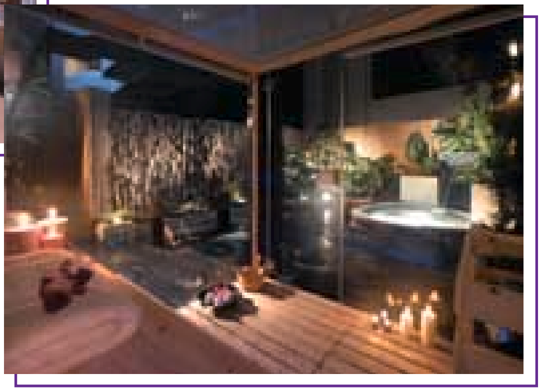
Avanti Ristorante
意廊

Regalia Bay 富豪海灣

Luxurious residence in
the south of Hong Kong Island
座落於港島南區的尊貴府邸







Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. Until 30th March, 2007, the principal activities of the subsidiaries were hotel ownership and management, property development and investment and other investments. Following the spin-off of Regal Real Estate Investment Trust ("Regal REIT") on 30th March, 2007, the Group is engaged in the business activities of hotel operation and management, investment in Regal REIT (which directly owns the five Regal Hotels in Hong Kong after the spin-off), asset management of Regal REIT, property development and investment and other investments.

Save as disclosed above, there have been no significant changes in these activities during the year.

The turnover and contribution to trading results by each principal activity are set out in note 4 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 121 to 204.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Highlights

Following the spin-off of Regal REIT, 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 Regalia Bay development and other investment businesses. The performance of the Group's hotel operations during the year under review, their future prospects, the commentary on the local hotel industry and changes in general market conditions and their potential impact on the operating performance, the progress and prospects on the Regalia Bay development as well as the performance of Regal REIT are contained in the Chairman's Report preceding this report.

Cash Flow and Capital Structure

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

As previously reported in the interim report of the Company for the six months ended 30th June, 2007, during the year under review:

(i) A total of 237.4 million new ordinary shares of the Company were allotted and issued to the holders of the 2007 Warrants who exercised the subscription rights in an aggregate amount of HK$59.3 million attached to the 2007 Warrants at the subscription price of HK$0.25 per ordinary share. The outstanding subscription rights attached to the 2007 Warrants of the Company which had not been exercised by 4:00 p.m. on 26th July, 2007 (the expiry date of the subscription rights) had lapsed. The listing of the 2007 Warrants was withdrawn with effect from the close of trading hours of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26th July, 2007.

(ii) Optional bonds for an additional aggregate principal amount of HK$200.0 million (the "Optional Bonds") in respect of the 2% Guaranteed Convertible Bonds due 2007 were issued by Cheerview Limited, a wholly owned subsidiary of the Company, to the relevant option holders who exercised the options granted to them for the subscription of the Optional Bonds. All of the outstanding Firm Bonds in an aggregate principal amount of HK$125.0 million and the issued Optional Bonds were converted into a total of 1,300 million new ordinary shares of the Company at the conversion price of HK$0.25 per ordinary share during the year.

During the year under review, the Company repurchased a total of 183,838,000 ordinary shares of the Company at an aggregate purchase price of HK$108,786,040 on the Stock Exchange. 152,708,000 repurchased ordinary shares were cancelled during the year and the remaining 31,130,000 repurchased ordinary shares were cancelled subsequent to the balance sheet date. Details of the repurchase by the Company of its ordinary shares during the year are disclosed under the section headed "Purchase, Sale or Redemption of the Company's Listed Securities" below. From the date of the last annual general meeting and up to the date of this report, the Company has repurchased a total of 296,830,000 ordinary shares on the Stock Exchange and all of such repurchased ordinary shares have subsequently been cancelled.

Assets Value

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

Statement of Proforma Net Assets

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

Borrowings

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

As at 31st December, 2007, part of the Group's bank deposits and certain other financial assets in the total amount of HK$1,000.8 million were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. Under the lease agreements in connection with the leasing of the hotel properties from Regal REIT, the Group has also guaranteed a total minimum variable rent payable for the period from 30th March, 2007 to 31st December, 2010 in the amount of HK$220.0 million. In addition, pursuant to the distributable income guarantee deed provided in connection with the spin-off of Regal REIT, the Group has guaranteed the total distributable income of Regal REIT for the period from the date of its listing (i.e. 30th March, 2007) to 31st December, 2007 to be not less than HK$420.3 million. In addition, certain time deposit in the amount of HK$24.0 million was also pledged to secure a short term bank loan of the Group as at 31st December, 2007.

Details of the Group's pledge of assets and contingent liabilities are shown in notes 35 and 36, respectively, to the financial statements.

Material Acquisitions or Disposals of Subsidiaries or Associates

As disclosed in the annual report of the Company for the financial year ended 31st December, 2006, on 30th March, 2007, the spin-off of Regal REIT from the Group was completed and the separate listing of the units of Regal REIT on the Main Board of the Stock Exchange commenced.

Save as otherwise disclosed in the Chairman's Report, the Group has no immediate plan for material investments or capital assets.

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. As the Group's borrowings were primarily denominated in Hong Kong dollar currency, being the same currency in which the Group's major revenues were derived, and with interest determined with reference to interbank offered rates, the use of hedging instruments for currency or interest rates purposes was not considered to be necessary. Following the spin-off of Regal REIT, the Group has become free of any long-term bank debt. Cash balances are mostly placed on bank deposits and yield enhancement products are deployed from time to time as management of the Group considers to be appropiate.

Remuneration Policy

The Group employs approximately 1,820 staff in Hong Kong. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include a mandatory provident fund scheme as well as medical and life insurance.

With a view to providing long term incentives, the Company maintains a share option scheme named as "The Regal Hotels International Holdings Limited Share Option Scheme" (the "Share Option Scheme"), under which share options have been granted to selected eligible persons.

DIVIDENDS

An interim dividend of HK0.3 cent per ordinary share (2006 - HK0.25 cent), absorbing a total amount of approximately HK$32.0 million (2006 - HK$21.1 million) was paid to holders of ordinary shares during the year.

The Directors now recommend the payment of a final dividend of HK1.0 cent (2006 - final dividend of HK0.6 cent and special cash dividend of HK1.0 cent) per ordinary share in respect of the year ended 31st December, 2007, absorbing an amount of approximately HK$103.8 million (2006 - HK$146.5 million including HK$91.6 million for special cash dividend), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 5th June, 2008. This recommendation has been incorporated in the financial statements.

During the year, the fixed cumulative preference share dividend in respect of the twelve month period ended 13th December, 2007 amounted to HK$6.8 million and was paid to the holders of the 5¼% Convertible Cumulative Redeemable Preference Shares of the Company in December 2007.

CLOSURE OF REGISTER

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

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Dr. Francis Choi Chee Ming, JP
Ms. Belinda Yeung Bik Yiu
Mr. Donald Fan Tung
Ms. Alice Kan Lai Kuen
Mr. Jimmy Lo Chun To
Miss Lo Po Man
Mr. Kenneth Ng Kwai Kai
Mr. Ng Siu Chan
Mr. Wong Chi Keung

During the year under review, there was no change in the constitution of the Board of Directors.

In accordance with Bye-law 109(A) of the Company's Bye-laws and for compliance with the Code on Corporate Governance Practices under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr. Lo Yuk Sui (the Chairman and Chief Executive Officer), Mr. Kenneth Ng Kwai Kai (Executive Director), Mr. Ng Siu Chan (Independent Non-Executive Director) and Mr. Wong Chi Keung (Independent Non-Executive Director) will retire from office by rotation at the forthcoming Annual General Meeting (the "AGM").

All of the above retiring Directors, being eligible, have offered themselves for re-election at the AGM. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Listing Rules, are set out in the circular of the Company sent to shareholders together with the 2007 Annual Report, relating to, inter alia, re-election of Directors.

The Company has received from each of the three incumbent Independent Non-Executive Directors an annual confirmation of independence as required under Rule 3.13 of the Listing Rules. The Company considers that all of these Independent Non-Executive Directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS

Save as otherwise disclosed, none of the Directors had any beneficial interests, whether direct or indirect, in any significant contract to which the Company, or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

None of the Directors had any service contract, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), with the Company or any of its subsidiaries during the year.

At no time during the year was the Company or any of its subsidiaries a party to any arrangement whose objects are to enable a Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than under the Share Option Scheme, under which options have been granted to certain Directors.

During the year, no option was granted to any Directors under the Share Option Scheme, and none of such Directors exercised options to subscribe for shares under the Share Option Scheme.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2007, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules, were as follows:

				Number of shares held			
		Name of Director	**Class of shares held**	**Personal interests**	**Corporate interests**	**Family/ Other interests**	**Total (Approximate percentage of the issued shares as at 31st December, 2007)**
1.	**The Company**	Mr. Lo Yuk Sui ("Mr. Lo")	Ordinary (i) issued	242,000	4,760,972,636 (Note a(i))	2,607,000	4,763,821,636
			(ii) unissued	200,000,000 (Note a(iii))	15,608,427 (Note a(ii))	—	215,608,427
						Total (i) & (ii):	4,979,430,063 (47.31%)
			Preference (issued)	—	3,440 (Note a(ii))	—	3,440 (20.54%)
		Dr. Francis Choi Chee Ming	Ordinary (issued)	502,400,000	—	—	502,400,000 (4.77%)
		Ms. Belinda Yeung Bik Yiu	Ordinary (unissued)	30,000,000 (Note b)	—	—	30,000,000 (0.29%)
		Mr. Donald Fan Tung	Ordinary (unissued)	20,000,000 (Note c)	—	—	20,000,000 (0.19%)
		Mr. Jimmy Lo Chun To	Ordinary (unissued)	15,000,000 (Note d)	—	—	15,000,000 (0.14%)
		Miss Lo Po Man	Ordinary (i) issued	3,000,000	—	2,691,690 (Note e)	5,691,690
			(ii) unissued	30,000,000 (Note b)	—	—	30,000,000
						Total (i) & (ii):	35,691,690 (0.34%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	20,000,000 (Note c)	—	—	20,000,000 (0.19%)

	Name of associated corporation	Name of Director	Class of shares held	Number of shares held Personal interests	Corporate interests	Family/ Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2007)
2.	8D International (BVI) Limited	Mr. Lo	Ordinary (issued)	—	1,000 (Note f)	—	1,000 (100%)
3.	Regal Real Estate Investment Trust	Mr. Lo	Units (issued)	—	2,233,078,481 (Note g)	—	2,233,078,481 (71.71%)

Notes:

(a) (i) The interests in 4,214,000 issued ordinary shares of the Company were held through companies wholly owned by Century City International Holdings Limited ("CCIHL"), in which Mr. Lo held 53.82% shareholding interests and the interests in the other 4,756,758,636 issued ordinary shares of the Company were held through companies wholly owned by Paliburg Holdings Limited ("PHL"), in which CCIHL held 52.26% shareholding interests.

(ii) The interests in 15,608,427 unissued ordinary shares of the Company were held through companies wholly owned by PHL, in which CCIHL held 52.26% shareholding interests. Mr. Lo held 53.82% shareholding interests in CCIHL.

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

(iii) The interests in 200,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Share Option Scheme, entitling the holder thereof to subscribe for a total of 200,000,000 new ordinary shares of the Company at an exercise price of HK$0.75 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

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

(b) The interests in 30,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Share Option Scheme, entitling the holder thereof to subscribe for a total of 30,000,000 new ordinary shares of the Company at an exercise price of HK$0.75 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
25th July, 2007 to 24th July, 2011	12,000,000
25th July, 2008 to 24th July, 2011	6,000,000
25th July, 2009 to 24th July, 2011	6,000,000
25th July, 2010 to 24th July, 2011	6,000,000

(c) The interests in 20,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Share Option Scheme, entitling the holder thereof to subscribe for a total of 20,000,000 new ordinary shares of the Company at an exercise price of HK$0.75 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
25th July, 2007 to 24th July, 2011	8,000,000
25th July, 2008 to 24th July, 2011	4,000,000
25th July, 2009 to 24th July, 2011	4,000,000
25th July, 2010 to 24th July, 2011	4,000,000

(d) The interests in 15,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Share Option Scheme, entitling the holder thereof to subscribe for a total of 15,000,000 new ordinary shares of the Company at an exercise price of HK$0.75 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
25th July, 2007 to 24th July, 2011	6,000,000
25th July, 2008 to 24th July, 2011	3,000,000
25th July, 2009 to 24th July, 2011	3,000,000
25th July, 2010 to 24th July, 2011	3,000,000

(e) The interests in 2,691,690 issued ordinary shares of the Company were held by Miss Lo Po Man as the beneficiary of a trust.

(f) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 53.82% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

(g) The interests in 2,227,791,481 units of Regal Real Estate Investment Trust were held through wholly owned subsidiaries of the Company, and the interests in the other 5,287,000 units of Regal Real Estate Investment Trust were held through wholly owned subsidiaries of CCIHL. PHL, in which CCIHL held 52.26% shareholding interests, held 45.20% shareholding interests in the Company. Mr. Lo held 53.82% shareholding interests in CCIHL.

Save as disclosed herein, as at 31st December, 2007, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Save as disclosed in note 31 to the financial statements, during the year, no right has been granted to, or exercised by, the following persons, to subscribe for shares in or debentures of the Company under the Share Option Scheme and no option granted to such persons under the Share Option Scheme has been cancelled and lapsed:

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

(ii) any participant under the Share Option Scheme with options granted in excess of the individual limit;

(iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;

(iv) any supplier of goods or services; and

(v) any other participants under the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2007, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares (unissued) held	Total number of ordinary shares (issued and unissued) held	Approximate percentage of the issued ordinary shares as at 31st December, 2007
CCIHL (Note i)	4,760,972,636	15,608,427	4,776,581,063	45.39%
Century City BVI Holdings Limited (Note ii)	4,760,972,636	15,608,427	4,776,581,063	45.39%
Almighty International Limited (Note ii)	4,760,972,636	15,608,427	4,776,581,063	45.39%
PHL (Note iii)	4,756,758,636	15,608,427	4,772,367,063	45.35%
Paliburg Development BVI Holdings Limited (Note iv)	4,756,758,636	15,608,427	4,772,367,063	45.35%
Guo Yui Investments Limited (Note iv)	1,621,924,666	—	1,621,924,666	15.41%
Paliburg International Holdings Limited (Note iv)	2,629,432,101	—	2,629,432,101	24.98%
Paliburg BVI Holdings Limited (Note iv)	2,629,432,101	—	2,629,432,101	24.98%
Taylor Investments Ltd. (Note iv)	1,542,323,056	—	1,542,323,056	14.66%
Glaser Holdings Limited (Note iv)	586,828,314	—	586,828,314	5.58%

Notes:

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

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

(iii) PHL is a listed subsidiary of CCIHL, which held 52.26% shareholding interests in PHL, and PHL's interests in the ordinary shares of the Company are included in the interests held by CCIHL.

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

Save as disclosed herein, there is no person who, as at 31st December, 2007, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO.

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

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

(2) Messrs. Lo Yuk Sui, Donald Fan Tung and Kenneth Ng Kwai Kai are directors of all the above-mentioned wholly owned subsidiaries of CCIHL and PHL.

CONNECTED TRANSACTIONS

Unless otherwise stated, capitalised terms referred to in this sub-section shall have the same meanings as those defined below in this sub-section.

The respective transactions under the RAH Main Contract, the ROH Main Contract and the Appointments as well as the RRH Main Contract (collectively, the "Relevant Transactions") each constituted a connected transaction for the Company pursuant to Rule 14A.13(1)(a) of the Listing Rules. These transactions were aggregated and treated as one transaction pursuant to Rule 14A.25 of the Listing Rules. The transactions under the Relevant Transactions, as aggregated, were subject only to the reporting and announcement requirements and exempted from the requirement of obtaining the independent shareholders' approval pursuant to Rule 14A.32(1) of the Listing Rules. Details of the Relevant Transactions were disclosed in the announcements of the Company dated 8th February, 2007 and 22nd August, 2007. Certain relevant details, which are required to be disclosed in this report pursuant to Rule 14A.45 of the Listing Rules, are set out below.

The RAH Letter of Intent

On 8th February, 2007, Bauhinia, formerly a wholly owned subsidiary of the Company, as the employer and Chatwin, a wholly owned subsidiary of Paliburg (which then indirectly held approximately 45.4% shareholding interests in the ordinary share capital of the Company), as the main contractor entered into the RAH Letter of Intent. In order to maximize the utilisation of its hotel property, Bauhinia decided to embark on the Asset Enhancement Program for the Regal Airport Hotel. The RAH Letter of Intent essentially entailed the conversion of certain unutilised area on 2/F. and 9/F. of the Regal Airport Hotel for the construction of a total of 64 additional guest rooms and 7 additional meeting rooms. The RAH Letter of Intent for the RAH Main Contract was awarded to Chatwin through a selective tender process by invitation to selected competitive contractors. The works under the RAH Main Contract were completed by October 2007.

The contract sum for the construction and alteration works under the RAH Main Contract was HK$28,756,870. The contract sum was determined after commercial negotiations between the parties to the RAH Letter of Intent on an arm's length basis through a selective tender process and in consultation with an appointed quantity surveyor. The award of the RAH Main Contract at the contract sum of HK$28,756,870 was finalised and determined after assessment of the relevant tenders received and subsequent negotiations with the short-listed contractors on the final tender price, which was to constitute the contract sum. The contract sum was payable in stages according to the progress of the construction and alteration works under the RAH Main Contract. The payment of the contract sum under the RAH Main Contract was financed by the Group's internal resources.

The ROH Letter of Intent I

On 8th February, 2007, Gala, formerly a wholly owned subsidiary of the Company, as the employer and Chatwin as the main contractor entered into the ROH Letter of Intent I. In order to maximize the utilisation of its hotel property, Gala decided to embark on the Asset Enhancement Program for the Regal Oriental Hotel. The ROH Letter of Intent I essentially entailed the conversion of certain unutilised area on 3/F. of the Regal Oriental Hotel for the construction of 49 additional guest rooms and a lounge area. The ROH Letter of Intent I for the ROH Main Contract I was awarded to Chatwin through a selective tender process by invitation to selected competitive contractors. The works under the ROH Main Contract I were completed by the third quarter of 2007.

The contract sum for the construction and alteration works under the ROH Main Contract I was HK$19,380,000. The contract sum was determined after commercial negotiations between the parties to the ROH Letter of Intent I on an arm's length basis through a selective tender process and in consultation with an appointed quantity surveyor. The award of the ROH Main Contract I at the contract sum of HK$19,380,000 was finalised and determined after assessment of the relevant tenders received and subsequent negotiations with the short-listed contractors on the final tender price, which was to constitute the contract sum. The contract sum was payable in stages according to the progress of the construction and alteration works under the ROH Main Contract I. The payment of the contract sum under the ROH Main Contract I was financed by the Group's internal resources.

The ROH Letter of Intent II

On 8th February, 2007, Gala as the employer and Chatwin as the main contractor entered into the ROH Letter of Intent II. As part of the Asset Enhancement Program for the Regal Oriental Hotel, the ROH Letter of Intent II essentially entailed the renovation of guest rooms on 5/F. and 6/F. of the Regal Oriental Hotel. The ROH Letter of Intent II for the ROH Main Contract II was awarded to Chatwin through a selective tender process by invitation to selected competitive contractors. The works under the ROH Main Contract II were completed by the second quarter of 2007.

The contract sum for the renovation works under the ROH Main Contract II was HK$1,000,000. The contract sum was determined after commercial negotiations between the parties to the ROH Letter of Intent II on an arm's length basis through a selective tender process and in consultation with an appointed quantity surveyor. The award of the ROH Main Contract II at the contract sum of HK$1,000,000 was finalised and determined after assessment of the relevant tenders received and subsequent negotiations with the short-listed contractors on the final tender price, which was to constitute the contract sum. The contract sum was payable in stages according to the progress of the renovation works under the ROH Main Contract II. The payment of the contract sum under the ROH Main Contract II was financed by the Group's internal resources.

The RAH Appointment Letter

On 8th February, 2007, Bauhinia as the employer and PDCL, a wholly owned subsidiary of Paliburg, as the development consultant entered into the RAH Appointment Letter. Under the RAH Appointment Letter and in conjunction with the Asset Enhancement Program for the Regal Airport Hotel, Bauhinia appointed PDCL as the development consultant to provide architectural and interior consultancy, project management, contract administration and site supervision services for the RAH Main Contract Works. The term of the appointment under the RAH Appointment Letter was, unless early determined, until final completion of the RAH Main Contract Works. The appointment of PDCL as the development consultant for the RAH Main Contract Works was determined through negotiation and after taking into account the previous involvement of PDCL as the architect and development consultant for the development of the Regal Airport Hotel, which would contribute savings of time, efforts and costs in the implementation of the project.

Pursuant to the RAH Appointment Letter, the consultancy fee would be (i) 6% of the total construction cost (excluding professional fees) of the RAH Main Contract Works or (ii) HK$1,680,000, whichever was the lower. Based on the contracted construction cost of the RAH Main Contract Works of HK$28,756,870, the consultancy fee would be HK$1,725,412. The consultancy fee was payable in stages according to the progress of the RAH Main Contract Works. The consultancy fee was determined after commercial negotiations between the parties to the RAH Appointment Letter on an arm's length basis, after taking into account the architectural design, complexity, duration and construction costs of the construction works of the relevant Asset Enhancement Program and with reference to the market professional fee scale. The payment of the consultancy fee under the RAH Appointment Letter was financed by the Group's internal resources.

The ROH Appointment Letter

On 8th February, 2007, Gala as the employer and PDCL as the development consultant entered into the ROH Appointment Letter. Under the ROH Appointment Letter and in conjunction with the Asset Enhancement Program for the Regal Oriental Hotel, Gala appointed PDCL as the development consultant to provide architectural and interior consultancy, project management, contract administration and site supervision services for the ROH Main Contract Works I. The term of the appointment under the ROH Appointment Letter was, unless early determined, until final completion of the ROH Main Contract Works I. The appointment of PDCL as the development consultant for the ROH Main Contract Works I was determined through negotiation and after taking into account the previous involvement of PDCL as the architect and development consultant for certain hotels developed by the Group, which would contribute savings of time, efforts and costs in the implementation of the project.

Pursuant to the ROH Appointment Letter, the consultancy fee would be (i) 8% of the total construction cost (excluding professional fees) of the ROH Main Contract Works I or (ii) HK$1,350,000, whichever was the lower. Based on the contracted construction cost of the ROH Main Contract Works I of HK$19,380,000, the consultancy fee would be HK$1,550,400. The consultancy fee was payable in stages according to the progress of the ROH Main Contract Works I. The consultancy fee was determined after commercial negotiations between the parties to the ROH Appointment Letter on an arm's length basis, after taking into account the architectural design, complexity, duration and construction costs of the construction works of the relevant Asset Enhancement Program and with reference to the market professional fee scale. The payment of the consultancy fee under the ROH Appointment Letter was financed by the Group's internal resources.

The RRH Appointment Letter

On 8th February, 2007, RRHL as the employer and PDCL as the development consultant entered into the RRH Appointment Letter. Under the RRH Appointment Letter, RRHL appointed PDCL as the development consultant to provide architectural and interior consultancy, project management, contract administration and site supervision services for the Asset Enhancement Program relating to the Regal Riverside Hotel involving the addition, in stages, of a total of 302 guest rooms at the Regal Riverside Hotel. The term of the appointment under the RRH Appointment Letter would be, unless early determined, until final completion of all construction works under the relevant Asset Enhancement Program. The appointment of PDCL as the development consultant for the construction works of the relevant Asset Enhancement Program of the Regal Riverside Hotel was determined through negotiation and after taking into account the previous involvement of PDCL as the architect and development consultant for certain hotels developed by the Group, which would contribute savings of time, efforts and costs in the implementation of the project.

Pursuant to the RRH Appointment Letter, the consultancy fee would be (i) 5% of the total construction cost (excluding professional fees) of the construction works under the relevant Asset Enhancement Program of the Regal Riverside Hotel or (ii) HK$4,800,000, whichever was the lower. The consultancy fee would be payable in stages according to the progress of the relevant Asset Enhancement Program. The consultancy fee was determined after commercial negotiations between the parties to the RRH Appointment Letter on an arm's length basis, after taking into account the architectural design, complexity, duration and construction costs of the construction works of the relevant Asset Enhancement Program and with reference to the market professional fee scale. The payment of the consultancy fee under the RRH Appointment Letter would be financed by the Group's internal resources.

The RRH Letter of Intent

On 20th August, 2007, RCAL as the employer and Chatwin as the main contractor entered into the RRH Letter of Intent. RCAL is the AEP Agent appointed by RRHL for the implementation of the Asset Enhancement Program relating to the Regal Riverside Hotel. As part of the agreement relating to the sale and purchase of the Initial Hotel Properties (including the Regal Riverside Hotel), the Asset Enhancement Program (including the construction and alteration works under the RRH Letter of Intent and the RRH Main Contract) was undertaken to be carried out by Regal at its full and own cost, through RCAL as the AEP Agent. The RRH Letter of Intent essentially entailed the construction and alteration works for the addition of three additional stories, comprising 274 additional guest rooms, on top of the existing hotel building of the Regal Riverside Hotel. The RRH Letter of Intent for the RRH Main Contract was awarded to Chatwin through a selective tender process by invitation to selected competitive contractors. The construction and alteration works under the RRH Main Contract would be completed by the end of 2008.

The contract sum for the construction and alteration works under the RRH Main Contract was approximately HK$86,200,000. The contract sum was determined after commercial negotiations between the parties to the RRH Letter of Intent on an arm's length basis through a selective tender process and in consultation with an appointed quantity surveyor. The award of the RRH Main Contract at the contract sum of approximately HK$86,200,000 was finalised and determined after assessment of the relevant tenders received and subsequent negotiations with the short-listed contractors on the final tender price, which was to constitute the contract sum. The contract sum would be payable in stages according to the progress of the construction and alteration works under the RRH Main Contract. The payment of the contract sum under the RRH Main Contract would be financed by the Group's internal resources.

The Directors (including the Independent Non-Executive Directors) considered that each of the Relevant Transactions were entered into on normal commercial terms that were fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

Definitions

"Appointments"	the appointment of PDCL as the development consultant pursuant to the RAH Appointment Letter, the ROH Appointment Letter and the RRH Appointment Letter, respectively
"Asset Enhancement Program"	the asset enhancement program being carried out by Regal for certain Initial Hotel Properties as disclosed in the offering circular dated 19th March, 2007 relating to the initial public offering and new listing of the units of Regal REIT
"Bauhinia"	Bauhinia Hotels Limited, formerly a wholly owned subsidiary of the Company, being the owner of the Regal Airport Hotel
"Chatwin"	Chatwin Engineering Limited, a wholly owned subsidiary of Paliburg
"Gala"	Gala Hotels Limited, formerly a wholly owned subsidiary of the Company, being the owner of the Regal Oriental Hotel
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Initial Hotel Properties"	the hotel properties currently held under the Regal REIT, details of which were disclosed in the offering circular dated 19th March, 2007 relating to the initial public offering and new listing of the units of Regal REIT
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Paliburg"	Paliburg Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
"PDCL"	Paliburg Development Consultants Limited, a wholly owned subsidiary of Paliburg
"RAH Appointment Letter"	the Letter of Appointment dated 8th February, 2007 issued by PDCL to Bauhinia and accepted by Bauhinia on 8th February, 2007 relating to the appointment of PDCL as the development consultant for the RAH Main Contract upon the terms and conditions as set out therein

"RAH Letter of Intent"	the Letter of Intent dated 8th February, 2007 issued by Bauhinia as the employer to Chatwin and accepted by Chatwin on 8th February, 2007 relating to the award of the RAH Main Contract to Chatwin upon the principal terms as stipulated therein
"RAH Main Contract"	the RAH Letter of Intent and the main contract for the RAH Main Contract Works to be entered into between Bauhinia and Chatwin pursuant to the RAH Letter of Intent, setting out the detailed terms and conditions of the employment of Chatwin as the main contractor
"RAH Main Contract Works"	the main contract works under the RAH Main Contract with respect to the construction and alteration works for the conversion of certain unutilised area on 2/F. and 9/F. of the Regal Airport Hotel for the construction of a total of 64 additional guest rooms and 7 additional meeting rooms
"RCAL" or "AEP Agent"	Regal Contracting Agency Limited, a wholly owned subsidiary of Regal and the agent appointed for the implementation of the Asset Enhancement Program
"Regal Airport Hotel"	the Regal Airport Hotel located at 9 Cheong Tat Road, Chek Lap Kok, New Territories, Hong Kong
"Regal Hongkong Hotel"	the Regal Hongkong Hotel located at 88 Yee Wo Street, Causeway Bay, Hong Kong
"Regal Oriental Hotel"	the Regal Oriental Hotel located at 30-38 Sa Po Road, Kowloon City, Kowloon, Hong Kong
"Regal Riverside Hotel"	the Regal Riverside Hotel located at 34-36 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong
"Regal REIT"	Regal Real Estate Investment Trust, a Hong Kong collective investment scheme authorised under the Securities and Futures Ordinance, the units of which are listed on the Stock Exchange
"ROH Appointment Letter"	the Letter of Appointment dated 8th February, 2007 issued by PDCL to Gala and accepted by Gala on 8th February, 2007 relating to the appointment of PDCL as the development consultant for the ROH Main Contract I upon the terms and conditions as set out therein
"ROH Letter of Intent I"	the Letter of Intent dated 8th February, 2007 issued by Gala as the employer to Chatwin and accepted by Chatwin on 8th February, 2007 relating to the award of the ROH Main Contract I to Chatwin upon the principal terms as stipulated therein

"ROH Letter of Intent II"	the Letter of Intent dated 8th February, 2007 issued by Gala as the employer to Chatwin and accepted by Chatwin on 8th February, 2007 relating to the award of the ROH Main Contract II to Chatwin upon the principal terms as stipulated therein
"ROH Main Contract"	the ROH Main Contract I and the ROH Main Contract II
"ROH Main Contract I"	the ROH Letter of Intent I and the main contract for the ROH Main Contract Works I to be entered into between Gala and Chatwin pursuant to the ROH Letter of Intent I setting out the detailed terms and conditions of the employment of Chatwin as the main contractor
"ROH Main Contract II"	the ROH Letter of Intent II and the main contract for the ROH Main Contract Works II to be entered into between Gala and Chatwin pursuant to the ROH Letter of Intent II setting out the detailed terms and conditions of the employment of Chatwin as the main contractor
"ROH Main Contract Works I"	the main contract works under the ROH Main Contract I with respect to the construction and alteration works for the conversion of certain unutilised area on 3/F. of the Regal Oriental Hotel for the construction of 49 additional guest rooms and a lounge area
"ROH Main Contract Works II"	the main contract works under the ROH Main Contract II with respect to the renovation works for the guest rooms at 5/F. and 6/F. of the Regal Oriental Hotel
"RRH Appointment Letter"	the Letter of Appointment dated 8th February, 2007 issued by PDCL to RRHL and accepted by RRHL on 8th February, 2007 relating to the appointment of PDCL as the development consultant for the asset enhancement programme at the Regal Riverside Hotel upon the terms and conditions as set out therein
"RRH Letter of Intent"	the Letter of Intent dated 20th August, 2007 issued by RCAL as the employer to Chatwin and accepted by Chatwin on 20th August, 2007 relating to the award of the RRH Main Contract to Chatwin upon the principal terms as stipulated therein
"RRH Main Contract"	the RRH Letter of Intent and the main contract for the RRH Main Contract Works to be entered into between RCAL and Chatwin pursuant to the RRH Letter of Intent, setting out the detailed terms and conditions of the employment of Chatwin as the main contractor

"RRH Main Contract Works"	the main contract works under the RRH Main Contract with respect to the construction and alteration works for the addition of three additional stories, comprising 274 additional guest rooms, on top of the existing hotel building of the Regal Riverside Hotel
"RRHL"	Regal Riverside Hotel Limited, formerly a wholly owned subsidiary of Regal, being the owner of the Regal Riverside Hotel
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

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

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

Advances to an Entity (Rule 13.13 of Chapter 13)

Details of the advances made to Chest Gain Development Limited ("Chest Gain"), a jointly controlled entity owned as to 70% by the Company and 30% by China Overseas Land & Investment Limited, which is independent of, and not connected with the Company, the directors, chief executive and substantial shareholders of the Company and any of its subsidiaries or any of their respective associates (as defined in the Listing Rules), by the Company and its subsidiaries (the "Group") as at 31st December, 2007 are set out below:

Advances	**Group (HK$'million)**
(A) Principal Amount of Advances	1,022.5
(B) Interest Receivable	366.7
Total:(A)+(B)	1,389.2

The above advances to Chest Gain in an aggregate sum of HK$1,389.2 million represent contributions of funds to Chest Gain provided in the form of shareholders' loans. The advances are unsecured and have no fixed term of repayment, interest bearing at prime rate per annum. The provision of financial assistance to Chest Gain is for the purpose of facilitating Chest Gain in the development of the "Regalia Bay" luxury residential project at Rural Building Lot No.1138, Wong Ma Kok Road, Stanley, Hong Kong (the "Regalia Bay Development"). The site for the Regalia Bay Development was acquired by Chest Gain at the government land auction held on 3rd June, 1997.

Calculated on the basis shown above, the aggregate of advances as at 31st December, 2007 provided by the Group to Chest Gain in the sum of HK$1,389.2 million represented 22.8% of the consolidated total assets of the Company of HK$6,082.3 million (the "Regal TA"), by reference to its latest audited consolidated financial statements for the year ended 31st December, 2007.

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

Details of the financial assistance provided to affiliated companies (including Chest Gain) by the Group as at 31st December, 2007 are set out below:

Name of Affiliated Companies	Principal Amount of Advances (HK$'million)	Interest Receivable (HK$'million)	Total (HK$'million)
Chest Gain	1,022.5	366.7	1,389.2
8D International (BVI) Limited	29.0	–	29.0
8D Matrix Limited	1.3	–	1.3
Bright Future (HK) Limited	5.6	–	5.6
Hang Fok Properties Limited	233.6	–	233.6
	1,292.0	366.7	1,658.7

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

8D International (BVI) Limited ("8D-BVI") is a 30% owned associate of the Company, which is now principally involved in the development and distribution of technologically advanced security and building related systems and software development and promotions businesses. The remaining shareholding interests in 8D-BVI are indirectly owned as to 10% by CCIHL and 60% by Mr. Lo. The advances were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D-BVI, for the purpose of financing the working capital of 8D-BVI. The advances are unsecured, interest-free and have no fixed term of repayment.

8D Matrix Limited ("8D Matrix") is a 30% owned associate of the Company (the Company also holds an additional 6% attributable interest through its holding in 8D-BVI), which is involved in promotions businesses. The remaining shareholding interests in 8D Matrix are owned as to 10% indirectly by CCIHL and 60% indirectly by Mr. Lo through his associates (as defined in the Listing Rules), including 8D-BVI. The advances were provided by the

Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D Matrix, for the purpose of financing the working capital of 8D Matrix. The advances are unsecured, interest-free and have no fixed term of repayment.

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

Hang Fok Properties Limited ("Hang Fok"), a 50% owned associate of the Company, holds a 59% shareholding interest in each of the two investee companies, namely Beijing Century City Real Estate Development Co., Ltd. and Beijing Jianye Real Estate Developing Co., Ltd. (both of which are Sino-foreign cooperative joint ventures incorporated in the PRC) (the "Investee Companies"). The Investee Companies are principally engaged in the development of a property project at Chao Yang Men Wai Da Jie in the Central Business District of Beijing, the PRC, planned to comprise office, residential, hotel, commercial and carparking accommodations with a total permissible gross floor area of about 4,630,000 square feet. One of the Investee Companies has been granted by the relevant authority in the PRC the Land Grant Contracts in respect of certain portions of the original development site encompassing office, commercial and residential uses. The remaining 50% shareholding interest in Hang Fok is owned by an indirect wholly owned subsidiary of PHL. The remaining 41% equity interests in the Investee Companies are owned by a third party, which are independent of, and not connected with the Company, the directors, chief executive and substantial shareholders of the Company and any of its subsidiaries or any of their respective associates (as defined in the Listing Rules). The advances to Hang Fok were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in Hang Fok, for the purpose of funding the working capital requirements of Hang Fok and its investment in the Investee Companies. The advances to Hang Fok are unsecured, interest-free and have no fixed term of repayment.

Calculated on the basis shown above, as at 31st December, 2007, the aggregate amount of financial assistance provided to affiliated companies by the Group in the sum of HK$1,658.7 million represented 27.3% of the Regal TA.

Save as disclosed above, there were no other financial assistance provided to and guarantees given for affiliated companies by the Group as at 31st December, 2007, which were discloseable pursuant to Rule 13.16 of Chapter 13 of the Listing Rules.

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

	Pro-forma combined balance sheet (HK$'million)	The Group's attributable interest (HK$'million)
Non-current assets	468.5	226.9
Current assets	4,083.3	499.6
Current liabilities	(263.8)	(121.5)
Non-current liabilities	(7,858.9)	(1,663.2)
Net liabilities	(3,570.9)	(1,058.2)

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

During the year, the Company repurchased a total of 183,838,000 ordinary shares of the Company at an aggregate purchase price of HK$108,786,040 on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

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

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

Save as disclosed 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda, being the jurisdiction in which the Company is incorporated.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of purchases attributable to the Group's 5 largest suppliers and the percentage of turnover or sales attributable to the Group's 5 largest customers combined in respect of goods and services was in each case less than 30% of the total amount involved.

PROPERTY, PLANT AND EQUIPMENT

The details of movements in the Group's property, plant and equipment during the year are set out in note 14 to the financial statements.

BORROWINGS

The details of the Group's borrowings at the balance sheet date are set out in note 26 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

The details of movements in the share capital and share options of the Company during the year, together with the reasons therefor, are set out in note 30 to the financial statements.

SHARE PREMIUM ACCOUNT

The details of movements in the share premium account during the year are set out in note 30 to the financial statements.

SHARE OPTION RESERVE

The details of movements in the share option reserve account during the year are set out in consolidated statement of changes in equity.

CAPITAL REDEMPTION RESERVE

The details of movements in the capital redemption reserve account during the year are set out in consolidated statement of changes in equity.

SPECIAL RESERVE

The details of movements in the special reserve account during the year are set out in consolidated statement of changes in equity.

REVALUATION RESERVES

The details of movements in the revaluation reserves account during the year are set out in consolidated statement of changes in equity.

EXCHANGE EQUALISATION RESERVE

The details of movements in the exchange equalisation reserve account during the year are set out in consolidated statement of changes in equity.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 32 to the financial statements.

JOINTLY CONTROLLED ENTITY AND ASSOCIATES

Particulars of the Group's interests in its jointly controlled entity and associates are set out in notes 16 and 17 to the financial statements, respectively.

CONTRIBUTED SURPLUS

The details of movements in the contributed surplus account during the year are set out in note 31(b) to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December, 2007, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK$4,117.1 million, of which HK$103.8 million has been proposed as final dividend for the year.

In addition, the Company's share premium account, in the amount of HK$1,023.4 million, may be distributed in the form of fully paid bonus shares.

POST BALANCE SHEET EVENTS

Details of the significant events which occurred subsequent to the balance sheet date are set out in note 41 to the financial statements.

AUDITORS

Ernst & Young retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LO YUK SUI
Chairman

Hong Kong
27th March, 2008

Corporate Governance Report

The Company is committed to maintaining good corporate governance practices and procedures. Review of existing policies and practices in respect of the management and corporate matters of the Group has been conducted by the Company. An enhancement to the current standards and for complying with new requirements, revision of existing policies and practices and introduction of appropriate new measures have been implemented. Constant review of the system and controls within the Group will be carried out by the Company to comply with the prevailing standards and requirements of good corporate governance.

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

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

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

Further details relating to the compliance of the CG Code by the Company are set out in the report below.

(I) CORPORATE GOVERNANCE PRACTICES

A report on the extent of compliance by the Company of and any deviation from the provisions of the CG Code (as summarised below) during the year ended 31st December, 2007 is as follows:

A. DIRECTORS

A.1 The Board

Code A.1.1 The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

Deviation from Code A.1.1

No Four Board Meetings have been held at regular intervals during the year ended 31st December, 2007.

Code A.1.2 Arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings.

Deviation from Code A.1.2

No Directors may include matters in the agenda for regular Board Meetings as other business of the meeting any time after receiving the notice of meeting or at the meeting after all businesses in the agenda have been transacted.

Code A.1.3 *Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given.*

Deviation from Code A.1.3

No At least 14 days' notice is given to the Directors for regular Board Meetings and reasonable notice is given for other ad hoc Board Meetings, in accordance with relevant provisions of the Bye-laws of the Company. Arrangements will be made for any Director who cannot be present in person to participate in and discuss with the other Directors at the meeting through appropriate means of communication.

Code A.1.4 *All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.*

Deviation from Code A.1.4

No The Executive Director who is in charge of the company secretarial function of the Group is in close liaison with the Company Secretary of the Company to ensure that board procedures, and all applicable rules and regulations, are followed. All other Directors may make enquiry to the Company Secretary any time they consider necessary or appropriate for such purposes.

Code A.1.5 *Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and such minutes should be open for inspection at any reasonable time on reasonable notice by any director.*

Deviation from Code A.1.5

No Minutes of Board Meetings and Meetings of Board Committees are kept by the Company Secretary of the Company and the appointed secretary of the Board Committees and such minutes are open for inspection at any reasonable time on reasonable notice by any Director.

Code A.1.6 *Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered by the board and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes of board meetings should be sent to all directors for their comment and records respectively, in both cases within a reasonable time after the board meeting is held.*

Deviation from Code A.1.6

No Minutes of Board Meetings and Meetings of Board Committees have recorded relevant details of the transactions or matters considered by the Directors at the meetings, rationales for making the decisions and the resolutions revolved at the meetings. Board Resolutions are circulated to the Directors for review and signing within a reasonable time.

Code A.1.7 There should be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense. The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/their duties to the issuer.

Deviation from Code A.1.7

No In the event that independent professional advice is required or considered necessary for the Directors to make decisions on any transactions or matters concerning the Group, any Director may after consulting the Chairman of the Board, or the Directors may resolve at the Board Meeting held for considering the relevant transaction or matter to, seek independent professional advice at the expense of the Company.

Code A.1.8 If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a board meeting) but a board meeting should be held. Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.

Deviation from Code A.1.8

No An ad hoc full Board Meeting will be convened for considering and approving any matter which the Board has determined to be material and in which any substantial shareholder or Director of the Company has a conflict of interest. The Board Meeting will be scheduled for an appropriate time that the disinterested Independent Non-Executive Directors shall be able to attend. Any substantial shareholder or Director who has a conflict of interest and any of his/her associates will abstain from voting at the Meeting and not be counted as quorum of the Meeting in accordance with the Bye-laws of the Company.

A.2 Chairman and Chief Executive Officer

Code A.2.1 The roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Deviation from Code A.2.1

Yes Due to practical necessity on account of the Group's corporate operating structure, the roles of the Chairman and Chief Executive Officer are both performed by Mr. Lo Yuk Sui who is the controlling shareholder and the Chairman and Chief Executive Officer of the Company overseeing the overall policy and decision making of the Group. A Chief Operating Officer has been appointed in January 2007 to take up responsibility for overseeing the hotel business operations of the Group.

Code A.2.2 The chairman should ensure that all directors are properly briefed on issues arising at board meetings.

Deviation from Code A.2.2

No The Chairman takes the role of briefing the Directors issues arising at the Board Meetings or, in appropriate circumstance, delegates this role to Executive Directors who are primarily involved in and in possession of comprehensive details about the relevant issue.

Code A.2.3 The chairman should be responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner.

Deviation from Code A.2.3

No The Chairman takes active efforts to ensure that the Executive Directors or executives who are primarily involved in the relevant transaction or matter will provide to Directors adequate information, which is complete and reliable, in a timely manner.

A.3 Board composition

Code A.3.1 The independent non-executive directors should be expressly identified as such in all corporate communications that disclose the names of directors of the issuer.

Deviation from Code A.3.1

No Identification of the Independent Non-Executive Directors has been shown on announcements and other corporate communications of the Company to its shareholders.

A.4 Appointments, re-election and removal

Code A.4.1 Non-executive directors should be appointed for a specific term, subject to re-election.

Deviation from Code A.4.1

Yes The Non-Executive Director and the Independent Non-Executive Directors of the Company were not appointed for specific terms. However, 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.

Code A.4.2 All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Deviation from Code A.4.2

No Pursuant to relevant provisions of the Bye-laws of the Company, any Director appointed to fill a casual vacancy shall hold office until the next annual general meeting of the Company and is therefore subject to re-election by the shareholders at that annual general meeting after his/her appointment. In compliance with the requirements under this Code, all Directors would retire at annual general meetings at least once every three years either by rotation pursuant to the retirement provisions of the Bye-laws or on a voluntary basis.

A.5 Responsibilities of directors

Code A.5.1 *Every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary, to ensure that he has a proper understanding of the operations and business of the issuer and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer.*

Deviation from Code A.5.1

No The Chairman or an Executive Director so delegated is responsible for providing every newly appointed Director with an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the operations and business of the Group. With respect to compliance matters, the Company Secretary is responsible for providing any new Director with information and materials relating to his/her responsibilities under applicable statutory and regulatory requirements. Subsequent updating about the latest changes and development of such requirements will be sent to the Directors by the Company Secretary.

Code A.5.2 *The functions of non-executive directors should include but should not be limited to the following:*

(a) *participating in board meetings of the issuer to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;*

(b) *taking the lead where potential conflicts of interests arise;*

(c) *serving on the audit, remuneration, nomination and other governance committees, if invited; and*

(d) *scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.*

Deviation from Code A.5.2

No The Non-Executive Director and the Independent Non-Executive Directors perform the functions as set out in this Code.

Code A.5.3 Every director should ensure that he can give sufficient time and attention to the affairs of the issuer and should not accept the appointment if he cannot do so.

Deviation from Code A.5.3

No Every Director contributes sufficient time and attention to the affairs of the Company and the Group as appropriate for the roles undertaken.

Code A.5.4 Directors must comply with their obligations under the Code of Conduct for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 of the Listing Rules and, in addition, the board should establish written guidelines on no less exacting terms than the Model Code for relevant employees (as defined in this Code) in respect of their dealings in the securities of the issuer.

Deviation from Code A.5.4

No The Directors have confirmed that they have complied with the required standard under the Model Code and the "Code for Securities Transactions by Directors of Regal Hotels International Holdings Limited" (the "Regal Code") adopted by the Company, on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors during the year ended 31st December, 2007.

The Board has also adopted the "Guidelines for Securities Transactions by Relevant Employees of Regal Hotels International Holdings Limited" (the "Regal Guidelines"), on terms no less exacting than the required standard set out in the Model Code, in respect of their dealings in the securities of the Company.

The Regal Code and the Regal Guidelines are available on the website of the Company.

A.6 Supply of and access to information

Code A.6.1 In respect of regular board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or such other period as agreed).

Deviation from Code A.6.1

No Agenda and relevant board papers for Board Meetings and Board Committee Meetings have been timely sent to all Directors at least 3 days before the intended date of the Meetings (or such other period as agreed).

Code A.6.2 Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. The information supplied must be complete and reliable.

Deviation from Code A.6.2

No Any Director may require information in addition to those provided by management and make further enquiries where necessary. Each Director has separate and independent access to the Company's senior management.

Code A.6.3 All directors are entitled to have access to board papers and related materials. Such papers and related materials should be prepared in such form and quality as will enable the board to make an informed decision on matters placed before it. Where queries are raised by directors, steps must be taken to respond as promptly and fully as possible.

Deviation from Code A.6.3

No All relevant board papers and related materials are sent to all Directors ahead of time for the Meetings, with an aim to enabling the Board to make informed decisions on matters placed before it. In the event of queries raised by Directors, the Executive Directors and management are obligated to ensure that the requisite information or materials will be provided to the Directors soonest possible.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B.1 The level and make-up of remuneration and disclosure

Code B.1.1 Issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.

Deviation from Code B.1.1

No The Company has established a Remuneration Committee comprising Mr. Lo Yuk Sui, the Chairman and Chief Executive Officer of the Company, as Chairman of the Committee, and Ms. Alice Kan Lai Kuen, Mr. Ng Siu Chan and Mr. Wong Chi Keung, all Independent Non-Executive Directors, as members, with written terms of reference which deal clearly with the authority and duties of the Committee.

Code B.1.2 The remuneration committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.

Deviation from Code B.1.2

No The proposals relating to the remuneration of other Executive Directors are formulated by consultation amongst the members of the Remuneration Committee which is presided by the Chairman and Chief Executive Officer of the Company. Professional advice in such respect is sought if considered necessary.

Code B.1.3 The terms of reference of the remuneration committee should include, as a minimum, the specific duties as set out in this Code.

Deviation from Code B.1.3

No The terms of reference of the Remuneration Committee are set up with reference to the requirements under this Code.

Code B.1.4 The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

Deviation from Code B.1.4

No The terms of reference of the Remuneration Committee are available on the website of the Company.

Code B.1.5 The remuneration committee should be provided with sufficient resources to discharge its duties.

Deviation from Code B.1.5

No The Remuneration Committee has been and will be provided with sufficient resources to discharge its duties.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

Code C.1.1 Management should provide such explanation and information to the board as will enable the board to make an informed assessment of the financial and other information put before the board for approval.

Deviation from Code C.1.1

No Executive Directors and other executives of the Group who are in charge of the financial reporting function have provided detailed explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

Code C.1.2 The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts, and there should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements.

Deviation from Code C.1.2

No Relevant acknowledgement by the Directors of their responsibility in preparing financial statements of the Group is stated in this Corporate Governance Report.

In the Independent Auditors' Report contained in this Annual Report, the Auditors state their reporting responsibilities on the financial statements of the Group.

Code C.1.3 The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Deviation from Code C.1.3

No The Board uses all reasonable endeavours to ensure that a balanced, clear and understandable assessment is presented in all reports, announcements or other disclosures as required to be made by the Company under the Listing Rules and other applicable statutes and regulations.

C.2 Internal controls

Code C.2.1 The directors should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries and report to shareholders that they have done so in their Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions.

Deviation from Code C.2.1

No The Directors have conducted an annual review of the effectiveness of the system of internal control of the Group covering all material controls, including financial, operational and compliance controls and risk management functions. Proposals on further enhancement of the system of internal control of the Group, if required or necessary, are being implemented from time to time.

C.3 Audit Committee

Code C.3.1 Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the audit committee meetings should be sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

Deviation from Code C.3.1

No Minutes of the Audit Committee Meetings of the Company are kept by the Company Secretary who is appointed the secretary of the Audit Committee, after finalisation with the members of the Audit Committee within a reasonable time after the Meetings.

Code C.3.2 A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of the issuer's audit committee for a period of 1 year commencing on the date of his ceasing:

(a) to be a partner of the firm; or

(b) to have any financial interest in the firm,

whichever is the later.

Deviation from Code C.3.2

No None of the members of the Audit Committee is a former partner of the Company's existing Auditors.

Code C.3.3 The terms of reference of the audit committee should include at least the duties as specified in the CG Code.

Deviation from Code C.3.3

No The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants, with terms of reference, explaining its role and the authority delegated to it by the Board.

Code C.3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

Deviation from Code C.3.4

No The terms of reference of the Audit Committee explaining its role and the authority delegated to it by the Board are available on the website of the Company.

Code C.3.5 Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.

Deviation from Code C.3.5

No There has not been any disagreement between the Audit Committee and the Board on the selection and appointment of the external Auditors of the Company.

Code C.3.6 The audit committee should be provided with sufficient resources to discharge its duties.

Deviation from Code C.3.6

No The Company ensures that sufficient resources will be provided to the Audit Committee for discharging its duties.

D. DELEGATION BY THE BOARD

D.1 Management functions

Code D.1.1 When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the board before making decisions or entering into any commitments on behalf of the issuer.

Deviation from Code D.1.1

No All material policies and decisions remain within the authority of the Board as a whole. The Board will only delegate authorities to management, to an extent that would not significantly hinder or reduce the ability of the Board to discharge its proper functions as a whole.

Code D.1.2 An issuer should formalise the functions reserved to the board and those delegated to management. It should review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the issuer.

Deviation from Code D.1.2

No The functions of the Board and those delegated to management of the Company are properly distinguished and clarified. Review of the formalised arrangements will be carried out on a periodic basis to ensure that they remain appropriate to the needs of the Company.

D.2 Board Committees

Code D.2.1 Where board committees are established to deal with matters, the board should prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly.

Deviation from Code D.2.1

No The Audit Committee and the Remuneration Committee are established with sufficiently clear terms of reference to enable such committees to discharge their functions properly.

Code D.2.2 The terms of reference of board committees should require such committees to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

Deviation from Code D.2.2

No The respective terms of reference of Audit Committee and the Remuneration Committee require such committees to report back to the Board on their decisions or recommendations.

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

Code E.1.1 In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting.

Deviation from Code E.1.1

No Separate Resolution on each substantially separate issue was proposed by the Chairman of Meeting at the Annual General Meeting of the Company held in 2007. Proposed election of Directors of the Company were put to vote by a separate Resolution for each nominated Director.

Code E.1.2 The chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

Deviation from Code E.1.2

No The Chairman of the Board and the Chairman and a Member of the Audit Committee had attended the Annual General Meeting of the Company held in 2007. Questions were raised by certain shareholders at the Meeting concerning the Group's business affairs, which were responded to by the Chairman of the Board.

At any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, the chairman of the independent board committee (if any) would be available to answer questions at that meeting.

E.2 Voting by Poll

Code E.2.1 The chairman of a meeting should ensure disclosure in the issuer's circulars to shareholders of the procedures for and the rights of shareholders to demand a poll in compliance with the requirements about voting by poll contained in Rule 13.39(4) of the Listing Rules. In particular, pursuant to Rule 13.39(3), the chairman of a meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies. If a poll is required under such circumstances, the chairman of the meeting should disclose to the meeting the total number of votes represented by all proxies held by directors indicating an opposite vote to the votes cast at the meeting on a show of hands.

Deviation from Code E.2.1

No Relevant details of the provisions of the Bye-laws relating to the procedures for and the rights of shareholders to demand a poll have been set out in each circular of the Company containing the notice convening the Annual General Meeting or the Special General Meeting of the Company held in 2007.

There had not been situation at the Annual General Meeting of the Company where, on a show of hands, votes were cast in the opposite manner to that as instructed in the proxies as would require the Chairman to demand a poll. As required under the Listing Rules, voting on the ordinary resolution for approving the spin-off of Regal Real Estate Investment Trust put forth at the Special General Meeting of the Company was taken by poll.

Code E.2.2 *The issuer should count all proxy votes and, except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands. The issuer should ensure that votes cast are properly counted and recorded.*

Deviation from Code E.2.2

No At the Annual General Meeting of the Company held during the year of 2007, the Chairman of Meeting had indicated to the Meeting by display at the forum the level of proxies lodged on each Resolution put to the Meeting and the balance for and against the Resolution, after the Resolution has been dealt with on a show of hands and before he declared the results of voting. The Resolution put to the Special General Meeting held during the year of 2007 was required to be voted by poll;

Code E.2.3 *The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of:*

(a) *the procedures for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and*

(b) *the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.*

Deviation from Code E.2.3

No The Chairman of the Annual General Meeting and the Special General Meeting of the Company held during the year of 2007 had at the commencement of each Meeting referred the shareholders to the procedures for demanding a poll by shareholders as detailed in the related circular of the Company to its shareholders. At the Special General Meeting, when a poll was validly demanded and before the poll taking was to be conducted, the Chairman explained to the shareholders detailed procedures for conducting a poll and also advised that he would answer any relevant questions from shareholders.

(II) DIRECTORS' SECURITIES TRANSACTIONS

As reported in the preceding section of this report headed "Corporate Governance Practices", the Company has adopted the Regal Code, on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company.

Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard under the Model Code and the Regal Code during the year ended 31st December, 2007.

(III) BOARD OF DIRECTORS

The Board of Directors of the Company currently 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

The name, biographical details of the Directors and relationship among them are disclosed in the preceding section headed "Directors' Profiles" contained in this Annual Report.

During the year ended 31st December, 2007, the Company has fully complied with Rules 3.10(1) and (2) of the Listing Rules regarding the number of Independent Non-Executive Directors and the requirement that at least one of these Directors must have appropriate professional qualifications.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-Executive Directors have met the independence guidelines of Rule 3.13 of the Listing Rules.

The Board conducts regular meetings to discuss and decide on major corporate, strategic, business and operational issues. Appropriate and sufficient information is provided to Board members in a timely manner in order to enable them to discharging their duties.

In the year of 2007, the attendance rates of individual Board members of the Company were as follows:

Name of Directors	Attendance
Executive Directors	
Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*	10/10
Ms. Belinda Yeung Bik Yiu *(Chief Operating Officer)*	9/10
Mr. Donald Fan Tung	10/10
Mr. Jimmy Lo Chun To	9/10
Miss Lo Po Man	10/10
Mr. Kenneth Ng Kwai Kai	10/10
Non-Executive Director	
Dr. Francis Choi Chee Ming, JP *(Vice Chairman)*	6/10
Independent Non-Executive Directors	
Ms. Alice Kan Lai Kuen	9/10
Mr. Ng Siu Chan	9/10
Mr. Wong Chi Keung	10/10

(IV) NOMINATION OF DIRECTORS

The Company does not have a Nomination Committee. The Board is responsible for the procedure of selecting and appointing Directors.

Those Directors appointed by the Board during the year shall hold office until the next annual general meeting and, being eligible, may offer for re-election.

(V) AUDIT COMMITTEE

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

The Audit Committee currently comprises the following members:

Independent Non-Executive Directors:

Mr. Wong Chi Keung *(Chairman of the Committee)*
Ms. Alice Kan Lai Kuen *(Member)*
Mr. Ng Siu Chan *(Member)*

Non-Executive Director:

Dr. Francis Choi Chee Ming, JP *(Member)*

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim and final financial statements.

As both the Board and the Audit Committee recommended to re-appoint the current external Auditors, Messrs. Ernst & Young, no circumstances exist as would require an explanation from the Audit Committee as to why the Board has taken a different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the external Auditors.

In the year of 2007, the Audit Committee met twice and the meetings were attended by the external Auditors of the Company. The attendance rates of individual Audit Committee members of the Company were as follows:

Name of Audit Committee members	Attendance
Mr. Wong Chi Keung *(Chairman of the Committee)*	2/2
Dr. Francis Choi Chee Ming, JP	1/2
Ms. Alice Kan Lai Kuen	2/2
Mr. Ng Siu Chan	2/2

(VI) REMUNERATION COMMITTEE

The Company has formed the Remuneration Committee with specific written terms of reference that deal with its authority and duties. The terms of reference of the Remuneration Committee are available on the Company's website. The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The Remuneration Committee currently comprises the following members:

Executive Director:

Mr. Lo Yuk Sui *(Chairman of the Committee)*

Independent Non-Executive Directors:

Ms. Alice Kan Lai Kuen *(Member)*
Mr. Ng Siu Chan *(Member)*
Mr. Wong Chi Keung *(Member)*

Mr. Kenneth Ng Kwai Kai, an Executive Director of the Company, has been appointed to act as the Secretary of the Committee.

In the year of 2007, the Remuneration Committee met once. The attendance rates of individual Remuneration Committee members of the Company were as follows:

Name of Remuneration Committee members	Attendance
Mr. Lo Yuk Sui *(Chairman of the Committee)*	1/1
Ms. Alice Kan Lai Kuen	1/1
Mr. Ng Siu Chan	1/1
Mr. Wong Chi Keung	1/1

(VII) DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors of the Company acknowledge their responsibility for preparing the financial statements of the Group, which give a true and fair view of the state of affairs of the Group, and ensure that appropriate accounting policies are selected and applied consistently and the financial statements are prepared in accordance with the relevant statutory requirements and applicable accounting standards. The Directors also ensure the financial statements are published in a timely manner.

The statement by the external Auditors, Messrs. Ernst & Young, about their reporting responsibilities is set out in the Independent Auditors' Report contained in this Annual Report.

The financial statements are prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, they are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(VIII) INTERNAL CONTROL

The Board has conducted a review of the effectiveness of the system of internal controls of the Group during the year of 2007, including financial, operational and compliance controls and risk management functions with a view to safeguarding the shareholders' investment and the Company's assets.

Management of the Company has put into effect a full set of corporate policies and procedures as well as detailed operating manuals for the hotel operations of the Group, with an objective to achieving a sound internal control system. Separate meetings attended by Directors, Group Financial Controller, Area Financial Controller, Hotel General Managers and Hotel Financial Controllers are held regularly to review the effectiveness of the internal control system, to identify any significant control failings or weaknesses, and also to review the need for any control improvements or updating to respond to changes in the business and external environment. While the regular monitoring of the internal control mechanisms is mainly conducted by delegated Directors and senior management staff members, support and advice from external consultants and professionals are sought as and when required.

The Board acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. Accordingly, while periodic committee meetings are held with the delegated Directors and senior management staff members, clear instructions have been provided to management of the Company that any material issues relating to the internal control system, particularly any incidence of significant control failings or weaknesses that has had, or might have, a material impact on the business of the Group is to be reported to the Board and the Audit Committee of the Company on a timely basis.

(IX) AUDITORS' REMUNERATION

Messrs. Ernst & Young have been re-appointed as the external auditors of the Company at the 2007 Annual General Meeting until the conclusion of the forthcoming 2008 Annual General Meeting.

The amount of fees payable to Messrs. Ernst & Young, the auditors of the Company, for the year ended 31st December, 2007 is HK$3.4 million (2006 - HK$3.3 million). The amount of remuneration payable to the auditors of the Company relating to non-audit service for the year ended 31st December, 2007 is HK$4.1 million (2006 - HK$0.7 million).

Consolidated Income Statement

For the year ended 31st December, 2007

	Notes	2007 HK$'million	2006 HK$'million
REVENUE	5	**1,780.7**	1,261.2
Cost of sales		**(1,700.8)**	(699.3)
Gross profit		**79.9**	561.9
Other income and gains	5	**317.6**	85.5
Administrative expenses		**(186.3)**	(93.9)
Gain on disposal of subsidiaries	6	**2,293.5**	–
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION		**2,504.7**	553.5
Depreciation and amortisation		**(9.6)**	(139.0)
OPERATING PROFIT		**2,495.1**	414.5
Finance costs	7	**(84.2)**	(265.8)
Share of profits and losses of:			
Jointly controlled entity		**41.6**	203.6
Associates		**527.0**	2.9
PROFIT BEFORE TAX	6	**2,979.5**	355.2
Tax	10	**(22.2)**	(23.9)
PROFIT FOR THE YEAR		**2,957.3**	331.3
Attributable to:			
Equity holders of the parent	11	**2,957.3**	331.3
Minority interests		**–**	–
		2,957.3	331.3
DIVIDENDS	12		
Interim		**32.0**	21.1
Proposed final		**103.8**	54.9
Proposed special		**–**	91.6
		135.8	167.6
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	13		
Basic		**HK29.6 cents**	HK3.9 cents
Diluted		**HK27.8 cents**	HK3.3 cents

Consolidated Balance Sheet

As at 31st December, 2007

	Notes	2007 HK$'million	2006 HK$'million
NON-CURRENT ASSETS			
Property, plant and equipment	14	**11.1**	10.6
Interest in a jointly controlled entity	16	**112.1**	2,032.6
Interests in associates	17	**1,277.3**	488.8
Financial assets at fair value through profit or loss	18	**380.7**	–
Other loan	19	**36.1**	65.6
Deferred tax assets	29	**–**	2.4
Pledged bank deposits		**970.0**	–
Deposit for acquisition of land		**134.4**	–
Total non-current assets		**2,921.7**	2,600.0
CURRENT ASSETS			
Hotel and other inventories	20	**17.0**	17.8
Properties held for sale	21	**1,771.3**	–
Debtors, deposits and prepayments	22	**551.0**	162.0
Financial assets at fair value through profit or loss	18	**229.8**	29.8
Pledged time deposit		**24.0**	–
Time deposits		**489.6**	156.3
Cash and bank balances		**77.9**	66.4
		3,160.6	432.3
Assets of a disposal group classified as held for sale	23	**–**	4,046.1
Total current assets		**3,160.6**	4,478.4
CURRENT LIABILITIES			
Creditors and accruals	24	**(646.8)**	(229.4)
Derivative financial instrument	25	**(0.1)**	(0.6)
Interest bearing bank borrowings	26	**(21.4)**	(1,718.7)
Convertible bonds	26,27	**–**	(122.5)
Convertible preference shares	26,28	**(128.6)**	–
Tax payable		**(3.7)**	(2.4)
		(800.6)	(2,073.6)
Liabilities directly associated with the assets of a disposal group classified as held for sale	23	**–**	(29.1)
Total current liabilities		**(800.6)**	(2,102.7)

	Notes	2007 HK$'million	2006 HK$'million
NET CURRENT ASSETS		**2,360.0**	2,375.7
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,281.7**	4,975.7
NON-CURRENT LIABILITIES			
Convertible preference shares	26,28	**–**	(127.7)
Interest bearing bank borrowings	26	**–**	(2,628.8)
Total non-current liabilities		**–**	(2,756.5)
Net assets		**5,281.7**	2,219.2
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	30	**104.9**	91.4
Equity component of convertible bonds	27	**–**	13.6
Reserves	31(a)	**5,071.7**	1,966.4
Proposed final and special dividends	12	**103.8**	146.5
		5,280.4	2,217.9
Minority interests		**1.3**	1.3
Total equity		**5,281.7**	2,219.2

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2007

		Attributable to equity holders of the parent											
	Notes	Issued share capital HK$'m	Share premium account HK$'m	Equity component of convertible bonds HK$'m	Share option reserve HK$'m	Capital redemption reserve HK$'m	Investment revaluation reserve HK$'m	Exchange equalisation reserve HK$'m	Retained profits HK$'m	Proposed final and special dividends HK$'m	Total HK$'m	Minority interests HK$'m	Total equity HK$'m
At 1st January, 2006		83.7	559.3	21.8	5.7	0.9	29.4	0.6	1,020.4	46.1	1,767.9	1.3	1,769.2
Exchange realignment		–	–	–	–	–	–	9.6	–	–	9.6	–	9.6
Total income and expense recognised directly in equity		–	–	–	–	–	–	9.6	–	–	9.6	–	9.6
Profit for the year		–	–	–	–	–	–	–	331.3	–	331.3	–	331.3
Total income and expense for the year		–	–	–	–	–	–	9.6	331.3	–	340.9	–	340.9
Final 2005 dividend declared		–	–	–	–	–	–	–	(0.3)	(46.1)	(46.4)	–	(46.4)
Release on disposal of financial assets at fair value through profit or loss		–	–	–	–	–	(29.4)	–	–	–	(29.4)	–	(29.4)
Issue of new shares upon exercise of warrants	30	4.7	112.3	–	–	–	–	–	–	–	117.0	–	117.0
Issue of new shares upon conversion of convertible bonds	30	3.0	79.2	(8.2)	–	–	–	–	–	–	74.0	–	74.0
Equity-settled share option arrangements		–	–	–	15.0	–	–	–	–	–	15.0	–	15.0
Interim 2006 dividend	12	–	–	–	–	–	–	–	(21.1)	–	(21.1)	–	(21.1)
Proposed final and special 2006 dividends	12	–	–	–	–	–	–	–	(146.5)	146.5	–	–	–
At 31st December, 2006		91.4	750.8	13.6	20.7	0.9	–	10.2	1,183.8	146.5	2,217.9	1.3	2,219.2

	Notes	Issued share capital HK$'m	Share premium account HK$'m	Equity component of convertible bonds HK$'m	Share option reserve HK$'m	Capital redemption reserve HK$'m	Hedge reserve HK$'m	Exchange equalisation reserve HK$'m	Retained profits HK$'m	Proposed final and special dividends HK$'m	Total HK$'m	Minority interests HK$'m	Total equity HK$'m
		Attributable to equity holders of the parent											
At 1st January, 2007		91.4	750.8	13.6	20.7	0.9	–	10.2	1,183.8	146.5	2,217.9	1.3	2,219.2
Share of the listed associate		–	–	–	–	–	(17.5)	–	–	–	(17.5)	–	(17.5)
Exchange realignment		–	–	–	–	–	–	38.7	–	–	38.7	–	38.7
Total income and expense recognised directly in equity		–	–	–	–	–	(17.5)	38.7	–	–	21.2	–	21.2
Profit for the year		–	–	–	–	–	–	–	2,957.3	–	2,957.3	–	2,957.3
Total income and expense for the year		–	–	–	–	–	(17.5)	38.7	2,957.3	–	2,978.5	–	2,978.5
Final 2006 dividend declared		–	–	–	–	–	–	–	(21.6)	(146.5)	(168.1)	–	(168.1)
Issue of new shares upon exercise of warrants	30	2.3	57.0	–	–	–	–	–	–	–	59.3	–	59.3
Repurchase and cancellation of ordinary shares	30	(1.8)	(107.5)	–	–	1.8	–	–	(1.8)	–	(109.3)	–	(109.3)
Issue of new shares upon conversion of convertible bonds	30	13.0	323.1	(13.6)	–	–	–	–	–	–	322.5	–	322.5
Equity-settled share option arrangements		–	–	–	11.6	–	–	–	–	–	11.6	–	11.6
Interim 2007 dividend	12	–	–	–	–	–	–	–	(32.0)	–	(32.0)	–	(32.0)
Proposed final 2007 dividend	12	–	–	–	–	–	–	–	(103.8)	103.8	–	–	–
At 31st December, 2007		104.9	1,023.4	–	32.3	2.7	(17.5)	48.9	3,981.9	103.8	5,280.4	1.3	5,281.7

Consolidated Cash Flow Statement

For the year ended 31st December, 2007

	Notes	2007 HK$'million	2006 HK$'million
Net cash inflow/(outflow) from operating activities	33(a)	**(237.1)**	481.5
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		**–**	0.4
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	224.5
Disposal of subsidiaries	33(c)	**6,630.4**	–
Payment of costs relating to disposal of subsidiaries		**(271.1)**	–
Purchases of items of property, plant and equipment		**(76.7)**	(104.3)
Deposit paid for acquisition of land		**(134.4)**	–
Purchases of financial assets at fair value through profit or loss		**(145.4)**	(62.0)
Increase in interest in an associate		**(71.0)**	–
Advance to associates		**(18.0)**	(215.5)
Advance to a jointly controlled entity		**(47.7)**	(24.3)
Acquisition of subsidiaries	33(d)	**(1.3)**	–
Interest received		**72.4**	4.7
Dividends received from listed investments		**0.7**	3.1
Distributions received from listed associate		**105.1**	–
Repayment of a promissory note payable for investment in an associate		**–**	(145.0)
Increase in pledged bank deposits		**(994.0)**	–
Net cash inflow/(outflow) from investing activities		**5,049.0**	(318.4)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of warrants	30	**59.3**	117.0
Proceeds from issue of convertible bonds		**200.0**	–
Repurchase and cancellation of ordinary shares	30	**(109.3)**	–
Drawdown of a new loan		**21.4**	690.0
Repayments of bank loans		**(4,368.7)**	(790.0)
Interest paid		**(69.7)**	(273.3)
Dividends paid		**(200.1)**	(67.5)
Net cash outflow from financing activities		**(4,467.1)**	(323.8)
Net increase/(decrease) in cash and cash equivalents		**344.8**	(160.7)
Cash and cash equivalents at beginning of year		**222.7**	383.4
Cash and cash equivalents at end of year		**567.5**	222.7
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**77.9**	66.4
Non-pledged time deposits with original maturity of less than three months when acquired		**489.6**	156.3
		567.5	222.7

Balance Sheet

As at 31st December, 2007

	Notes	2007 HK$'million	2006 HK$'million
NON-CURRENT ASSETS			
Interests in subsidiaries	32	**5,417.3**	2,348.9
Total non-current assets		**5,417.3**	2,348.9
CURRENT ASSETS			
Deposits and prepayments		**0.9**	0.8
Cash and bank balances		**0.4**	0.2
Total current assets		**1.3**	1.0
CURRENT LIABILITIES			
Creditors and accruals		**(9.5)**	(3.7)
Derivative financial instrument	25	**(0.1)**	(0.6)
Convertible preference shares	26, 28	**(128.6)**	–
Total current liabilities		**(138.2)**	(4.3)
NET CURRENT LIABILITIES		**(136.9)**	(3.3)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,280.4**	2,345.6
NON-CURRENT LIABILITIES			
Convertible preference shares	26, 28	**–**	(127.7)
Total non-current liabilities		**–**	(127.7)
Net assets		**5,280.4**	2,217.9
EQUITY			
Issued capital	30	**104.9**	91.4
Reserves	31(b)	**5,071.7**	1,980.0
Proposed final and special dividends	12	**103.8**	146.5
Total equity		**5,280.4**	2,217.9

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

1. CORPORATE INFORMATION

Regal Hotels International Holdings Limited is a limited liability company incorporated in Bermuda. The head office and principal place of business in Hong Kong of the Company is located at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.

During the year, until 30th March, 2007, the Group was principally engaged in hotel ownership and management, property development and investment, and other investments.

On 30th March, 2007, the Group disposed of all its hotel properties to Regal Real Estate Investment Trust ("Regal REIT") and commenced to provide asset management service to Regal REIT which has since then been separately listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group continues to be principally engaged in hotel operation and management, property development and investment, and other investments.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

(a) HKFRS 7 *Financial Instruments: Disclosures*

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

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

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 40 to the financial statements.

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

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

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

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

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

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

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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 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*[5]
HKFRS 2 Amendments	*Share-based Payment - Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[5]
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*[2]
HK(IFRIC)-Int 12	*Service Concession Arrangements*[4]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*[4]

1 *Effective for annual periods beginning on or after 1st January, 2009*
2 *Effective for annual periods beginning on or after 1st March, 2007*
3 *Effective for annual periods beginning on or after 1st July, 2008*
4 *Effective for annual periods beginning on or after 1st January, 2008*
5 *Effective for annual periods beginning on or after 1st July, 2009*

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

HKAS 1 has been revised to separate owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKAS 27 has been revised to require that a change in the ownership interest of a subsidiary be 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 a subsidiary as well as the loss of control over a subsidiary. The changes introduced by the revised standard must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HKFRS 2 has been amended to restrict the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The changes introduced by the revised standard must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sale transaction are accounted for as a separate component of the sale transaction. The consideration received in the sale transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no defined benefit scheme, HK(IFRIC)-Int 14 is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

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 may result in new or amended disclosures and the adoption of HK(IFRIC)-Int 13 may result in a change in accounting policy, the adoption of these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

(b) Joint venture

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(i) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(ii) a jointly controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(iii) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(iv) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

(c) Jointly controlled entity

A jointly controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

The Group's share of the post-acquisition results and reserves of the jointly controlled entity is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred. The Group's interest in the jointly controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

(d) Associates

An associate is an entity, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates, are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

(e) Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates, after reassessment, is recognised immediately in the consolidated income statement.

The excess for associates is included in the Group's share of the associates' profits or losses in the period in which the investments are acquired.

(f) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

(g) Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Hotel buildings	Over the shorter of 100 years or the remaining lease terms
Leasehold properties	Over the shorter of 40 years or the remaining lease terms
Leasehold improvements	Over the remaining lease terms
Other furniture, fixtures and equipment	10% to 25%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction or renovation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction or renovation and interest charges on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for commercial use.

(h) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

(i) Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on financial assets at fair value through profit or loss are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same.

Fair value

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

(j) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade debtors and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the debts is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

(k) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(l) Financial liabilities at amortised cost (including interest bearing loans and borrowings)

Financial liabilities including trade creditors and accruals, amounts due to an associate and related companies and interest bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

(m) Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

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

(n) Convertible preference shares

The component of the convertible preference shares that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the income statement. On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised as derivative financial instrument of the convertible preference shares denominated in foreign currency and included under current liabilities. The fair value of such derivative financial instrument is reassessed at each balance sheet date using a binomial valuation model with the corresponding gain or loss from the reassessment recognised in the income statement.

(o) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

(p) Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(q) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any further costs expected to be incurred to disposal.

(r) Properties held for sale

Properties held for sale are classified as current assets and stated at the lower of cost and net realisable value on an individual property basis. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices.

(s) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) hotel and other service income, in the period in which such services are rendered;

(ii) proceeds from the sale of properties, on the exchange of legally binding sales contracts;

(iii) rental income, in the period in which the properties are let and on the straight-line basis over the lease terms;

(iv) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(v) dividend income, when the shareholders' right to receive payment has been established;

(vi) proceeds from the sale of investments in listed shares, on the transaction dates when the relevant contract notes are exchanged; and

(vii) bakery and health products operations income, when the goods are delivered to the customers.

(t) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange equalisation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(u) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly controlled entity, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly controlled entity, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(v) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

(w) Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an option pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

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

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted on or after 1st January, 2005.

Staff retirement schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, part or all of which are refunded to the Group when the employee leaves employment prior to the contributions vesting with the employee partly or fully in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute a percentage of their payroll costs to the relevant central pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension schemes.

(x) Related parties

A party is considered to be related to the Group if:

(i) the party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly controlled entity;

(iv) the party is a member of the key management personnel of the Group;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

(y) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(z) Dividends

Final and special dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(a) Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31st December, 2007 was HK$415.4 million (2006 - HK$986.3 million). Further details are contained in note 29 to the financial statements.

Measurement of convertible preference shares and estimation of fair value of derivative financial instrument

On issuance of convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The splitting of the liability component and derivative financial instrument requires an estimation of the market interest rate.

The remainder of the proceeds is allocated to the conversion option that is recognised as derivative financial instrument of the convertible preference shares denominated in foreign currency and included under current liabilities. The fair value of such derivative financial instrument is reassessed at each balance sheet date. In analysis of fair value, the Group uses independent valuation which is based on various assumptions and estimates, with the corresponding gain or loss from the reassessment recognised in the income statement.

Measurement of convertible bonds

On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in the shareholders' equity, net of transaction costs. The splitting of the liability and equity components requires an estimation of the market interest rate.

Estimation of amortised cost of other loan

Other loan is a non-derivative financial asset and is stated at its amortised cost which is calculated using the discounted cash flow model based on estimated future cash inflow in repayment of the loan. The determination of the value requires the Group to make assumptions and estimates of the expected future cash flows, including an appropriate discount rate to calculate the present value of those net cash flows.

Measurement of fair value of equity-settled transactions

The Company operates a share option scheme under which employees (including directors) of the Group receive remuneration in the form of share-based payment transactions. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, using assumptions including expected volatility, dividend yield and risk free interest rate. Such cost is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

4. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

Business segments

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

Group

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

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

Business segments (continued)

Group

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

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

5. REVENUE, OTHER INCOME AND GAINS

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

	GROUP	
	2007 HK$'million	**2006 HK$'million**
Revenue		
Hotel operations and management services	**1,259.5**	1,170.8
Other operations, including estate management, estate agency, health products and bakery operations	**3.0**	8.2
Rental income from hotel properties and properties held for sale	**32.7**	31.7
Proceeds from sale of financial assets at fair value through profit or loss	**64.7**	50.5
Asset management service	**53.5**	–
Sale of properties	**367.3**	–
	1,780.7	1,261.2
Other income		
Bank interest income	**64.0**	4.7
Interest income from other loan	**–**	3.5
Other interest income	**9.9**	–
Dividend income from listed investments	**0.7**	3.1
Net settlement amount received for the claim in connection with the agreement for the sale and purchase of the Group's hotel property in Canada in 2002	**4.4**	–
Others	**0.5**	0.2
	79.5	11.5
Gains		
Fair value gains on financial assets at fair value through profit or loss, net	**237.6**	6.1
Fair value gain on derivative financial instrument	**0.5**	4.8
Gain on disposal of financial assets at fair value through profit or loss	**–**	63.1
	238.1	74.0
	317.6	85.5

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	GROUP	
	2007 HK$'million	2006 HK$'million
Cost of sales#	1,700.8	699.3
Cost of inventories sold and services provided	505.8	441.0
Depreciation	4.0	116.8
Recognition of prepaid land lease payments	5.6	22.2
Impairment of trade debtors, net	0.6	(0.2)
Impairment of other receivables	1.6	–
Impairment of other loan	29.5	–
Employee benefits expense (inclusive of directors' remuneration disclosed in note 8):		
Wages and salaries*	387.3	320.6
Equity-settled share option expense	11.6	15.0
Staff retirement scheme contributions	16.4	14.6
Less: Forfeited contributions	(0.4)	(0.3)
Net staff retirement scheme contributions	16.0	14.3
	414.9	349.9
Auditors' remuneration	3.4	3.3
Minimum lease payments under operating leases:		
Land and buildings**	653.7	4.9
Other equipment	0.1	0.1
	653.8	5.0
Gross rental income	(32.7)	(31.7)
Less: Outgoings	6.9	7.1
Net rental income	(25.8)	(24.6)
Gain on disposal of subsidiaries^	(2,293.5)	–

Cost of sales does not include depreciation and amortisation, which are separately shown on the face of the consolidated income statement. Cost of sales also includes cost of inventories sold and services provided.

* Inclusive of an amount of HK$329.8 million (2006 - HK$299.6 million) classified under cost of inventories sold and services provided.

** Inclusive of an amount of HK$647.5 million (2006 - Nil) classified under cost of sales.

^ The gain arose from the completion of the spin-off of Regal REIT (the "Spin-off") during the year, which comprised the global offering and separate listing of the units in Regal REIT on the Stock Exchange, 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 (the "Trust Deed") between Regal Portfolio Management Limited ("RPML"), 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 has 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).

7. FINANCE COSTS

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

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	GROUP	
	2007 **HK$'million**	**2006** **HK$'million**
Fees	**1.3**	1.3
Other emoluments:		
Salaries and other allowances	**10.9**	9.9
Performance related/discretionary bonuses	**8.4**	1.9
Employee share option benefits	**10.2**	13.2
Staff retirement scheme contributions	**0.7**	0.7
	31.5	27.0

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2007 **HK$'million**	**2006** **HK$'million**
Ms. Alice Kan Lai Kuen	**0.15**	0.15
Mr. Ng Siu Chan	**0.15**	0.15
Mr. Wong Chi Keung	**0.20**	0.20
	0.50	0.50

There were no other emoluments payable to the independent non-executive directors during the year (2006 - Nil).

(b) Executive directors and non-executive directors

	Fees HK$'million	Salaries and other allowances HK$'million	Performance related/ discretionary bonuses HK$'million	Employee share option benefits HK$'million	Staff retirement scheme contributions HK$'million	Total remuneration HK$'million
2007						
Executive directors:						
Mr. Lo Yuk Sui	0.10	6.29	2.45	5.52	0.30	14.66
Mr. Donald Fan Tung	0.10	0.59	1.18	0.82	0.06	2.75
Mr. Jimmy Lo Chun To	0.10	0.23	0.60	0.61	0.02	1.56
Miss Lo Po Man	0.10	0.97	1.13	1.23	0.07	3.50
Mr. Kenneth Ng Kwai Kai	0.10	1.30	1.54	0.82	0.10	3.86
Ms. Belinda Yeung Bik Yiu	0.10	1.48	1.55	1.23	0.15	4.51
	0.60	10.86	8.45	10.23	0.70	30.84
Non-executive director:						
Dr. Francis Choi Chee Ming	0.15	–	–	–	–	0.15
	0.75	10.86	8.45	10.23	0.70	30.99

	Fees HK$'million	Salaries and other allowances HK$'million	Performance related/ discretionary bonuses HK$'million	Employee share option benefits HK$'million	Staff retirement scheme contributions HK$'million	Total remuneration HK$'million
2006						
Executive directors:						
Mr. Lo Yuk Sui	0.10	5.53	0.49	7.27	0.29	13.68
Mr. Donald Fan Tung	0.10	0.55	0.16	1.03	0.06	1.90
Mr. Jimmy Lo Chun To	0.10	0.20	0.05	0.77	0.01	1.13
Miss Lo Po Man	0.10	0.96	0.43	1.55	0.07	3.11
Mr. Kenneth Ng Kwai Kai	0.10	1.23	0.28	1.03	0.09	2.73
Ms. Belinda Yeung Bik Yiu	0.10	1.38	0.50	1.55	0.14	3.67
	0.60	9.85	1.91	13.20	0.66	26.22
Non-executive directors:						
Dr. Francis Choi Chee Ming	0.15	–	–	–	–	0.15
Mr. Kai Ole Ringenson	0.09	–	–	–	–	0.09
	0.84	9.85	1.91	13.20	0.66	26.46

The Independent Non-Executive Directors of the Company were entitled to a total sum of HK$0.50 million (2006 - HK$0.50 million) as Directors' fees, including the fees entitled by those Independent Non-Executive Directors for serving as audit committee members, for the year ended 31st December, 2007.

In the prior year, a consultancy fee of HK$1.00 million was paid to Dr. Francis Choi Chee Ming for services rendered on business development of the Group. Furthermore, in the prior year, a consultancy fee of HK$1.81 million was paid to a company beneficially owned by Mr. Kai Ole Ringenson for the provision of consultancy services in relation to the spin-off of Regal REIT.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

9. SENIOR EXECUTIVES' EMOLUMENTS

The five highest-paid individuals included four (2006 - five) Directors, details of whose remuneration are disclosed in note 8 to the financial statements. The emoluments of the remaining one individual for the year ended 31st December, 2007, who was not a Director, are as follows:

	GROUP	
	2007 HK$'million	**2006 HK$'million**
Salaries and other emoluments	**3.3**	–
Performance related/discretionary bonuses	**2.5**	–
	5.8	–

The emoluments of the non-director, highest paid individual for the year ended 31st December, 2007 fell within the band of HK$5,500,001 to HK$6,000,000.

10. TAX

	GROUP	
	2007 HK$'million	**2006 HK$'million**
Group:		
Current - Hong Kong		
Provision for tax in respect of profits for the year	**3.0**	–
Current - Overseas		
Provision for tax in respect of profits for the year	**0.6**	0.7
Prior year underprovision	**–**	0.8
Deferred tax (note 29)	**18.6**	22.4
Total tax charge for the year	**22.2**	23.9

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

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

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	GROUP	
	2007 HK$'million	**2006 HK$'million**
Profit before tax	**2,979.5**	355.2
Tax at the statutory tax rate	**521.4**	62.2
Adjustment in respect of current tax of previous years	**–**	0.8
Profits and losses attributable to a jointly controlled entity and associates	**(99.5)**	(36.2)
Higher tax rates of other countries	**0.3**	0.3
Income not subject to tax	**(452.5)**	(14.9)
Expenses not deductible for tax	**6.7**	10.8
Tax losses utilised from previous years	**(33.4)**	(40.8)
Increase in deferred tax assets not recognised during the year	**79.3**	41.7
Others	**(0.1)**	–
Tax charge at the Group's effective rate	**22.2**	23.9

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

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

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31st December, 2007 includes a profit of HK$2,964.9 million (2006 - HK$303.3 million) which has been dealt with in the financial statements of the Company (note 31(b)).

12. DIVIDENDS

	2007 HK$'million	2006 HK$'million
Interim - HK0.30 cent (2006 - HK0.25 cent) per ordinary share	**32.0**	21.1
Proposed final - HK1.0 cent (2006 - HK0.6 cent) per ordinary share	**103.8**	54.9
Proposed special - Nil (2006 - HK1.0 cent) per ordinary share	**–**	91.6
	135.8	167.6

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic earnings per ordinary share

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

(b) Diluted earnings per ordinary share

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

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

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold properties HK$'million	Leasehold improvements HK$'million	Other furniture, fixtures and equipment HK$'million	Motor vehicles HK$'million	Total HK$'million
31st December, 2007					
At 31st December, 2006 and 1st January, 2007:					
Cost	5.3	6.5	6.9	0.8	19.5
Accumulated depreciation	(1.9)	(2.2)	(4.5)	(0.3)	(8.9)
Net carrying amount	3.4	4.3	2.4	0.5	10.6
At 1st January, 2007, net of accumulated depreciation	3.4	4.3	2.4	0.5	10.6
Additions	–	1.1	1.8	0.8	3.7
Acquisition of subsidiaries (note 33(d))	–	–	0.9	–	0.9
Disposals	–	–	–	(0.2)	(0.2)
Write-back of depreciation upon disposals	–	–	–	0.1	0.1
Depreciation provided during the year	(0.1)	(2.9)	(0.8)	(0.2)	(4.0)
At 31st December, 2007, net of accumulated depreciation	3.3	2.5	4.3	1.0	11.1
At 31st December, 2007:					
Cost	5.3	7.6	9.6	1.4	23.9
Accumulated depreciation	(2.0)	(5.1)	(5.3)	(0.4)	(12.8)
Net carrying amount	3.3	2.5	4.3	1.0	11.1

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Hotel buildings HK$'million	Leasehold properties HK$'million	Leasehold improvements HK$'million	Other furniture, fixtures and equipment HK$'million	Motor vehicles HK$'million	Construction in progress HK$'million	Total HK$'million
31st December, 2006							
At 1st January, 2006:							
Cost	3,588.2	5.3	4.2	536.5	0.4	–	4,134.6
Accumulated depreciation	(853.8)	(1.8)	(0.2)	(358.4)	(0.2)	–	(1,214.4)
Net carrying amount	2,734.4	3.5	4.0	178.1	0.2	–	2,920.2
At 1st January, 2006, net of accumulated depreciation	2,734.4	3.5	4.0	178.1	0.2	–	2,920.2
Additions	8.1	–	2.3	67.5	0.4	29.1	107.4
Disposals	–	–	–	(0.6)	–	–	(0.6)
Write-back of depreciation upon disposals	–	–	–	0.2	–	–	0.2
Depreciation provided during the year	(77.3)	(0.1)	(2.0)	(37.3)	(0.1)	–	(116.8)
Classified as assets of a disposal group held for sale (note 23)	(2,665.2)	–	–	(205.5)	–	(29.1)	(2,899.8)
At 31st December, 2006, net of accumulated depreciation	–	3.4	4.3	2.4	0.5	–	10.6
At 31st December, 2006:							
Cost	–	5.3	6.5	6.9	0.8	–	19.5
Accumulated depreciation	–	(1.9)	(2.2)	(4.5)	(0.3)	–	(8.9)
Net carrying amount	–	3.4	4.3	2.4	0.5	–	10.6

Analysis of carrying value by geographical location:

	2007 HK$'million	2006 HK$'million
Properties situated in Hong Kong:		
Medium term leasehold properties	**3.3**	3.4

In the prior year, certain of the Group's shop units in the hotel properties were leased to third parties under operating leases, further summary details of which are included in note 37(a) to the financial statements.

15. PREPAID LAND LEASE PAYMENTS

	2007 HK$'million	2006 HK$'million
Carrying amount at 1st January	–	1,088.0
Recognised during the year	–	(22.2)
Classified as assets of a disposal group held for sale (note 23)	–	(1,065.8)
Carrying amount at 31st December	–	–

The Group's leasehold land situated in Hong Kong is held under the following lease terms:

	2007 HK$'million	2006 HK$'million
Long term leases	–	506.6
Medium term leases	–	559.2
	–	1,065.8

16. INTEREST IN A JOINTLY CONTROLLED ENTITY

	GROUP	
	2007	**2006**
	HK$'million	**HK$'million**
Share of net liabilities	**(1,277.1)**	(1,318.7)
Loans to the jointly controlled entity	**1,022.5**	2,984.6
Amount due from the jointly controlled entity	**366.7**	366.7
	112.1	2,032.6

The movements of a provision for a foreseeable loss in respect of a property development project, which was included in the share of liabilities were as follows:

	GROUP	
	2007	**2006**
	HK$'million	**HK$'million**
Carrying amount at 1st January	**–**	222.5
Reversed during the year	**–**	(222.5)
Carrying amount at 31st December	**–**	–

The loans to the jointly controlled entity are unsecured, bear interest at Hong Kong prime rate per annum and are not repayable within one year. The amount due from the jointly controlled entity is unsecured, interest-free and has no fixed terms of repayment. The carrying amounts of the loans to and the amount due from the jointly controlled entity approximate to their fair values.

Details of the Group's interest in the jointly controlled entity are as follows:

Name	Place of incorporation	Particulars of issued shares	Percentage of equity interest attributable to the Group 2007	2006	Principal activity
Chest Gain Development Limited ("Chest Gain")	Hong Kong	Ordinary shares of HK$1 each	70	70	Property development

The jointly controlled entity is indirectly held by the Company.

Despite the Group's holding of a 70% interest in Chest Gain, the Directors have confirmed that neither the Group nor the other shareholder of Chest Gain has unilateral control over the operating and financing decisions of Chest Gain in accordance with the agreed terms under the shareholders' agreement of Chest Gain. Accordingly, the Directors consider it appropriate to continue to account for the Group's interest therein as a jointly controlled entity.

Pursuant to a supplemental shareholders' agreement signed on 26th November, 2007 (the "Effective Date") (the "Agreement"), the unsold units of the property project of Chest Gain were effectively allocated between the Group and the other joint venture partner. Under the Agreement, while the legal ownership of the unsold units remains with Chest Gain, the economic benefits and any liabilities pertaining to the unsold units allocated to the Group (the "Regal Allocated Units") have effectively been fully assumed by the Group who has been vested with the absolute right to deal with these Regal Allocated Units since the Effective Date, subject to the terms of the Agreement. Accordingly, the Directors consider that it is appropriate to consolidate the results, assets and liabilities attributable to the Regal Allocated Units in accordance with the terms of the Agreement with effect from the Effective Date.

The following table illustrates the summarised financial statements of the Group's jointly controlled entity:

	2007 HK$'million	2006 HK$'million
Share of the jointly controlled entity's assets and liabilities:		
Current assets	**126.9**	2,068.8
Current liabilities	**(11.0)**	(24.0)
Non-current liabilities	**(1,393.0)**	(3,363.5)
Net liabilities	**(1,277.1)**	(1,318.7)
Share of the jointly controlled entity's results:		
Revenue	**120.1**	–
Other income and gains	**15.1**	223.3
	135.2	223.3
Total expenses	**(93.6)**	(19.7)
Profit after tax	**41.6**	203.6

17. INTERESTS IN ASSOCIATES

	GROUP 2007 HK$'million	GROUP 2006 HK$'million
Listed and unlisted companies:		
Share of net assets	**1,007.1**	236.6
Loans to/amounts due from associates	**270.2**	252.2
	1,277.3	488.8
Share of net assets of the listed associate	**788.9**	–
Market value of an associate listed in Hong Kong	**3,961.3**	–

The loans to/amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these loans approximate to their fair values.

Details of the Group's principal associates are as follows:

Name	Place of incorporation/ establishment	Particulars of issued shares/units held	Percentage of equity interest attributable to the Group 2007	Percentage of equity interest attributable to the Group 2006	Principal activities
8D International (BVI) Limited ("8D-BVI")	British Virgin Islands	Ordinary shares of US$1 each	30.0	30.0	Investment holding
8D International Limited	Hong Kong	Ordinary shares of HK$1 each	36.0(1)	36.0(1)	Promotions and information technology
8D Matrix Limited	British Virgin Islands	Ordinary shares of US$1 each	36.0(1)	36.0(1)	Investment holding
8D Travel Limited ("8D Travel")	Hong Kong	Ordinary shares of HK$1 each	–(3)	36.0(1)	Travel agency
Bright Future (HK) Limited*	Hong Kong	Ordinary shares of HK$1 each	50.0	50.0	Investment holding
Hang Fok Properties Limited ("Hang Fok")	British Virgin Islands	Ordinary shares of US$1 each	50.0(2)	50.0(2)	Investment holding

Name	Place of incorporation/ establishment	Particulars of issued shares/units held	Percentage of equity interest attributable to the Group 2007	2006	Principal activities
Regala Management Limited	Hong Kong	Ordinary shares of HK$1 each	25.0	25.0	Light refreshment operation
Regal Real Estate Investment Trust ("Regal REIT")	Hong Kong	3,115,512,324 units	71.7[(4)]	–	Property investment

* Not audited by Ernst & Young or other member firm of the Ernst & Young global network.

(1) The percentage of equity interest includes a 6% attributable interest held through 8D-BVI.

(2) The major asset of Hang Fok is its 59% equity interest in each of two sino-foreign joint ventures, namely Beijing Century City Real Estate Development Co., Ltd. and Beijing Jianye Real Estate Developing Co., Ltd. (collectively, the "Investee Companies") established in Beijing, the People's Republic of China (the "PRC"), which are engaged in a property development project in Beijing, PRC.

In February 2006, one of the Investee Companies formally entered into two new land grant contracts in respect of certain portions of the relevant land site (the "Land Grant Contracts"). The land premium payable under the Land Grant Contracts was subsequently fully settled and the land use certificate was issued by the Land Bureau. Construction work on those portions of the relevant land site has not yet commenced.

(3) The Group increased its equity interest in 8D Travel to 100% during the year, which has been accounted for as a subsidiary thereafter.

(4) Despite the Group's holding of a 71.7% interest in Regal REIT (including units obtained upon the listing of Regal REIT on the Stock Exchange and additional interest acquired and units received in settlement of REIT manager's fees during the year) and the REIT manager is a wholly owned subsidiary of the Group, pursuant to the terms of the Trust Deed, the Group does not have unilateral power to retain or remove the REIT manager. Accordingly, the Group is considered not to have unilateral power to govern the financial and operating policies of Regal REIT which is therefore not treated as a subsidiary of the Group. However, the Directors consider that the Group still has significant influence over Regal REIT and therefore it is appropriate to account for Regal REIT as an associate and equity account for its investment in Regal REIT as an associate.

All associates were indirectly held by the Company.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

The following table illustrates the summarised financial statements of the Group's associates from their management accounts:

	2007 HK$'million	2006 HK$'million
Assets	**18,151.9**	1,127.5
Liabilities	**6,824.7**	677.7
Revenues	**678.8**	18.8
Profit	**2,735.8**	5.5

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP	
	2007 HK$'million	**2006 HK$'million**
Non-current assets:		
Listed equity investments in Hong Kong, at market value	**50.1**	–
Unlisted investment in convertible bonds, at fair value*	**330.6**	–
	380.7	–
Current assets:		
Listed equity investments in Hong Kong, at market value	**45.0**	29.8
Unlisted investments, at fair value	**184.8**	–
	229.8	29.8
	610.5	29.8

The above non-current investments at 31st December, 2007 were, upon initial recognition, designated as financial assets at fair value through profit or loss as they are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the investments are provided on that basis to the Group's key management personnel.

The above current investments at 31st December, 2006 and 2007 were held for trading.

The fair value of the unlisted investment in convertible bonds included under non-current assets is provided by an independent valuer, based on the quoted market price of the underlying listed securities.

The fair values of the unlisted investments included under current assets are based on the market price provided by financial institutions.

The market value of the above non-current investments, including listed and unlisted investments, at the date of approval of these financial statements was approximately HK$250.1 million.

As at 31st December, 2007, the Group's unlisted investments included under current assets amounted to HK$30.8 million (2006 - Nil) were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees (notes 34(a) and 35).

* During the year, the Group subscribed for certain convertible bonds issued by a subsidiary of Cosmopolitan International Holdings Limited ("Cosmopolitan"), a listed company in Hong Kong, in a principal amount of HK$102.5 million, which are due 2010 and are convertible into 500 million new shares of Cosmopolitan at an initial conversion price of HK$0.205 per share.

19. OTHER LOAN

The balance represents a loan of US$10.0 million (HK$78.0 million) (2006 - HK$78.0 million) advanced to a hotel owner to assist in financing the interior decoration and pre-operating expenditure of its hotel in Shanghai, the PRC, which is managed by the Group. The loan is unsecured, interest-free and is repayable commencing from the date of the hotel opening, by way of payments equivalent to 28% of the hotel's net operating profit over the tenure of the management contract for the hotel of 15 years.

A provision for impairment in the amount of HK$29.5 million was made during the year (2006 - Nil) based on the estimated recoverable amount, taking into account the hotel's net operating profit projected for the remaining term of the management contract and the related discounted cash flow forecast.

The other loan was classified as loans and receivables and was stated at amortised cost less provision for impairment of HK$36.1 million as at 31st December, 2007 (2006 - HK$65.6 million), calculated using the effective interest method.

20. HOTEL AND OTHER INVENTORIES

	GROUP	
	2007 HK$'million	**2006 HK$'million**
Hotel and other merchandise	**17.0**	15.0
Raw materials	**–**	0.2
Finished goods	**–**	2.6
	17.0	17.8

21. PROPERTIES HELD FOR SALE

Certain of the Group's properties held for sale are leased to third parties under short term operating leases, further summary details of which are included in notes 16 and 37(a) to the financial statements.

22. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK$447.9 million (2006 - HK$91.1 million) representing the trade debtors of the Group.

	GROUP	
	2007 HK$'million	2006 HK$'million
Trade debtors	**449.1**	91.8
Impairment	**(1.2)**	(0.7)
	447.9	91.1

Credit terms

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

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

The aged analysis of such debtors, based on the invoice date, is as follows:

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

The movements in provision for impairment of trade debtors are as follows:

	GROUP	
	2007 **HK$'million**	**2006** **HK$'million**
At 1st January	**0.7**	1.1
Impairment losses recognised (note 6)	**0.6**	0.1
Amount written off as uncollectible	**(0.1)**	(0.2)
Impairment losses reversed (note 6)	**–**	(0.3)
At 31st December	**1.2**	0.7

Included in the above provision for impairment of trade debtors is a provision for individually impaired trade debtors of HK$1.2 million (2006 - HK$0.7 million) with a carrying amount of HK$1.8 million (2006 - HK$1.1 million). The individually impaired trade debtors relate to customers that were in financial difficulties and only a portion of the balances is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade debtors that are not considered to be impaired is as follows:

	GROUP	
	2007 **HK$'million**	**2006** **HK$'million**
Neither past due nor impaired	**408.6**	61.1
Within 3 months past due	**32.7**	23.8
4 to 6 months past due	**2.5**	4.0
7 to 12 months past due	**1.9**	0.8
Over 1 year past due	**2.2**	1.4
	447.9	91.1

Trade debtors that were neither past due nor impaired relate to a large number of diversified customers (except for sale proceeds receivable from disposal of properties held for sale) for whom there were no recent history of default.

Trade debtors that were past due but not impaired relate to a number of diversified independent customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the Group's debtors, deposits and prepayments are amounts due from an associate and related companies of HK$29.2 million (2006 - HK$10.3 million) and HK$2.6 million (2006 - HK$2.4 million), respectively, which are repayable on similar credit terms to those offered to the major customers of the Group.

At 31st December, 2006, an amount of HK$8.1 million was included in debtors, deposits and prepayments, which represented a reserve fund maintained by Chatwin Engineering Limited ("Chatwin"), a subsidiary of Paliburg Holdings Limited, which is a substantial shareholder of the Company, against potential claims arising from litigation and arbitration proceedings with certain sub-contractors in connection with the construction work of the Regal Airport Hotel. The balance was refunded in full to the Group during the year by mutual agreement between the Group and Chatwin since there has been no development in respect of the potential claims for a prolonged period.

23. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

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

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

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

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

24. CREDITORS AND ACCRUALS

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

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

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

Included in creditors and accruals are amounts due to associates and related companies of HK$94.1 million (2006 - HK$11.3 million) and HK$16.8 million (2006 - HK$9.5 million), respectively, which have similar credit terms to those offered by the associates and those related companies to their major customers.

25. DERIVATIVE FINANCIAL INSTRUMENT

	GROUP AND COMPANY	
	2007 **HK$'million**	**2006** **HK$'million**
The conversion option of the convertible preference shares	**0.1**	0.6

As detailed in note 28 to the financial statements, the derivative financial instrument represents the residual amount assigned to the conversion option of the convertible preference shares denominated in foreign currency at inception.

The fair value of the derivative financial instrument is reassessed at each balance sheet date using the binomial valuation model.

26. INTEREST BEARING BANK AND OTHER BORROWINGS

GROUP

	2007			2006		
	Effective interest rate p.a. (%)	Maturity	HK$'million	Effective interest rate p.a. (%)	Maturity	HK$'million
Current						
Bank loans – secured	6.57	2008	21.4	4.7-5.7	2007	1,718.7
Convertible bonds (note 27)	–	–	–	5.92	2007	122.5
Convertible preference shares (note 28)	5.75	2008	128.6	–	–	–
			150.0			1,841.2
Non-current						
Bank loans – secured	–	–	–	4.7-5.7	2009	2,628.8
Convertible preference shares (note 28)	–	–	–	5.75	2008	127.7
			–			2,756.5
			150.0			4,597.7

COMPANY

	2007			2006		
	Effective interest rate p.a. (%)	Maturity	HK$'million	Effective interest rate p.a. (%)	Maturity	HK$'million
Current						
Convertible preference shares (note 28)	5.75	2008	128.6	–	–	–
Non-current						
Convertible preference shares (note 28)	–	–	–	5.75	2008	127.7

	GROUP		COMPANY	
	2007 HK$'million	2006 HK$'million	2007 HK$'million	2006 HK$'million
Analysed into:				
Bank loans repayable:				
Within one year or on demand	21.4	1,718.7	–	–
In the second year	–	148.8	–	–
In the third to fifth years, inclusive	–	2,480.0	–	–
	21.4	4,347.5	–	–
Other borrowings repayable:				
Within one year	128.6	122.5	128.6	–
In the second year	–	127.7	–	127.7
	128.6	250.2	128.6	127.7
	150.0	4,597.7	128.6	127.7

All interest bearing bank borrowing at 31st December, 2007 was denominated in Renminbi.

The Group's bank borrowing is secured by a pledge of the Group's certain assets as further detailed in note 35 to the financial statements.

Other interest rate information:

	GROUP			
	2007		2006	
	Fixed rate HK$'million	Floating rate HK$'million	Fixed rate HK$'million	Floating rate HK$'million
Bank loans - secured	–	21.4	–	4,347.5
Convertible bonds	–	–	122.5	–
Convertible preference shares	128.6	–	127.7	–

COMPANY

	2007		2006	
	Fixed rate HK$'million	Floating rate HK$'million	Fixed rate HK$'million	Floating rate HK$'million
Convertible preference shares	**128.6**	**–**	127.7	–

The carrying amounts of the Group's and the Company's current borrowings approximate to their fair values. The carrying amounts and fair values of the Group's and the Company's non-current borrowings are as follows:

	Carrying amounts and fair values	
	2007 HK$'million	2006 HK$'million
Bank loans – secured	**–**	2,628.8
Convertible preference shares	**–**	127.7
	–	2,756.5

The fair values of the liability components of the convertible bonds and the convertible preference shares are determined using a market rate for an equivalent non-convertible bond.

27. CONVERTIBLE BONDS

In 2004, the Group made agreements with certain investors in relation to the issue by the Group of 2% guaranteed convertible bonds due 2007, guaranteed by, and convertible into ordinary shares of, the Company (the "Convertible Bonds") up to an aggregate principal amount of HK$400.0 million, comprising firm bonds in an aggregate principal amount of HK$200.0 million (the "Firm Bonds") and optional bonds of up to an aggregate principal amount of HK$200.0 million (the "Optional Bonds").

The Firm Bonds, which were subscribed for and issued in 2004, were unsecured, bore interest at 2% per annum and were due for repayment in 2007, if not previously converted or redeemed. In the prior year, the Firm Bonds in nominal value of HK$75.0 million were converted into 300.0 million new ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.25 per ordinary share.

During the year, the Optional Bonds were fully subscribed and issued, and the outstanding balance of the Firm Bonds and all the Optional Bonds in a total nominal value of HK$325.0 million were converted into 1,300.0 million new ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.25 per ordinary share.

In the prior year, the initial fair value of the liability component of the issued Firm Bonds was determined using a market rate for an equivalent non-convertible bond. The residual amount was recognised as the equity component and included in shareholders' equity.

The net proceeds received from the issue of the Firm Bonds in the prior year were split between the liability and equity components, as follows:

	2007 HK$'million	2006 HK$'million
Nominal value of the Firm Bonds issued	–	125.0
Equity component	–	(13.6)
Liability component at 1st January	**122.5**	188.4
Interest expense	–	11.3
Interest paid	–	(3.2)
Conversion into ordinary shares during the year	**(122.5)**	(74.0)
Liability component at 31st December (note 26)	–	122.5

28. CONVERTIBLE PREFERENCE SHARES

The outstanding preference shares at the beginning of the year represented 16,748 5¼% convertible cumulative redeemable preference shares of US$10 each issued by the Company for cash on 13th December, 1993 at US$1,000 each. The preference shares are redeemable on 13th December, 2008 at US$1,000 each (the "Reference Amount"). The Company has the right to redeem, on or at any time after 13th December, 1996, either part or all of the preference shares, subject to certain conditions, at a redemption price of not less than the Reference Amount, with such amount to be determined by reference to specified percentages applicable to the year in which the redemption takes place. The redemption can be made either in United States dollars, or by issuing such number of the Company's ordinary shares calculated by reference to 95% of the average daily closing price of the ordinary shares for the five dealing days ending on the seventh day prior to the date on which notice of such redemption (the "Redemption Notice") is first given to the preference shareholders, at the fixed exchange rate of HK$7.730255 to US$1.00.

All preference shareholders have the right (the "Conversion Rights") to convert any or all of their preference shares into fully paid ordinary shares of the Company at an initial price of HK$2.0445 per share based on the Reference Amount of US$1,000 per preference share at the fixed exchange rate of HK$7.730255 to US$1.00. On 19th June, 1997, the conversion price of the preference shares was adjusted to HK$1.7037 per share as a result of a bonus issue of ordinary shares. The Conversion Rights are exercisable on or after 28th December, 1993 until and including the eighth day prior to 13th December, 2008 or, if earlier, the date fixed for redemption thereof as set out in the Redemption Notice.

None of the preference shares was converted during the year. The exercise in full of the Conversion Rights attached to the outstanding 16,748 (2006 - 16,748) preference shares in issue at 31st December, 2007 would have, with the present capital structure of the Company, resulted in the issue of a further 76.0 million (2006 - 76.0 million) additional ordinary shares.

The fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. The residual amount is recognised as the derivative financial instrument classified as current liabilities which is remeasured at fair value at each balance sheet date (note 25). The dividend on the convertible preference shares is charged as interest expense in the income statement.

	2007 HK$'million	2006 HK$'million
Liability component at 1st January	**127.7**	126.9
Interest expense	**7.7**	7.6
Dividend paid	**(6.8)**	(6.8)
Liability component at 31st December (note 26)	**128.6**	127.7

29. DEFERRED TAX

The movements in deferred tax assets and liabilities of the Group during the year are as follows:

Deferred tax assets

Group

	Losses available for offset against future taxable profits	
	2007 HK$'million	2006 HK$'million
Balance at beginning of year	**2.7**	213.9
Deferred tax charged to the income statement during the year (note 10)	**(15.4)**	(16.1)
Classified as assets of a disposal group held for sale (note 23)	**–**	(195.1)
Portion of deferred tax charged to the income statement previously included in the assets of a disposal group held for sale	**12.7**	–
Gross deferred tax assets at end of year	**–**	2.7

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation	
	2007 **HK$'million**	**2006** **HK$'million**
Balance at beginning of year	**0.3**	137.7
Deferred tax charged to the income statement during the year (note 10)	**3.2**	6.3
Deferred tax liabilities included in a disposal group held for sale (note 23)	**–**	(143.7)
Portion of deferred tax charged to the income statement previously included in the liabilities of a disposal group held for sale	**(3.5)**	–
Gross deferred tax liabilities at end of year	**–**	0.3
Net deferred tax assets at end of year	**–**	2.4

The Group had tax losses arising in Hong Kong amounting to HK$2,373.6 million (2006 - HK$2,116.6 million) at the balance sheet date. The balance at 31st December, 2006 included an amount of HK$1,179.5 million representing the tax losses of a disposal group held for sale at the balance sheet date. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. In the opinion of the Directors, deferred tax assets have been recognised for such unused tax losses to the extent that it is probable that sufficient future taxable profits will be available against which the unused tax losses can be utilised.

At 31st December, 2007, there was no significant unrecognised deferred tax liability (2006 - Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or jointly controlled entity as the Group has no liability to additional tax should such amounts be remitted.

30. SHARE CAPITAL AND SHARE PREMIUM

	COMPANY	
	2007 HK$'million	2006 HK$'million
Shares		
Authorised:		
20,000 million (2006 - 20,000 million) ordinary shares of HK$0.01 each	**200.0**	200.0
Issued and fully paid:		
10,493.0 million (2006 - 9,139.4 million) ordinary shares of HK$0.01 each	**104.9**	91.4
Share premium		
Ordinary shares	**1,023.4**	750.8

A summary of the movements of the Company's share capital and share premium during the period from 1st January, 2006 to 31st December, 2007 is as follows:

		Authorised		Issued and fully paid		Share premium
	Notes	No. of shares 'million	Amount HK$'million	No. of shares 'million	Amount HK$'million	Amount HK$'million
Ordinary shares						
At 1st January, 2006		20,000.0	200.0	8,371.3	83.7	559.3
Increase of new shares upon exercise of warrants	(i)	–	–	468.1	4.7	112.3
Increase of new shares upon conversion of convertible bonds	(ii)	–	–	300.0	3.0	79.2
At 31st December, 2006 and at 1st January, 2007		20,000.0	200.0	9,139.4	91.4	750.8
Increase of new shares upon exercise of warrants	(i)	–	–	237.4	2.3	57.0
Increase of new shares upon conversion of convertible bonds	(ii)	–	–	1,300.0	13.0	323.1
Repurchase and cancellation of shares	(iii)	–	–	(183.8)*	(1.8)	(107.5)
At 31st December, 2007		20,000.0	200.0	10,493.0	104.9	1,023.4
Total issued share capital						
At 31st December, 2007			**200.0**		**104.9**	**1,023.4**
At 31st December, 2006			200.0		91.4	750.8

* inclusive of 31.1 million repurchased ordinary shares cancelled subsequent to 31st December, 2007.

Notes:

(i) During the years ended 31st December, 2006 and 2007, an aggregate of 468.1 million and 237.4 million new ordinary shares of HK$0.01 each were issued for cash at a subscription price of HK$0.25 pursuant to the exercise of the Company's warrants for a total cash consideration of HK$117.0 million and HK$59.3 million, respectively, before expenses.

(ii) During the years ended 31st December, 2006 and 2007, convertible bonds in nominal value of HK$75.0 million and HK$325.0 million were converted into 300.0 million and 1,300.0 million new ordinary shares, respectively, of HK$0.01 each of the Company.

(iii) Out of the 183.8 million repurchased ordinary shares, 152.7 million of the repurchased ordinary shares were cancelled during the year and the remaining 31.1 million repurchased ordinary shares were cancelled subsequent to the balance sheet date, and the issued share capital of the Company was reduced by the par value thereof. The premium and related expenses paid on the repurchases of the ordinary shares, of HK$107.5 million, were charged to the share premium account. An amount equivalent to the par value of the ordinary shares cancelled was transferred to the capital redemption reserve as set out in the consolidated statement of changes in equity.

Details of the repurchases are summarised as follows:

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

Share options

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

During the year, movements in share options granted by the Company pursuant to the Share Option Scheme are as follows:

Offer date**	Name or category of participant	Number of ordinary shares under share options*: At 1st January, 2007	Vested during the year	At 31st December, 2007	Vesting/ exercise periods of share options	Exercise price of share options* HK$
	Directors					
12th May, 2005	Mr. Lo Yuk Sui					
	Vested:	–	80,000,000	80,000,000	Note	0.75
	Unvested:	200,000,000***	(80,000,000)	120,000,000		
25th July, 2005	Ms. Belinda Yeung Bik Yiu					
	Vested:	–	12,000,000	12,000,000	Note	0.75
	Unvested:	30,000,000	(12,000,000)	18,000,000		
25th July, 2005	Mr. Donald Fan Tung					
	Vested:	–	8,000,000	8,000,000	Note	0.75
	Unvested:	20,000,000	(8,000,000)	12,000,000		
25th July, 2005	Mr. Jimmy Lo Chun To					
	Vested:	–	6,000,000	6,000,000	Note	0.75
	Unvested:	15,000,000	(6,000,000)	9,000,000		
25th July, 2005	Miss Lo Po Man					
	Vested:	–	12,000,000	12,000,000	Note	0.75
	Unvested:	30,000,000	(12,000,000)	18,000,000		
25th July, 2005	Mr. Kenneth Ng Kwai Kai					
	Vested:	–	8,000,000	8,000,000	Note	0.75
	Unvested:	20,000,000	(8,000,000)	12,000,000		
	Other Employees					
25th July, 2005	Employees, in aggregate					
	Vested:	–	14,000,000	14,000,000	Note	0.75
	Unvested:	35,000,000	(14,000,000)	21,000,000		
	Total:					
	Vested:	**–**	**140,000,000**	**140,000,000**		
	Unvested:	**350,000,000**	**(140,000,000)**	**210,000,000**		

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

** Offer date is the date on which the grant of share options is offered by the Company, and it is deemed the date of grant of the share options unless the grant of share options is declined or lapsed.

*** In excess of the individual maximum limit of 1% of the ordinary shares in issue as of the offer date.

Note:

Vesting/exercise periods of share options:

On completion of continuous service of	Percentage vesting	Cumulative percentage exercisable
2 years after offer date	40% of options granted	40% (exercisable until 6 years after offer date)
3 years after offer date	A further 20% of options granted	60% (exercisable until 6 years after offer date)
4 years after offer date	A further 20% of options granted	80% (exercisable until 6 years after offer date)
5 years after offer date	The final 20% of options granted	100% (exercisable until 6 years after offer date)

The summarised information on the Share Option Scheme is set out as follows:

(i)	Purpose:	To provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible persons
(ii)	Participants:	Eligible person means any person who is either (i) an eligible employee; (ii) a Non-Executive Director (including any Independent Non-Executive Directors); (iii) a direct or indirect shareholder of any member of the Group; (iv) a person or entity that provides advisory, consultancy, professional or other services to any member of the Group; (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (vi) any company wholly owned by one or more persons belonging to any of the above classes of participants; or (vii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any of the above classes of participants, as notified by the Board that he is an eligible person
(iii)	Total number of ordinary shares subject to outstanding options under the Share Option Scheme and as a percentage of the issued share capital as at 31st December, 2007 and at the date of this report:	350,000,000 ordinary shares (approximately 3.3% as at 31st December, 2007 and approximately 3.4% at the date of this report)

(iv)	Maximum entitlement of each participant under the Share Option Scheme:	Not exceeding 1% of the offer ordinary shares of the Company in issue as of the offer date in any 12 month period
(v)	The period within which the shares must be taken up under an option:	From the time when the options become vested to no later than ten years after the offer date
(vi)	Minimum period for which an option must be held before it can be exercised:	No minimum period unless otherwise determined by the Board at the time of the approval of the grant
(vii)	Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:	N/A
(viii)	The basis of determining the exercise price:	Determined by the Board (subject to any necessary consent or approval being obtained) and shall not be less than the higher of (i) the closing price of the ordinary shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations ordinary sheet on the offer date; (ii) the average closing price of the ordinary shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the ordinary shares of the Company
(ix)	The life of the Share Option Scheme:	The life of the Share Option Scheme commenced from 16th June, 2005, date of adoption, and ending on 15th June, 2015

Warrants

At the special general meeting of the Company held on 19th July, 2004, an ordinary resolution was duly passed by the shareholders of the Company with respect to a bonus issue of warrants ("Warrants") of the Company to its shareholders, on the basis of one unit of Warrants carrying a subscription right of HK$0.25 for every ten ordinary shares of the Company held by the shareholders on the register of members of the Company on 19th July, 2004.

On 2nd August, 2004, Warrants carrying aggregate subscription rights of approximately HK$208.5 million were issued to the shareholders of the Company. The Warrants confer rights on their holders to subscribe for up to approximately 834.0 million new ordinary shares of the Company at the initial subscription price of HK$0.25 per ordinary share (subject to adjustments), at any time from the date falling 6 months after the date of issue (i.e., 2nd February, 2005) to the date falling 7 days prior to the third anniversary of the date of issue (i.e., 26th July, 2007).

During the year, Warrants carrying aggregate subscription rights of approximately HK$59.3 million were exercised for 237.4 million new ordinary shares of HK$0.01 each at a price of HK$0.25 per share. Warrants carrying aggregate subscription rights of approximately HK$2.4 million remained outstanding by 4:00 p.m. on 26th July, 2007 (the expiry date of the subscription rights) and then lapsed. The listing of the Warrants was withdrawn with effect from the close of trading hours of the Stock Exchange on 26th July, 2007.

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 124 to 125 of the financial statements.

(b) Company

	Notes	Share premium account HK$'m	Capital redemption reserve HK$'m	Share option reserve HK$'m	Retained profits HK$'m	Total HK$'m
At 1st January, 2006		559.3	0.9	5.7	1,072.2	1,638.1
Final 2005 dividend declared		–	–	–	(0.3)	(0.3)
Issue of new shares upon exercise of warrants	30	112.3	–	–	–	112.3
Issue of new shares upon conversion of convertible bonds	30	79.2	–	–	–	79.2
Equity-settled share option arrangements		–	–	15.0	–	15.0
Profit for the year		–	–	–	303.3	303.3
Interim 2006 dividend	12	–	–	–	(21.1)	(21.1)
Proposed final and special 2006 dividends	12	–	–	–	(146.5)	(146.5)
At 31st December, 2006 and at 1st January, 2007		750.8	0.9	20.7	1,207.6	1,980.0
Final 2006 dividend declared		–	–	–	(21.6)	(21.6)
Issue of new shares upon exercise of warrants	30	57.0	–	–	–	57.0
Issue of new shares upon conversion of convertible bonds	30	323.1	–	–	–	323.1
Repurchase and cancellation of ordinary shares	30	(107.5)	1.8	–	(1.8)	(107.5)
Equity-settled share option arrangements		–	–	11.6	–	11.6
Profit for the year		–	–	–	2,964.9	2,964.9
Interim 2007 dividend	12	–	–	–	(32.0)	(32.0)
Proposed final 2007 dividend	12	–	–	–	(103.8)	(103.8)
		1,023.4	2.7	32.3	4,013.3	5,071.7

32. INTERESTS IN SUBSIDIARIES

	COMPANY 2007 HK$'million	COMPANY 2006 HK$'million
Unlisted shares, at cost	**5,552.2**	5,552.2
Amount due from a subsidiary	**2,299.6**	2,208.6
	7,851.8	7,760.8
Provision for impairment	**(2,434.5)**	(5,411.9)
	5,417.3	2,348.9

The amount due from a subsidiary is unsecured, interest-free and has no fixed term of repayment.

Details of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company 2007	Percentage of equity interest attributable to the Company 2006	Principal activities
8D Travel Limited	Hong Kong	HK$500,000	100	-	Travel agency
Bauhinia Hotels Limited*	Hong Kong	HK$2	-	100	Hotel ownership
Camomile Investments Limited	Hong Kong	HK$2	100	100	Property investment
Cheerview Limited	Hong Kong	HK$1	100	100	Financing
Cityability Limited*	Hong Kong	HK$10,000	-	100	Hotel ownership
Complete Success Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Cranfield Investments Limited	Hong Kong	HK$2	100	100	Financing

Name	Place of incorporation/ registration	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company 2007	2006	Principal activities
Farah Investments Limited	Hong Kong	HK$2	100	100	Investment holding
Favour Link International Limited	Hong Kong	HK$1	100	100	Hotel operations
Fortune Nice Investment Limited	Hong Kong	HK$2	100	100	Financing
Gala Hotels Limited*	Hong Kong	HK$2	-	100	Hotel ownership
Great Prestige Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Harvest Charm Investment Limited	Hong Kong	HK$2	100	100	Financing
Honrich Investment Limited	Hong Kong	HK$2	100	100	Financing
Kaybro Investments Limited	British Virgin Islands	UK$1	100	100	Investment holding
Long Success International Limited	Hong Kong	HK$1	100	-	Investment holding
Regal Century Investment Limited	Hong Kong	HK$2	100	100	Investment holding and management services
Regal Contracting Agency Limited	Hong Kong	HK$1	100	100	Contracting agency
Regal Estate Agents Limited	Hong Kong	HK$2	100	100	Estate agency
Regal Estate Management Limited	Hong Kong	HK$2	100	100	Estate management
Regal Hotels (Holdings) Limited	Hong Kong	HK$1,151,598,638	100	100	Investment holding

Name	Place of incorporation/ registration	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company 2007	2006	Principal activities
Regal Hotels International Limited	Hong Kong	HK$100,000	100	100	Hotel management
Regal Hotels Management (BVI) Limited	British Virgin Islands	US$1	100	100	Hotel management
Regal International Limited	British Virgin Islands	US$20	100	100	Investment and trademark holding
Regal International (BVI) Holdings Limited	British Virgin Islands	HK$10.1	100	100	Investment holding
Regal Portfolio Management Limited	Hong Kong	HK$8,811,937	100	100	Asset management
Regal Riverside Hotel Limited*	Hong Kong	HK$2	-	100	Hotel ownership
Regal Supplies Limited	Hong Kong	HK$2	100	100	Bakery operation
Regala Health and Beauty Limited	Hong Kong	HK$2	100	100	Health products operation
R.H.I. Licensing B.V.	The Netherlands	NLG40,000	100	100	Trademark holding
Richtech Holdings Limited	Hong Kong	HK$2	100	100	Investment holding
Ricobem Limited*	Hong Kong	HK$100,000	-	100	Hotel ownership
Time Crest Investments Limited	British Virgin Islands	US$1	100	-	Securities investment
Ultra Goal Investments Limited	Hong Kong	HK$1	100	-	Investment holding
Valuegood International Limited	British Virgin Islands	US$1	100	-	Securities investment

Name	Place of incorporation/ registration	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company 2007	2006	Principal activities
Well Mount Investments Limited	British Virgin Islands	US$1	100	-	Securities investment
廣州市富堡訂房服務有限公司**	People's Republic of China	RMB100,000	100	100	Room reservation services
置富投資開發(成都)有限公司**	People's Republic of China	HK$500,000,000	100	-	Property investment

* These subsidiaries were disposed of to Regal REIT on 30th March, 2007.

** These subsidiaries are registered as wholly-foreign-owned enterprises under the PRC law.

Except for Regal International (BVI) Holdings Limited, all principal subsidiaries are indirectly held by the Company.

All of the above subsidiaries operate in the place of their incorporation/registration, except for Regal Hotels Management (BVI) Limited, which operates in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before tax to net cash inflow/(outflow) from operating activities

	2007 HK$'million	2006 HK$'million
Profit before tax	**2,979.5**	355.2
Adjustments for:		
Finance costs	**84.2**	265.8
Share of profits and losses of a jointly controlled entity and associates	**(568.6)**	(206.5)
Interest income	**(74.1)**	(8.2)
Depreciation	**4.0**	116.8
Recognition of prepaid land lease payments	**5.6**	22.2
Dividend income from listed investments	**(0.7)**	(3.1)
Profit on disposal of financial assets at fair value through profit or loss, net	**–**	(67.5)
Gain on disposal of subsidiaries	**(2,293.5)**	–
Fair value gains on financial assets at fair value through profit or loss, net	**(235.3)**	(6.1)
Impairment of trade debtors, other receivables and other loan	**31.7**	0.2
Fair value gain on derivative financial instrument	**(0.5)**	(4.8)
Equity-settled share option expense	**11.6**	15.0
Income from asset management service	**(53.5)**	–
	(109.6)	479.0
Decrease/(increase) in hotel and other inventories	**0.8**	(1.5)
Decrease in properties held for sale	**236.1**	–
Increase in debtors, deposits and prepayments	**(354.0)**	(28.1)
Increase in financial assets at fair value through profit or loss	**(213.3)**	–
Increase in creditors and accruals	**205.2**	32.2
Cash generated from/(used in) operations	**(234.8)**	481.6
Overseas taxes paid	**(2.3)**	(0.1)
Net cash inflow/(outflow) from operating activities	**(237.1)**	481.5

(b) Major non-cash transaction

Save as disclosed in note 33(c) below, during the year, REIT manager's fees in the amount of HK$28.2 million were received by the Group in units issued by Regal REIT.

(c) Disposal of subsidiaries

	2007 HK$'million	2006 HK$'million
Net assets disposed of:		
Property, plant and equipment	2,887.2	–
Construction in progress	76.5	–
Prepaid land lease payments	1,060.2	–
Deferred tax assets	74.1	–
Deferred tax liabilities	(38.9)	–
	4,059.1	–
Gain on disposal	2,293.5	–
Unrealised gain on disposal eliminated	5,648.9	–
Costs relating to the disposal	498.5	–
	12,500.0	–
Satisfied by:		
Cash	6,630.4	–
Investment in an associate	5,869.6	–
	12,500.0	–

An analysis of the inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2007 HK$'million	2006 HK$'million
Inflow of cash and cash equivalents in respect of the disposal of subsidiaries	6,630.4	–

(d) Acquisition of subsidiaries

On 30th October, 2007, the Group acquired the entire issued share capital of 8D Travel Limited and Shinehero Investments Limited (the "8D Travel Group") from an associate for a consideration of HK$1. 8D Travel Group is engaged in the provision of hotel room reservation service.

The fair values of the identifiable assets and liabilities of 8D Travel Group as at the date of acquisition immediately before the acquisition were as follows:

	Fair value recognised on acquisition HK$'million
Property, plant and equipment	0.9
Debtors, deposits and prepayments	10.5
Cash and bank balances	0.6
Bank overdraft	(1.9)
Trade and other payables	(5.9)
Other loan	(4.2)
	–
Goodwill on acquisition	–
	–

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

Cash consideration	–
Cash and bank balances acquired	0.6
Bank overdraft acquired	(1.9)
Net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(1.3)

The above fair values approximate to the carrying amounts of the respective assets and liabilities.

Since its acquisition, 8D Travel Group contributed HK$10.7 million to the Group's revenue and loss of HK$1.1 million to the consolidated profit for the year ended 31st December, 2007.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$1,843.3 million and HK$2,956.6 million, respectively.

34. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Group had the following material connected and related party transactions during the year:

	Notes	2007 HK$'million	2006 HK$'million
A substantial shareholder:			
Management fees	(i)	**13.0**	11.8
Wholly owned subsidiaries of a substantial shareholder, Paliburg Holdings Limited ("PHL"):			
Development consultancy fees	(ii)	**8.9**	1.1
Service fees in respect of security systems and products and other software	(iii)	**3.4**	1.4
Repairs and maintenance fees and construction fees	(iv)	**112.5**	23.8
Associates:			
REIT manager's fees	(v)	**53.5**	–
Lease rental	(vi)	**577.5**	–
Furniture, fixtures and equipment reserve contribution	(vii)	**22.2**	–
Other rental expenses	(viii)	**3.0**	–
Advertising and promotion fees (including cost reimbursements)	(ix)	**13.4**	23.3
Hotel room revenue	(x)	**20.7**	19.9
A jointly controlled entity:			
Rental expense in respect of land and buildings	(xi)	**2.5**	1.4

Notes:

(i) The management costs included rentals and other overheads allocated from Century City International Holdings Limited ("CCIHL"), an indirect substantial shareholder of the Company, either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of CCIHL, PHL and the Company based on the distribution of job responsibilities and the estimated time to be spent by the relevant staff in serving each of the three groups.

(ii) The development consultancy fees were paid to a subsidiary of PHL for various services provided, which include advisory, supervisory, architectural and design services in connection with the Group's room extension and other renovation projects of its hotels. The fees were charged at rates ranging from 4.0% to 10.0% of the estimated cost of individual projects. In addition, in the prior year, a consultancy fee was also paid to the same company for architectural and design services rendered in connection with the Group's proposed hotel development project in Macau.

(iii) Fees were paid to certain wholly owned subsidiaries of PHL for the purchases and maintenance services of the security systems and products and other software installed in the Group's hotel properties. The fees were charged based on cost plus a margin depending on the nature and location of the work provided.

(iv) Fees were paid to a wholly owned subsidiary of PHL for providing repairs and maintenance and construction works for the hotel properties. The fees were negotiated based on cost plus a margin and/or awarded through competitive tendering process.

(v) The REIT manager's fees comprise a base fee and a variable fee payable by Regal REIT to RPML for its services as the REIT manager under the terms of the Trust Deed.

(vi) The lease rental represents the cash base rent and variable rent payable by the Group to Regal REIT under the relevant lease agreements (the "Lease Agreements") in connection with the leasing of the hotel properties from Regal REIT for hotel operations.

(vii) The furniture, fixtures and equipment reserve contribution is payable by the Group to Regal REIT under the Lease Agreements for the purchases and replacement of furniture, fixtures and equipment of the hotel properties.

(viii) The other rental expenses represent the lease rental for certain supporting premises paid to Regal REIT in connection with the hotel operations.

(ix) The advertising and promotion fees paid to an associate comprised a retainer determined by reference to the estimated volume of advertising and promotional activities of the Group and a standard fee based on total costs involved, in addition to which actual costs and out-of-pocket expenses incurred were reimbursed.

(x) The hotel room revenue was earned from an associate acting as a travel agency, at rates agreed between the associate and individual hotels.

(xi) The rental expense was charged by the jointly controlled entity for providing a quarter for the chairman of the Group at a monthly rent of HK$0.23 million with effect from 1st July, 2006.

The Directors of the Company are of the opinion that the above transactions were entered into in the normal and usual course of business.

In addition, the Group has guaranteed the total minimum variable rent payable under the Lease Agreements for the years up to 2010 in the amount of HK$220.0 million of which HK$101.6 million has been accounted for in the current year's financial statements.

The Company has also guaranteed the lessee's obligations under the Lease Agreements under separate guarantees (the "Lease Guarantees"). In this connection, the Company has undertaken to maintain a minimum consolidated tangible net worth (as defined in the Lease Guarantees) of HK$4 billion and procure an unconditional and irrevocable bank guarantee in the amount of HK$1 billion in favour of the lessors and the trustee of Regal REIT.

Pursuant to the sale and purchase agreement signed in connection with the Spin-off of Regal REIT, the Group has undertaken to complete and bear the cost of the asset enhancement program (the "AEP") for certain hotel properties disposed of to Regal REIT. The total estimated cost of the AEP, including the land premium payable, amounted to approximately HK$534.7 million of which the outstanding balance as at 31st December, 2007 amounted to approximately HK$214.1 million and has been fully provided for in the financial statements.

Pursuant to the distributable income guarantee deed (the "DIGD") signed in connection with the Spin-off of Regal REIT, the Company has guaranteed the total distributable income of Regal REIT for the period from the date of its listing (i.e., 30th March, 2007) to 31st December, 2007 to be not less than HK$420.3 million.

Under a deed of trade mark licence, the Group has granted to Regal REIT a non-exclusive and non-transferable licence at nil consideration to use its registered trade marks or service marks for the purpose of describing the ownership of the hotels disposed of by the Group to Regal REIT and/or use in connection with the business of these hotels.

(b) Outstanding balances with related parties:

	Notes	2007 HK$'million	2006 HK$'million
Due from the jointly controlled entity	(i)	**366.7**	366.7
Due from an associate	(ii)	**29.2**	10.3
Due from related companies	(ii)	**2.6**	10.5
Due to an associate	(iii)	**(94.1)**	(11.3)
Due to related companies	(iv)	**(16.8)**	(9.5)
Loans to the jointly controlled entity	(i)	**1,022.5**	2,984.6
Loans to/amounts due from associates	(v)	**270.2**	252.2

Notes:

(i) Details of an amount due from and loans to the jointly controlled entity are included in interest in a jointly controlled entity in note 16 to the financial statements.

(ii) Details of an amount due from an associate and the amounts due from related companies are included in debtors, deposits and prepayments in note 22 to the financial statements.

(iii) Details of the amount due to an associate are included in creditors and accruals in note 24 to the financial statements.

(iv) Details of the amounts due to related companies are included in creditors and accruals in note 24 to the financial statements.

(v) Details of loans to/amounts due from associates are included in interests in associates in note 17 to the financial statements.

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

	2007 HK$'million	2006 HK$'million
Short term employee benefits	**26.4**	13.0
Share-based payments	**10.2**	13.2
Total compensation paid to key management personnel	**36.6**	26.2

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions set out in notes 34(a)(i) to (iv) and notes 34(a)(ix) and (x) above also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules to the Company. The transactions set out in notes 34(a)(i), (iii), (ix) and (x) are exempted from relevant disclosures and other requirements, including, inter alia, independent shareholders' approval pursuant to rules 14A.31(8), 14A.31(2)(a) and 14A.33(3)(a) of the Listing Rules. Those transactions set out in notes 34(a)(ii) and (iii) are subject only to the reporting and announcement requirements and exempted from the requirement of obtaining the independent shareholders' approval pursuant to Rule 14A.32(1) of the Listing Rules. Relevant announcement requirements with respect to such transactions have been made, and further details relating to these transactions are disclosed under the section headed "Connected Transactions" contained in the Directors' Report preceding these financial statements.

Relevant disclosures and other requirements, including, inter alia, independent shareholders' approval (where required) in accordance with the Listing Rules with respect to the related party transactions during the prior year set out in note 34(a) had been made or met or otherwise exempted.

35. PLEDGE OF ASSETS

At 31st December, 2007, the Group's 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 (note 34(a)), and certain time deposit in the amount of HK$24.0 million was also pledged to secure a short term bank loan of the Group.

36. CONTINGENT LIABILITIES

Apart from the guarantees given under the Lease Agreements in respect of the minimum variable rent and the DIGD in respect of the minimum distributable income of Regal REIT as disclosed in note 34(a), the Group had no other contingent liability as at 31st December, 2007 (2006 - Nil).

As at 31st December, 2007, a corporate guarantee amounted to RMB77.0 million (2006 - HK$4,368.7 million) was given by the Company to a bank in connection with a banking facility granted to a subsidiary. The banking facility granted to the subsidiary was utilised to the extent of approximately RMB20.0 million (2006 - HK$4,368.7 million) at 31st December, 2007. In the prior year, a corporate guarantee was also provided by the Company in respect of outstanding convertible bonds issued by a subsidiary in the amount of HK$125.0 million.

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

Since the completion of the Spin-off of Regal REIT on 30th March, 2007, the Group has effectively subleased certain retail space and areas of its leased hotel properties under operating lease arrangements, with leases negotiated for terms ranging from 3 months to 3 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

The Group temporary leases certain of its properties held for sale (note 21) under operating lease arrangements, with leases negotiated for terms of 2 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 31st December, 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	GROUP	
	2007 **HK$'million**	**2006** **HK$'million**
Within one year	**49.7**	21.1
In the second to fifth years, inclusive	**25.1**	14.7
	74.8	35.8

(b) As lessee

Since the completion of the Spin-off of Regal REIT on 30th March, 2007, the Group has started to lease certain hotel properties from Regal REIT under the Lease Agreements, the term of which runs from 30th March, 2007 to 31st December, 2015. The rental package for the years up to 2010 comprises a cash base rent which is a pre-determined escalating annual amount payable monthly and a variable rent calculated as a percentage of the net property income of the hotel properties in excess of the cash base rent on an annual basis, as stipulated in the Lease Agreements. For the years from 2011 to 2015, the rental package is to be determined subject to annual rent reviews by an independent property valuer.

The Group also leases certain office and shop units and office equipment under operating lease arrangements. Leases for properties are negotiated for terms from 1 year to 3 years. Lease for office equipment in respect of the Group is negotiated for a term of 3 to 5 years.

At 31st December, 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	GROUP	
	2007 **HK$'million**	**2006** **HK$'million**
Land and buildings:		
Within one year	**705.5**	5.8
In the second to fifth years, inclusive	**1,535.9**	5.3
	2,241.4	11.1
Other equipment:		
Within one year	**0.1**	0.1
In the second to fifth years, inclusive	**0.1**	0.2
	0.2	0.3
	2,241.6	11.4

At the balance sheet date, the Company had no outstanding operating lease commitments.

The lease payments set out above exclude the lease rental payable by the Group under the Lease Agreements for the years from 2011 to 2015, which is to be determined subject to annual rent reviews by an independent property valuer and a minimum annual lease rental of HK$400.0 million.

In addition, the Group has guaranteed the total minimum variable rent payable under the Lease Agreements for the years up to 2010 in the amount of HK$220.0 million of which HK$101.6 million has been accounted for in the current year's financial statements.

38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37(b) above, the Group had the following outstanding commitments at the balance sheet date:

	GROUP	
	2007 HK$'million	**2006 HK$'million**
Capital commitments in respect of the renovation of, improvements or extensions to the hotel properties:		
Authorised and contracted for	**–**	58.4
Authorised, but not contracted for	**–**	291.7
	–	350.1
Capital commitments in respect of land, contracted but not provided for	**91.0**	–
	91.0	350.1

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2007 **GROUP**

Financial assets

	Financial assets at fair value through profit or loss - designated as such upon initial recognition HK$'million	Financial assets at fair value through profit or loss - held for trading HK$'million	Loans and receivables HK$'million	Total HK$'million
Loans to/amount due from a jointly controlled entity (note 16)	–	–	1,389.2	1,389.2
Loans to/amounts due from associates (note 17)	–	–	270.2	270.2
Other loan (note 19)	–	–	36.1	36.1
Trade debtors (note 22)	–	–	447.9	447.9
Other financial assets included in debtors, deposits and prepayments	–	–	94.2	94.2
Financial assets at fair value through profit or loss (note 18)	380.7	229.8	–	610.5
Pledged bank deposits	–	–	994.0	994.0
Time deposits	–	–	489.6	489.6
Cash and bank balances	–	–	77.9	77.9
	380.7	229.8	3,799.1	4,409.6

Finanical liabilities

	Financial liabilities at amortised cost HK$'million
Trade creditors (note 24)	**87.8**
Other financial liabilities included in creditors and accruals	**152.3**
Interest bearing bank borrowings (note 26)	**21.4**
Convertible preference shares (note 26)	**128.6**
	390.1

2006 **GROUP**

Financial assets

	Financial assets at fair value through profit or loss - held for trading HK$'million	Loans and receivables HK$'million	Total HK$'million
Loans to/amount due from a jointly controlled entity (note 16)	–	3,351.3	3,351.3
Loans to/amounts due from associates (note 17)	–	252.2	252.2
Other loan (note 19)	–	65.6	65.6
Trade debtors (note 22)	–	91.1	91.1
Other financial assets included in debtors, deposits and prepayments	–	35.1	35.1
Financial assets at fair value through profit or loss (note 18)	29.8	–	29.8
Time deposits	–	156.3	156.3
Cash and bank balances	–	66.4	66.4
	29.8	4,018.0	4,047.8

Financial liabilities

	Financial liabilities at amortised cost HK$'million
Trade creditors (note 24)	64.2
Other financial liabilities included in creditors and accruals	46.3
Convertible bonds (note 26)	122.5
Convertible preference shares (note 26)	127.7
Interest bearing bank borrowings (note 26)	4,347.5
	4,708.2

COMPANY

Financial assets	2007 Loans and receivables HK$'million	2006 Loans and receivables HK$'million
Amount due from a subsidiary (note 32)	**2,299.6**	2,208.6
Cash and bank balances	**0.4**	0.2
	2,300.0	2,208.8

Financial liabilities	2007 Financial liabilities at amortised cost HK$'million	2006 Financial liabilities at amortised cost HK$'million
Other payables	**7.2**	1.6
Convertible preference shares (note 26)	**128.6**	127.7
	135.8	129.3

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest bearing loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The Directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with a floating interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 26 to the financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate bank deposits and borrowings).

		Group	
	Change in basis points	Change in profit before tax HK$'million	Change in equity HK$'million
2007			
Hong Kong dollar	**100**	**14.8**	**13.2**
Renminbi	**100**	**(0.2)**	**(0.2)**
2006			
Hong Kong dollar	100	(42.1)	(42.1)

Credit risk

The Group's major exposure to the credit risk arising from the default of the trade debtors, with a maximum exposure equal to their carrying amounts in the consolidated balance sheet. The Group only grants credits after due credit risk assessments. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and financial assets at fair value through profit or loss, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries (except for sale proceeds receivable from disposal of properties held for sale).

Further quantitative data in respect of the Group's exposure to credit risk arising from trade debtors are disclosed in note 22 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The Group will raise funds from either the financial market or from realisation of its assets if required.

There is no significant liquidity exposure relating to the convertible preference shares as the redemption can be made by issuing ordinary shares of the Company in lieu of cash settlement at the discretion of the Company as detailed in note 28 to the financial statements.

The maturity profile of the Group's other financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group	**2007**			
	On demand HK$'million	**Within 1 year HK$'million**	**1 to 2 years HK$'million**	**Total HK$'million**
Interest bearing bank borrowings	–	21.4	–	21.4
Trade creditors	7.1	80.7	–	87.8
Other payables	23.2	126.0	3.1	152.3
	30.3	228.1	3.1	261.5

	2006				
	On demand HK$'million	Within 1 year HK$'million	1 to 2 years HK$'million	3 to 5 years HK$'million	Total HK$'million
Interest bearing bank borrowings	–	1,718.7	300.0	2,328.8	4,347.5
Trade creditors	18.4	45.8	–	–	64.2
Other payables	10.4	33.1	2.8	–	46.3
Convertible bonds	–	122.5	–	–	122.5
	28.8	1,920.1	302.8	2,328.8	4,580.5

Company

	2007	2006
	On demand HK$'million	On demand HK$'million
Other payables	**7.2**	1.6

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments and unlisted investment in convertible bonds classified as financial assets at fair value through profit or loss (note 18) as at 31st December, 2007. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the balance sheet date. The Group's unlisted investment in convertible bonds is stated at fair value provided by an independent valuer, based on the quoted market price of the underlying listed securities at the balance sheet date.

The following table demonstrates the sensitivity to a 5% change in the fair values of the equity investments and the underlying listed securities of the convertible bonds, with all other variables held constant and before any impact on tax, based on the carrying amounts of the relevant financial assets at the balance sheet date.

	Carrying amount of equity investments HK$'million	Change in profit before tax HK$'million	Change in equity HK$'million
2007			
Investments listed in Hong Kong	**95.1**	**4.8**	**4.4**
Unlisted investment at fair value – Convertible bonds	**330.7**	**13.7**	**13.7**
2006			
Investments listed in Hong Kong	29.8	1.5	1.2

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31st December, 2007 and 31st December, 2006.

The Group monitors capital using a debt to total assets ratio, which is net debt divided by the total assets. Net debt includes interest bearing bank borrowings, convertible bonds and convertible preference shares less cash and cash equivalents, and excludes discontinued operations. The debt to total assets ratios as at the balance sheet dates were as follows:

Group

	2007 HK$'million	2006 HK$'million
Interest bearing bank borrowings	**21.4**	4,347.5
Convertible bonds	**–**	122.5
Convertible preference shares	**128.6**	127.7
Less: Cash and cash equivalents	**(1,561.5)**	(222.7)
Net debt/(cash)	**(1,411.5)**	4,375.0
Total assets	**6,082.3**	7,078.4
Debt to total assets ratio	**N/A**	61.8%

41. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group had the following significant post balance sheet events:

(i) Following a successful bid by the Group of a land site at a public land auction in October 2007 at a land transfer consideration of RMB213.1 million in Chengdu, PRC, in February 2008, the Group disposed of 50% of its equity interest in the holding company which effectively owns 100% equity interest in the project company established for the development of a property project on the land site, at cost to Cosmopolitan International Holdings Limited ("Cosmopolitan", a listed company in Hong Kong). The land use right of the land site is to be granted to the project company after completion of the land grant contract the detail terms of which are currently being finalised with the government authority.

(ii) In February 2008, the Group completed the subscription for certain zero coupon guaranteed convertible bonds due 2013 issued by the Cosmopolitan group (the "Bonds") in a principal amount of HK$100.0 million with an option granted to the Group to subscribe for an additional principal amount of HK$100.0 million of the Bonds. The Bonds are convertible into new ordinary shares of Cosmopolitan at an initial conversion price of HK$0.6 per share (subject to adjustments) and carry a redemption yield of 5% per annum.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27th March, 2008.

Independent Auditors' Report

ERNST & YOUNG

To the shareholders of Regal Hotels International Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Regal Hotels International Holdings Limited set out on pages 121 to 204, which comprise the consolidated and company balance sheets as at 31st December, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
27th March, 2008

Schedule of Principal Properties 主要物業表

As at 31st December, 2007
二零零七年十二月三十一日

PROPERTIES FOR DEVELOPMENT AND/OR SALE
發展及/或出售物業

	Description 簡述	Use 用途	Approx. Area 大概面積	Stage of completion (completion date) 完成階段 (完成日期)	Percentage interest attributable to the Company 本公司應佔權益百分率
(1)	Certain luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong 香港赤柱黃麻角道88號富豪海灣若干豪華洋房	Residential 住宅	Site area for the whole development-571,848 sq. ft. Gross floor area of the allocated houses held-approx. 143,430 sq. ft. 整項發展之地盤面積－571,848平方呎 所持獲分配洋房之總樓面面積－約143,430平方呎	Completed in March 2004 已於二零零四年三月完成	100
(2)	Development site at Chao Yang Men Wai Da Jie, Chao Yang District, Beijing, PRC 於中國北京市朝陽區朝陽門外大街之發展地盤	Commercial/office/hotel complex 商業/寫字樓/酒店綜合發展	Construction site area for the whole development-610,240 sq. ft. 整項發展之建設用地面積－610,240平方呎	Development plans approved 發展規劃方案已獲批准 Land Use Right Certificates for the Phase I land site obtained 已取得第一期地塊之土地使用權證	29.5

Published Five Year Financial Summary

The summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

CONSOLIDATED INCOME STATEMENT

	Year ended 31st December,				
	2007 HK$'million	**2006 HK$'million**	**2005 HK$'million**	**2004 HK$'million**	**2003 HK$'million**
Revenue	**1,780.7**	1,261.2	1,141.1	1,050.6	774.9
Operating profit before depreciation and amortisation	**2,504.7**	553.5	545.8	388.3	182.4
Depreciation and amortisation	**(9.6)**	(139.0)	(131.5)	(130.4)	(139.5)
Finance costs	**(84.2)**	(265.8)	(199.8)	(150.3)	(151.6)
Share of profits and losses of:					
Jointly controlled entity	**41.6**	203.6	128.5	219.7	206.6
Associates	**527.0**	2.9	83.8	0.9	(2.1)
Profit before tax	**2,979.5**	355.2	426.8	328.2	95.8
Tax	**(22.2)**	(23.9)	101.7	39.7	50.2
Profit for the year	**2,957.3**	331.3	528.5	367.9	146.0
Attributable to:					
Equity holders of the parent	**2,957.3**	331.3	528.4	367.9	146.0
Minority interests	**–**	–	0.1	–	–
	2,957.3	331.3	528.5	367.9	146.0

CONSOLIDATED ASSETS, LIABILITIES AND MINORITY INTERESTS

	31st December,				
	2007 HK$'million	2006 HK$'million	2005 HK$'million	2004 HK$'million	2003 HK$'million
Property, plant and equipment	**11.1**	10.6	2,920.2	2,990.7	3,016.9
Prepaid land lease payments	**–**	–	1,088.0	1,110.2	1,132.4
Interest in a jointly controlled entity	**112.1**	2,032.6	1,804.7	1,844.6	1,226.5
Interests in associates	**1,277.3**	488.8	260.7	22.3	20.5
Financial assets at fair value through profit or loss/long term investments	**380.7**	–	140.8	78.6	42.9
Other loan	**36.1**	65.6	62.1	78.0	78.0
Deferred expenditure	**–**	–	–	45.0	38.7
Deferred tax assets	**–**	2.4	98.1	14.3	3.9
Pledged bank deposits	**970.0**	–	–	–	–
Deposit for acquisition of land	**134.4**	–	–	–	–
Current assets	**3,160.6**	4,478.4	543.4	508.3	194.3
Total assets	**6,082.3**	7,078.4	6,918.0	6,692.0	5,754.1
Current liabilities	**(800.6)**	(2,102.7)	(2,044.7)	(320.9)	(1,122.3)
Interest bearing bank and other borrowings	**–**	(2,628.8)	(2,766.9)	(4,650.0)	(3,546.7)
Convertible bonds	**–**	–	(188.4)	(183.0)	–
Convertible preference shares	**–**	(127.7)	(126.9)	(166.9)	(159.4)
Deferred tax liabilities	**–**	–	(21.9)	(35.5)	(48.5)
Other payable	**–**	–	–	–	(28.7)
Total liabilities	**(800.6)**	(4,859.2)	(5,148.8)	(5,356.3)	(4,905.6)
Minority interests	**1.3**	1.3	1.3	0.8	0.1

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