2010 ANNUAL REPORT

富豪酒店國際控股有限公司
Regal Hotels International Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 78)

Contents

Corporate Information

DIRECTORS

Executive Directors

Lo Yuk Sui
(Chairman and Chief Executive Officer)
Belinda Yeung Bik Yiu
(Chief Operating Officer)
Donald Fan Tung
Jimmy Lo Chun To
Lo Po Man
Kenneth Ng Kwai Kai
Allen Wan Tze Wai

Non-Executive Director

Francis Choi Chee Ming, GBS, JP
(Vice Chairman)

Independent Non-Executive Directors

Alice Kan Lai Kuen
Ng Siu Chan
Wong Chi Keung

AUDIT COMMITTEE

Wong Chi Keung (Chairman)
Francis Choi Chee Ming, GBS, 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

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited
Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
China Construction Bank Corporation,
Hong Kong Branch
Oversea-Chinese Banking Corporation Limited
Bank of Communications Co., Ltd.
Hong Kong Branch
Deutsche Bank AG, Hong Kong Branch

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road,
Pembroke HM08, 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 66; 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 non-executive chairman of Regal Portfolio Management Limited ("RPML"), the manager of Regal Real Estate Investment Trust (the listed subsidiary 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, GBS, JP, *aged 65; 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. He also holds a Ph. D in Business Management from Harbin Institute of Technology, the People's Republic of China, and an Honorary Degree of Doctor of business administration from The Hong Kong Polytechnic University. 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 Manufacturers' Association of Hong Kong, Honorary President of the Hong Kong Young Industrialists Council and the Court 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 Investments Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Ms. Belinda Yeung Bik Yiu, *aged 52; 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. Graduated from Barron Hilton School of Hotel Management, University of Houston, U.S.A., Ms. Yeung has devoted her career in the hospitality industry in U.S.A., Mainland China and Hong Kong – on both multi-unit corporate and single-unit hotel property management levels. As the Chief Operating Officer, she is in charge of the operations of all Regal Hotels in Hong Kong and Mainland China. In addition to her hotel management responsibilities, Ms. Yeung is also responsible for the human resources management of the Century City Group. Ms. Yeung is a member of Election Committee for the Hong Kong Chief Executive Election, Deputy Chairman of Executive Committee of the Federation of Hong Kong Hotel Owners and Chairman of the Advisory Committee of the School of Hotel & Tourism Management of The Hong Kong Polytechnic University.

Mr. Donald Fan Tung, *aged 54; Executive Director* — Appointed to the Board in 2002. Mr. Fan is a qualified architect. He has been with the Group since 1987 and is primarily in charge of the property investment and development businesses and 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 PHL group.

Ms. Alice Kan Lai Kuen, *aged 56; 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 20 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 China Energine International (Holdings) Limited, Shougang Concord International Enterprises Company Limited, G-Vision International (Holdings) Limited, Shimao Property Holdings Limited, Sunac China Holdings Limited and Sunway International Holdings Limited, all of which are companies listed on the Stock Exchange.

Mr. Jimmy Lo Chun To, *aged 37; 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 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 31; 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. Miss Lo 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 56; 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 corporate finance, company secretarial and administrative functions of the Century City Group. He is also an executive director and the chief operating officer of CCIHL, an executive director of PHL and a non-executive director of Cosmopolitan International Holdings Limited, a company listed on the Stock Exchange.

Mr. Ng Siu Chan, *aged 80; 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 non-executive director of Transport International Holdings Limited, which is publicly listed in Hong Kong.

Mr. Allen Wan Tze Wai, *aged 52; Executive Director* — Appointed to the Board in 2010. Mr. Wan has been with the Century City Group for over 20 years and is the Group Financial Controller of the Century City Group. Mr. Wan holds a bachelor degree in commerce from the University of New South Wales in Australia. He is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Wan has about 28 years of experience in finance and accounting field.

Mr. Wong Chi Keung, *aged 56; 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 Greater China Capital Limited (formerly known as "Sinox Fund Management Limited") under the SFO. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as "Yuexiu Property Company Limited"), a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, ENM Holdings Limited, First Natural Foods Holdings Limited (Provisional Liquidators Appointed), FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed), Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited and TPV Technology Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management.

Chairman's Statement

Dear shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31st December, 2010.

FINANCIAL RESULTS

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

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

DIVIDENDS

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

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

BUSINESS OVERVIEW

HOTELS

HONG KONG HOTEL MARKET

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

Visitors from Mainland China are on the whole growing in affluence. Based on the information published by Hong Kong Tourism Board, for the six months from January to June 2010, visitors from Mainland China had the highest Per Capita Overnight Visitor Spending among major market areas, exceeding those from the Americas and Europe. With the further relaxation of the restrictions on overseas travel for the Mainland residents, the visitors from Mainland China are expected to grow in number and will continue to provide substantial support to the tourism and hotel industries in Hong Kong.

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

HOTEL OWNERSHIP

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

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

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

All the six Regal Hotels in Hong Kong, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel, Regal Riverside Hotel and the latest Regal iClub Hotel, are now wholly owned by Regal REIT. This hotel portfolio commands an aggregate of 3,929 quality guestrooms and suites and accounts for over 11% of the total High Tariff A and High Tariff B hotel room inventory in Hong Kong. The total valuation of this portfolio amounted to HK$14,880.0 million as at 31st December, 2010, representing an increase of about 4.1% as compared with that of the preceding year end.

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

HOTEL OPERATIONS

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

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

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

HOTEL MANAGEMENT

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

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

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

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

PROPERTIES

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

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

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

OTHER INVESTMENTS

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

OUTLOOK

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

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

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

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

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

DIRECTORS AND STAFF

I would like to take this opportunity to thank all my fellow Directors for their valuable contribution as well as all the management and staff members for their hard work and dedication.

LO YUK SUI
Chairman

Hong Kong
23rd March, 2011

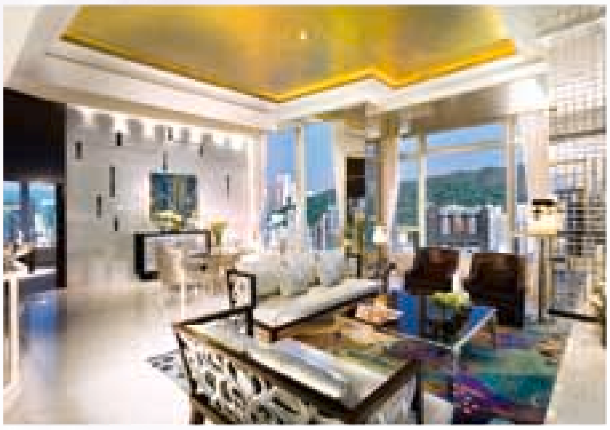
Regal Airport Hotel

CHEK LAP KOK ▪ HONG KONG

▪ Duplex Suite

▪ Executive Conference Centre

▪ Dragon Inn



Presidential Suite

The Forum

Caf Rivoli

REGAL HONGKONG HOTEL

CAUSEWAY BAY ▪ HONG KONG

REGAL KOWLOON HOTEL

TSIMSHATSUI ▪ HONG KONG

▪ Regal Club Deluxe Room

▪ Versailles Ballroom

▪ La Terrasse

REGAL ORIENTAL HOTEL

KOWLOON CITY ▪ HONG KONG

▪ Regal iClub Executive Suite

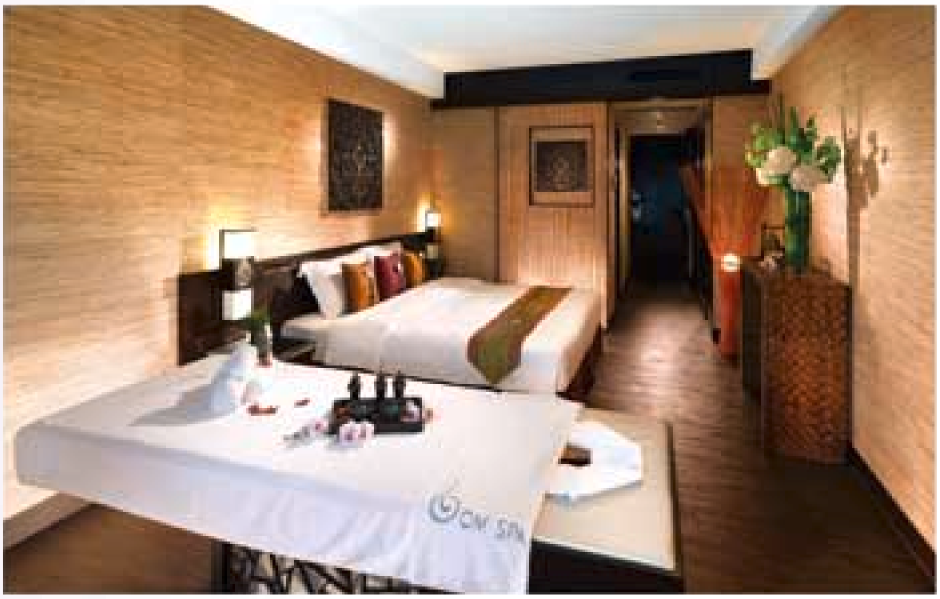
▪ Regal iClub Conference Room

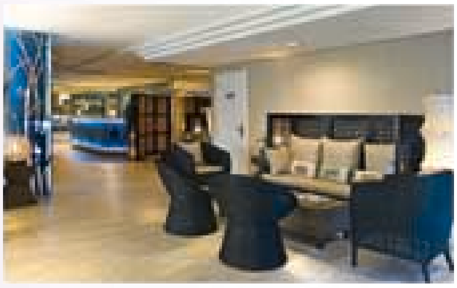
▪ Caf Neo

REGAL RIVERSIDE HOTEL

SHA TIN ▪ HONG KONG

▪ Spa Deluxe Room





▪ OM Spa

▪ Regal iClub Lounge

REGAL iCLUB HOTEL

WAN CHAI ▪ HONG KONG

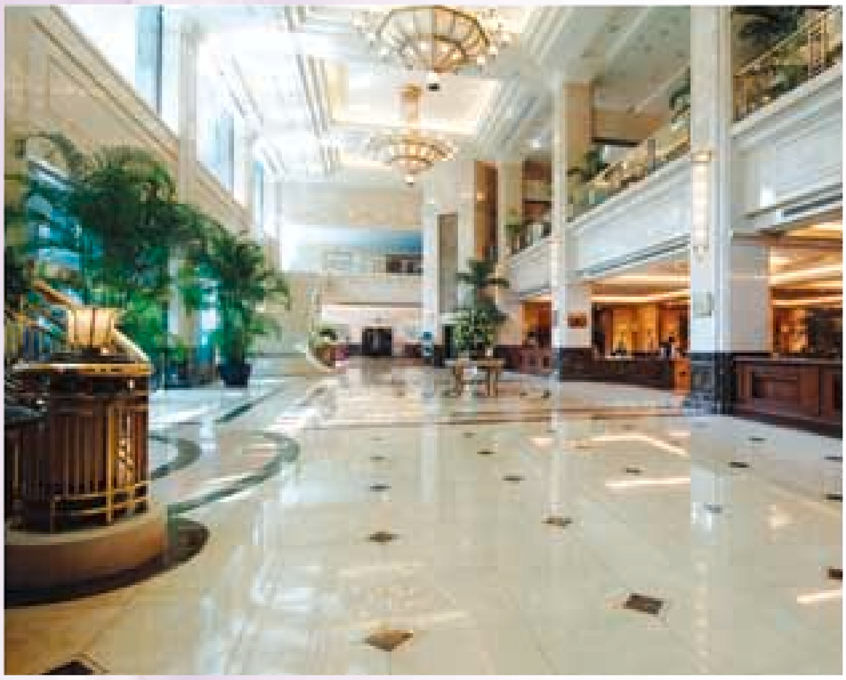
▪ iBusiness Room

▪ iCub Lounge

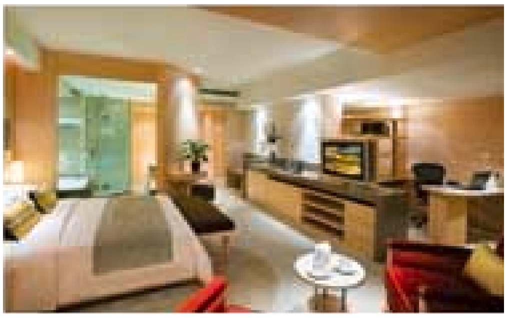
▪ Hotel Lobby

REGAL INTERNATIONAL EAST ASIA HOTEL

SHANGHAI ▪ MAINLAND CHINA



▪ Hotel Lobby



▪ Regal Club Room

▪ Conference Centre

Regal Shanghai East Asia Hotel

Shanghai ▪ Mainland China

▪ Regal Club Room

▪ Swimming Pool

▪ Meeting at Moods Bar and Lounge

■ Hotel Lobby

■ Avanti Ristorante

REGAL JINFENG HOTEL

SHANGHAI ▪ MAINLAND CHINA

■ Deluxe Room

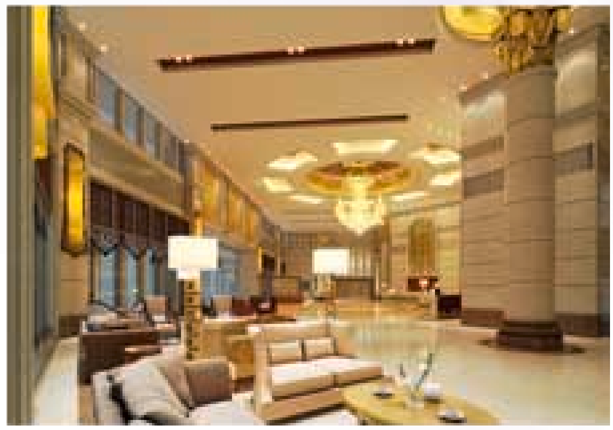
■ Hotel Lobby

■ Superior Room

■ The Forum

REGAL MASTER HOTEL

CHENGDU ▪ MAINLAND CHINA


■ Hotel Lobby


■ Deluxe Room

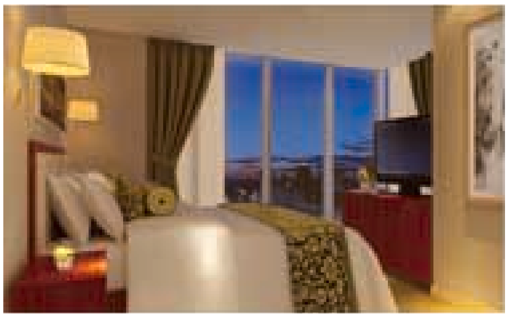
REGAL KANGBO HOTEL

DEZHOU ▪ MAINLAND CHINA


■ Tiffany Lounge

Regal Plaza Hotel & Residence

SHANGHAI ▪ MAINLAND CHINA (OPENING IN 2011)



Deluxe Room

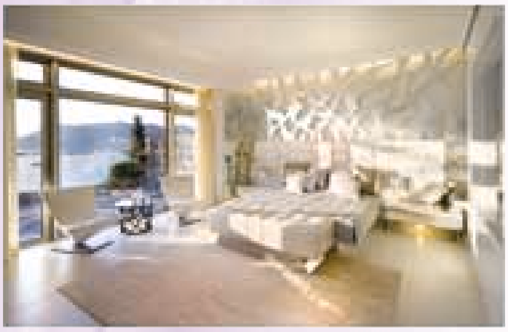
Regal Court

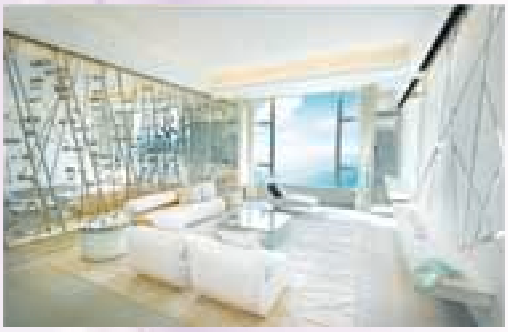
Hotel Lobby

REGALIA BAY

STANLEY ▪ HONG KONG

- Luxurious residence in the south of Hong Kong Island



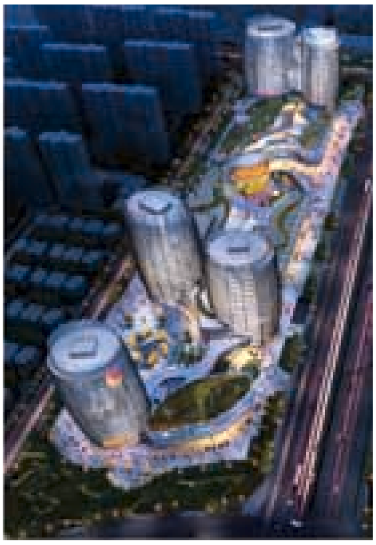


Composite Development

CHENGDU ▪ MAINLAND CHINA

▪ A composite hotel / residential / commercial development

COMING ADDITIONS



REGAL FANHUA CENTER HOTEL (2013)
SUZHOU ▪ MAINLAND CHINA

A REGAL HOTEL (2013)
FOSHAN ▪ MAINLAND CHINA

REGAL YUHONG HOTEL (2012)
ZHENGZHOU ▪ MAINLAND CHINA

REGAL ROYALE HOTEL (2013)
KUNSHAN ▪ MAINLAND CHINA

BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise hotel operation and management businesses, hotel ownership through its investment in Regal Real Estate Investment Trust ("Regal REIT") (which, previously the listed associate of the Company, became the listed subsidiary of the Company with effect from 23rd July, 2010), the asset management of Regal REIT, property development and investment, including the interest in the retained houses in Regalia Bay in Stanley, and other investment businesses.

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

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

FINANCIAL REVIEW

CONSOLIDATION OF REGAL REIT AS A SUBSIDIARY

As disclosed in the joint announcement by the Company dated 2nd December, 2010 and as further explained in note 31 to the financial statements below, Regal REIT became a subsidiary of the Group with effect from 23rd July, 2010. Upon the consolidation of Regal REIT as a subsidiary of the Group, apart from the gains thereby arising, the assets (including the hotel properties) and liabilities (including the bank borrowings) of Regal REIT have been consolidated and recognised in the Group's consolidated financial statements based on their fair values as at 23rd July, 2010. The hotel properties that are owned by Regal REIT and leased to another subsidiary of the Group have been classified as property, plant and equipment in the Group's consolidated financial statements and subject to depreciation charges. Moreover, for so long as Regal REIT remains a subsidiary of the Group, all rental payments to Regal REIT for the leasing of these five Regal Hotels have been eliminated at the Group's level. All these and other consequential changes in accounting treatments due to the consolidation of Regal REIT have been incorporated in the Group's consolidated financial statements for the year under review.

CAPITAL AND FUNDING

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash balances are mostly placed on bank deposits and yield enhancement products are deployed from time to time as management of the Group considers to be appropiate.

Cash Flow

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

Borrowings

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

As at 31st December, 2010, part of the Group's bank deposits in the amount of HK$1,000.0 million (2009 – HK$1,000.0 million) were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT, and the Group's investment properties and certain of the Group's property, plant and equipment, properties held for sale, bank deposits and cash balances in the total amount of HK$15,670.5 million (2009 – HK$1,055.1 million) were also pledged to secure other banking facilities granted to the Group. Prior to Regal REIT becoming a subsidiary of the Group, 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 for the leasing of the hotel properties from Regal REIT, of which HK$101.6 million has been paid by the Group up to 31st December, 2009.

Regal REIT had loan facilities aggregating HK$4,711.0 million as at 31st December, 2010 and in order to hedge against the floating interest rate, Regal REIT had, through its subsidiaries, entered into interest rate hedging arrangements for an aggregate notional principal amount of HK$4,350.0 million.

Details of the maturity profile of the borrowings and the contingent liabilities of the Group are shown in notes 26 and 36, respectively, to the financial statements.

Share Capital

During the year under review, the Company repurchased a total of 8,758,000 ordinary shares of the Company at an aggregate purchase price of HK$25,987,740 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Except for 1,320,000 repurchased ordinary shares which were cancelled subsequent to the year end date, all other repurchased ordinary shares were cancelled during the year. Further 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" in the Report of the Directors below.

Subsequent to the year end date, the Company further repurchased a total of 566,000 ordinary shares of the Company at an aggregate purchase price of HK$1,788,480 on the Stock Exchange. All these repurchased ordinary shares, together with the abovementioned 1,320,000 ordinary shares repurchased but not cancelled during the year, were cancelled before the date of this report.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

On 10th September, 2009, a sale and purchase agreement (the "S&P Agreement") was entered into between, among others, a wholly owned subsidiary of PHL as the Seller and DB Trustees (Hong Kong) Limited, acting in its capacity as trustee of Regal REIT and on behalf of Regal REIT, as the Purchaser relating to the acquisition by the Purchaser of 75% of (a) the Seller's shareholding interest in Twentyfold Investments Limited ("Twentyfold"), a then wholly owned subsidiary of the Seller, and (b) the adjusted shareholder's loans owed by the Subject Group (comprising Twentyfold and its sole wholly owned subsidiary, Sonnix Limited ("Sonnix"), which directly owns certain properties at the office/commercial building located at 211 Johnston Road, Wanchai, Hong Kong (the "Property")) (the "Acquisition"). The Acquisition was completed on 20th October, 2009, and as a result, the Subject Group became 75% owned by Regal REIT.

As provided in the S&P Agreement, the Seller completed at its own cost the asset enhancement programme (the "Asset Enhancement Programme") to convert part of the Property into a 50-room hotel, which subsequently commenced operation in December 2009 under the name of "Regal iClub Hotel (富豪薈酒店)". A second stage conversion programme for the Property providing additional 49 hotel rooms and suites was completed in December 2010.

Pursuant to the S&P Agreement, a call option (the "Call Option") exercisable at the Purchaser's discretion during the period from 1st November, 2010 to 28th February, 2011 (both dates inclusive) was granted by the Seller to the Purchaser for the acquisition by the Purchaser from the Seller of (a) the remaining 25% equity interest in Twentyfold and (b) the then outstanding shareholder's loan owing by the Subject Group to the Seller, subject to an aggregate maximum consideration of HK$98 million (the "Option Acquisition"). The consideration payable by the Purchaser under the Call Option would be determined based on the net asset value of the Subject Group as at the date of completion of the Option Acquisition with the Property stated at the Appraised Value, being the value of the Property as of 30th June, 2009 (on the basis that the Asset Enhancement Programme had been completed) of HK$479 million as valued by an independent valuer engaged by the Purchaser, but with no discount.

On 10th December, 2010, the Purchaser, acting on behalf of and at the direction of Regal REIT, served a notice to the Seller exercising the Call Option for the Option Acquisition. The Option Acquisition was subsequently completed on 31st December, 2010, and Twentyfold and Sonnix then became wholly owned subsidiaries of Regal REIT. After taking into account the completion adjustment, the aggregate consideration for the Option Acquisition was finally determined as HK$90.5 million. Commencing from 1st January, 2011, the Regal iClub Hotel has been operated by Sonnix and managed by Regal Hotels International Limited ("RHI"), a wholly owned subsidiary of the Company, as the hotel manager pursuant to a new hotel management agreement entered into between Sonnix and RHI.

Details of the exercise of the Call Option and related matters were disclosed in the joint announcement of the Company dated 10th December, 2010.

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

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

STAFF AND REMUNERATION POLICY

The Group employs approximately 1,910 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", under which share options have been granted to selected eligible persons.

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, 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiaries are hotel operation and management, hotel ownership through its investment in Regal Real Estate Investment Trust ("Regal REIT") (which, previously the listed associate of the Company, became the listed subsidiary of the Company with effect from 23rd July, 2010), asset management of Regal REIT, property development and investment, and other investments.

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, 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 65 to 157.

DIVIDENDS

An interim dividend of HK2.5 cents (2009 – HK2.0 cents) per ordinary share, absorbing an amount of approximately HK$25.1 million (2009 – HK$20.2 million), was paid to holders of ordinary shares during the year.

The Directors now recommend the payment of a final dividend of HK8.5 cents (2009 – HK6.8 cents) per ordinary share for the year ended 31st December, 2010, absorbing an amount of approximately HK$85.1 million (2009 – HK$68.7 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 31st May, 2011. This recommendation has been incorporated in the financial statements.

ANNUAL GENERAL MEETING

The 2011 Annual General Meeting of the Company will be convened to be held on Tuesday, 31st May, 2011. Relevant notice of the Meeting will be contained in the circular of the Company relating to the re-election of Directors and the general mandates to issue and repurchase ordinary shares (the "Circular") to be sent to the shareholders, together with the 2010 Annual Report.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Friday, 27th May, 2011 to Tuesday, 31st May, 2011, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the proposed final dividend and be entitled to attend and vote at the 2011 Annual General Meeting, 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, not later than 4:30 p.m. on Thursday, 26th May, 2011. The relevant dividend warrants are expected to be despatched on or about 15th June, 2011.

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Dr. Francis Choi Chee Ming, GBS, 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. Allen Wan Tze Wai
Mr. Wong Chi Keung

During the year, Mr. Allen Wan Tze Wai was appointed as an Executive Director with effect from 1st March, 2010.

In accordance with Bye-law 109(A) of the Bye-laws of the Company, Mr. Lo Yuk Sui, the Chairman and Chief Executive Officer, Mr Kenneth Ng Kwai Kai, an Executive Director, and Mr. Ng Siu Chan and Mr. Wong Chi Keung, both Independent Non-Executive Directors, will retire from office by rotation at the 2011 Annual General Meeting.

All the above retiring Directors, being eligible, have offered themselves for re-election at the 2011 Annual General Meeting. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), will be set out in the Circular.

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 end of the reporting period 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 of the Company named as "The Regal Hotels International Holdings Limited Share Option Scheme" (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 the Directors exercised options to subscribe for shares under the Share Option Scheme.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2010, 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") as set out in Appendix 10 of the Listing Rules, were as follows:

				Number of shares held			
	The Company/ Name of Associated Corporation	**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, 2010)**
1.	**The Company**	Mr. Lo Yuk Sui	Ordinary (i) issued	24,200	494,835,261 (Note a(i))	260,700	495,120,161
			(ii) unissued	20,000,000 (Note a(ii))	–	–	20,000,000
						Total (i) & (ii):	515,120,161 (51.34%)
		Dr. Francis Choi Chee Ming	Ordinary (issued)	50,240,000	–	–	50,240,000 (5.01%)
		Ms. Belinda Yeung Bik Yiu	Ordinary (unissued)	3,000,000 (Note b)	–	–	3,000,000 (0.30%)
		Mr. Donald Fan Tung	Ordinary (unissued)	2,000,000 (Note c)	–	–	2,000,000 (0.20%)
		Mr. Jimmy Lo Chun To	Ordinary (unissued)	1,500,000 (Note d)	–	–	1,500,000 (0.15%)
		Miss Lo Po Man	Ordinary (i) issued	300,000	–	269,169 (Note e)	569,169
			(ii) unissued	3,000,000 (Note b)	–	–	3,000,000
						Total (i) & (ii):	3,569,169 (0.36%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	2,000,000 (Note c)	–	–	2,000,000 (0.20%)
		Mr. Allen Wan Tze Wai	Ordinary (i) issued	10,200	–	–	10,200
			(ii) unissued	800,000 (Note f)	–	–	800,000
						Total (i) & (ii):	810,200 (0.08%)

	The Company/ 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, 2010)
2.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note g)	–	1,000 (100%)
3.	Regal REIT	Mr. Lo Yuk Sui	Units (issued)	–	2,417,678,651 (Note h)	–	2,417,678,651 (74.58%)

Notes:

(a) (i) The interests in 421,400 issued ordinary shares of the Company were held through companies wholly owned by Century City International Holdings Limited ("CCIHL"), in which Mr. Lo Yuk Sui ("Mr. Lo") held 52.16% shareholding interests, and the interests in the other 494,413,861 issued ordinary shares of the Company were held through companies wholly owned by Paliburg Holdings Limited ("PHL"), in which CCIHL held 59.49% shareholding interests.

(ii) 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 adjusted exercise price of HK$7.50 per ordinary share (subject to adjustment). The options have 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 exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
12th May, 2007 to 11th May, 2011	8,000,000
12th May, 2008 to 11th May, 2011	4,000,000
12th May, 2009 to 11th May, 2011	4,000,000
12th May, 2010 to 11th May, 2011	4,000,000

(b) The interests in 3,000,000 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 3,000,000 new ordinary shares of the Company at an adjusted exercise price of HK$7.50 per ordinary share (subject to adjustment). The options have 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 exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
25th July, 2007 to 24th July, 2011	1,200,000
25th July, 2008 to 24th July, 2011	600,000
25th July, 2009 to 24th July, 2011	600,000
25th July, 2010 to 24th July, 2011	600,000

(c) The interests in 2,000,000 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 2,000,000 new ordinary shares of the Company at an adjusted exercise price of HK$7.50 per ordinary share (subject to adjustment). The options have 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 exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
25th July, 2007 to 24th July, 2011	800,000
25th July, 2008 to 24th July, 2011	400,000
25th July, 2009 to 24th July, 2011	400,000
25th July, 2010 to 24th July, 2011	400,000

(d) The interests in 1,500,000 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 1,500,000 new ordinary shares of the Company at an adjusted exercise price of HK$7.50 per ordinary share (subject to adjustment). The options have 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 exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
25th July, 2007 to 24th July, 2011	600,000
25th July, 2008 to 24th July, 2011	300,000
25th July, 2009 to 24th July, 2011	300,000
25th July, 2010 to 24th July, 2011	300,000

(e) The interests in 269,169 issued ordinary shares of the Company were held by Miss Lo Po Man as the beneficiary of a trust.

(f) The interests in 800,000 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 800,000 new ordinary shares of the Company at an adjusted exercise price of HK$7.50 per ordinary share (subject to adjustment). The options have 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 exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
25th July, 2007 to 24th July, 2011	320,000
25th July, 2008 to 24th July, 2011	160,000
25th July, 2009 to 24th July, 2011	160,000
25th July, 2010 to 24th July, 2011	160,000

(g) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 52.16% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

(h) The interests in 2,412,391,651 units of Regal REIT were held through wholly owned subsidiaries of the Company, and the interests in the other 5,287,000 units of Regal REIT were held through wholly owned subsidiaries of CCIHL. PHL, in which CCIHL held 59.49% shareholding interests, held 49.28% shareholding interests in the Company. Mr. Lo held 52.16% shareholding interests in CCIHL.

Save as disclosed herein, as at 31st December, 2010, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

During the 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, 2010, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares (unissued) held	Total number of ordinary shares (issued and unissued) held	Approximate percentage of the issued ordinary shares as at 31st December, 2010
CCIHL (Note i)	494,835,261	–	494,835,261	49.32%
Century City BVI Holdings Limited (Note ii)	494,835,261	–	494,835,261	49.32%
Almighty International Limited (Note ii)	494,413,861	–	494,413,861	49.28%
PHL (Note iii)	494,413,861	–	494,413,861	49.28%
Paliburg Development BVI Holdings Limited (Note iv)	494,413,861	–	494,413,861	49.28%
Guo Yui Investments Limited (Note iv)	180,930,466	–	180,930,466	18.03%
Paliburg International Holdings Limited (Note iv)	262,943,209	–	262,943,209	26.21%
Paliburg BVI Holdings Limited (Note iv)	262,943,209	–	262,943,209	26.21%
Taylor Investments Ltd. (Note iv)	154,232,305	–	154,232,305	15.37%
Glaser Holdings Limited (Note iv)	58,682,832	–	58,682,832	5.85%

Notes:

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

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

(iii) PHL is a listed subsidiary of CCIHL, which held 59.49% shareholding interests in PHL, and PHL's interests in the ordinary shares of the Company were 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 were included in the interests held by PHL.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 31st December, 2010, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Compnay pursuant to the SFO.

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

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

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 30th June, 2010 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	Details of changes
Executive Directors:	
Mr. Lo Yuk Sui	• Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK$292,500 commencing from January 2011. (Notes)
Ms. Belinda Yeung Bik Yiu	• Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK$153,000 commencing from January 2011. (Notes)
Mr. Donald Fan Tung	• Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK$59,200 commencing from January 2011. (Notes)
Mr. Jimmy Lo Chun To	• Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK$27,000 commencing from January 2011. (Notes)
Miss Lo Po Man	• Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK$95,200 commencing from January 2011. (Notes)
Mr. Kenneth Ng Kwai Kai	• Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK$99,450 commencing from January 2011. (Notes)
Mr. Allen Wan Tze Wai	• Entitled to allocated monthly salary, based on services rendered to the Group, in an amount of HK$63,700 commencing from January 2011. (Notes)
Independent Non-Executive Directors:	
Ms. Alice Kan Lai Kuen	• Act as an independent non-executive director of Sunac China Holdings Limited, which commenced listing on the Stock Exchange on 7th October, 2010.
Mr. Wong Chi Keung	• Appointment as a member of the audit committee of ENM Holdings Limited, a company listed on the Stock Exchange, with effect from 10th December, 2010.

Notes:

(i) Each Executive Director is also entitled to performance based discretionary bonus, incentive share options and other related employee benefits and allowances for the executive role in the Group, and normal Director's fee in the amount of HK$100,000 per annum in acting as a Director of the Company.

(ii) Details of the remunerations of the Executive Directors for the year ended 31st December, 2010 are disclosed in note 9 to the financial statements.

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

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 a company listed in Hong Kong and is not a connected person (as defined in the Listing Rules) of the Company, by the Company and its subsidiaries (the "Group") as at 31st December, 2010 are set out below:

Advances	**Group (HK$'million)**
(A) Principal Amount of Advances	914.5
(B) Interest Receivable	366.7
Total: (A)+(B)	1,281.2

The above advances to Chest Gain in an aggregate sum of HK$1,281.2 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.

The aggregate advances (including interest receivable) as at 31st December, 2010 provided by the Group to Chest Gain in the sum of HK$1,281.2 million represented 6.5% of the consolidated total assets of the Group of HK$19,791.2 million (the "Regal TA"), calculated by reference to its latest audited consolidated financial statements for the year ended 31st December, 2010.

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, 2010 are set out below:

Name of Affiliated Companies	Principal Amount of Advances (HK$'million)	Interest Receivable (HK$'million)	Total (HK$'million)
Chest Gain	914.5	366.7	1,281.2
8D International (BVI) Limited	–	–	–
8D Matrix Limited	1.3	–	1.3
Bright Future (HK) Limited	5.6	–	5.6
Faith Crown Holdings Limited	177.4	–	177.4
Hang Fok Properties Limited	258.1	–	258.1
	1,356.9	366.7	1,723.6

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 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 Yuk Sui ("Mr. Lo") through his associates (as defined in the Listing Rules). 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 independent third parties respectively, which are not connected persons (as defined in the Listing Rules) of the Company. 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.

Faith Crown Holdings Limited ("Faith Crown"), which was previously a wholly owned subsidiary of the Company and became a 50% owned jointly controlled entity of the Company in February 2008, holds, through its wholly owned subsidiaries, interests in a site in Xindu District, Chengdu, the PRC acquired at a public land auction. The remaining 50% shareholding interest in Faith Crown is indirectly held by Cosmopolitan International Holdings Limited ("CIHL"), which is a company listed in Hong Kong and is not a connected person (as defined in the Listing Rules) of the Company. The Company holds, through its wholly owned subsidiaries, 2.95% shareholding interests in CIHL and certain convertible bonds issued by the CIHL group. The site is primarily planned for a hotel, residential and commercial composite development project. Further information relating to the progress of the development project is disclosed in the preceding Chairman's Statement. The advances to Faith Crown were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interests in Faith Crown. The advances to Faith Crown 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 an independent third party, which is not a connected person (as defined in the Listing Rules) of the Company. 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. Further information relating to the development project is disclosed in the section headed "Business Review" in the preceding Management Discussion and Analysis and in note 18 to the financial statements.

As at 31st December, 2010, the aggregate amount of financial assistance provided to affiliated companies by the Group in the sum of HK$1,723.7 million represented 8.7% 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, 2010, which were discloseable pursuant to Rule 13.16 of Chapter 13 of the Listing Rules.

A combined statement of financial position of the abovenamed affiliated companies and the Group's attributable interest in these affiliated companies are presented below:

	Combined statement of financial position (HK$'million)	**The Group's attributable interest (HK$'million)**
Non-current assets	2,414.5	158.2
Current assets	394.5	45.8
Current liabilities	(69.8)	(10.7)
Non-current liabilities	(6,832.0)	(442.9)
Net liabilities	(4,092.8)	(249.6)

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

Extension of the Term of the Subject 2010 CB held by the Group

On 26th April, 2010, a deed of variation was entered into between Valuegood International Limited ("Valuegood"), a wholly owned subsidiary of the Company, Fancy Gold Limited, a wholly owned subsidiary of Cosmopolitan International Holdings Limited ("CIHL") (a company listed on the Stock Exchange), as the issuer of the zero coupon guaranteed convertible bonds due 2010 with an aggregate principal amount of HK$205 million (the "2010 CBs") (the "Issuer") and CIHL as the guarantor of the Issuer, in relation to the extension of the maturity date of the Subject 2010 CB (as referred to below) for one year to 16th May, 2011 and the conversion period of the Subject 2010 CB for one year to 2nd May, 2011 (the "Extension") subject to the terms and conditions as set out therein (the "Extension Agreement"). Apart from the extension of the maturity date and conversion period of the Subject 2010 CB and the redemption premium calculated based on a fixed yield to maturity of the Subject 2010 CB, all terms of the Subject 2010 CB would remain unchanged from the original terms of the 2010 CBs issued by the Issuer.

Valuegood subscribed for the 2010 CB with a principal amount of HK$102.5 million in 2007 and further acquired the 2010 CB with a principal amount of HK$38.95 million from a subscriber of the 2010 CB in 2008 (together, the "Subject CB"). The 2010 CBs would mature on 16th May, 2010 unless extended. As at the date of the Extension Agreement, the Subject CB was convertible into a total number of 707,250,000 new shares of HK$0.001 each of CIHL ("CIHL Shares") at the then prevailing conversion price of HK$0.20 per CIHL Share, representing approximately 31.24% of the then existing issued share capital of CIHL and approximately 23.81% of the issued share capital of CIHL as enlarged by such conversion.

The conversion of the Subject 2010 CB might result in regulatory compliance issues (including the possible triggering of a mandatory obligation for the Group and its concert parties to make an offer for all the CIHL Shares that were not held by them). The Group did not intend to convert the Subject 2010 CB to the extent that any such mandatory offer obligation would be triggered. The Group considered that it was difficult, within a relatively short period of time, to sell the Subject 2010 CB given the size of the Subject 2010 CB and the significant number of CIHL Shares that might be issued from conversion of the Subject 2010 CB and taking into account the liquidity of the CIHL Shares trading. The Group also considered that it might not be in the overall interest of the Group if such sale would adversely affect the market value of the CIHL shares trading. With the Extension, there would not be any imminent need to dispose of the Subject 2010 CB.

Pursuant to the Extension Agreement, the Extension was conditional on (i) the Company obtaining approval and/or ratification of the Extension Agreement by its independent shareholders; (ii) CIHL obtaining approval and/or ratification of the Extension Agreement by its independent shareholders; and (iii) the Stock Exchange's consent in respect of the Extension. If the conditions were not fulfilled on or before 10th June, 2010 (being 45 days after the Extension Agreement) or such later date as might be agreed by the parties, the Extension Agreement would lapse and terminate.

Subject to the Extension Agreement becoming unconditional, the Company and Valuegood have jointly and severally given an undertaking in favour of CIHL that they would not without the consent of CIHL directly or indirectly dispose of or enter into any agreement to dispose of, transfer or enter into any agreement to transfer or otherwise create any options, rights, interests or encumbrances in respect of (i) the CIHL Shares then held by the Group; (ii) the Subject 2010 CB and the zero coupon guaranteed convertible bonds due 2013 of the CIHL Group (comprising CIHL and its subsidiaries), with an aggregate principal amount of HK$200 million presently in issue and an additional principal amount of up to HK$200 million that the CIHL Group may further issue, convertible into new CIHL Shares at the then prevailing conversion price of HK$0.30 per new CIHL Share (the "2013 CBs"), and (iii) any new CIHL Shares that may be issued from the conversion of such convertible bonds. The Group holds the issued 2013 CB with a principal amount of HK$100 million and additional 2013 CB with a principal amount of up to HK$100 million that the Group may subscribe for pursuant to an option granted by the CIHL Group. The above non-disposal lock-up undertakings are for a period up to 16th May, 2011, subject to certain exceptions set out in such undertaking comprising any one of the following events: merger and amalgamation, winding-up of CIHL, and general offer for the CIHL Shares.

If the Extension had not become unconditional by the long-stop date of the Extension Agreement, all the Subject 2010 CB would have to be redeemed by the Issuer at 115.97% of the outstanding principal amount of the Subject 2010 CB, requiring the CIHL Group to pay the holder of the Subject 2010 CB redemption monies of approximately HK$164 million. Pending the Extension becoming unconditional, Valuegood had agreed that the Issuer might suspend the payment of such redemption monies to Valuegood until the long-stop date of the Extension Agreement. The redemption amount of the Subject 2010 CB of approximately HK$164 million (the "Amount") was placed by the CIHL Group in escrow pending the outcome of the fulfillment of the conditions of the Extension Agreement. If the Extension Agreement became unconditional by the long-stop date, the escrow agent would transfer the Amount to the Issuer within the next business day of the Extension Agreement becoming unconditional. If the Extension Agreement did not become unconditional by the long-stop date, the escrow agent would transfer the Amount to Valuegood within the next business day after the long-stop date.

As at the date of the Extension Agreement, the Group held approximately 2.96% of the issued share capital of CIHL. PHL held approximately 48.81% of the issued share capital of the Company and approximately 16.86% of the issued share capital of CIHL as at the date of the Extension Agreement. As PHL (the controlling shareholder of the Company) is a substantial shareholder of CIHL, the Extension constituted a discloseable transaction and a connected transaction subject to independent shareholders' approval for the Company under the Listing Rules.

The Extension was approved by the independent shareholders of the Company at the special general meeting of the Company held on 9th June, 2010, and the other conditions of the Extension Agreement were fulfilled before 10th June, 2010.

Details of the Extension were disclosed in the announcements of the Company dated 26th April, 2010 and 11th May, 2010 and the circular of the Company dated 17th May, 2010. Further details relating to the Subject 2010 CB so extended are disclosed in note 19 to the financial statements.

Exercise of Call Option by Regal REIT

At the time of entering into of the S&P Agreement in relation to the Acquisition (both as referred to and disclosed under the section headed "Material Acquisitions or Disposals of Subsidiaries or Associates" in the preceding Management Discussion and Analysis), Regal REIT was a listed associate of the Company. As explained in note 31 to the financial statements below, Regal REIT became a subsidiary of the Group with effect from 23rd July, 2010. As a result, since PHL is the controlling shareholder of the Company, the exercise of the Call Option with respect to the Option Acquisition (both as referred to and disclosed under the section headed "Material Acquisitions or Disposals of Subsidiaries or Associates") therefore constituted a discloseable and connected transaction for the Company subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14 of the Listing Rules.

Details of the exercise of the Call Option were disclosed in the joint announcement of the Company dated 10th December, 2010.

Lease Transaction

On 20th October, 2009, the date of completion of the Acquisition under the S&P Agreement, Real Charm Investment Limited ("Real Charm"), a wholly owned subsidiary of PHL, entered into a lease agreement (the "Lease Agreement") with Sonnix, the owner of the Property (including the Regal iClub Hotel and certain commercial/office units), (both as referred to and disclosed under the section headed "Material Acquisitions or Disposals of Subsidiaries or Associates") in relation to the leasing of the Property by Real Charm from Sonnix for a period commencing from 21st October, 2009 to 31st December, 2010 at a rental of HK$2 million per calendar month to operate the Regal iClub Hotel and the leasing business of the relevant leased properties (the "Lease Transaction").

As explained above, since Regal REIT and Sonnix subsequently became subsidiaries of the Company, the leasing of the Property by Real Charm from Sonnix constituted a continuing connected transaction for the Company. As the rental for the period from 23rd July, 2010 to 31st December, 2010 amounted to HK$10.6 million was less than 5% of the applicable percentage ratios under the Listing Rules, the Lease Transaction constituted a continuing connected transaction for the Company subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Following the completion of the exercise of the Call Option, the Lease Agreement expired on 31st December, 2010 and the Lease Transaction was accordingly terminated.

Details of the Lease Transaction were disclosed in the joint announcement of the Company dated 10th December, 2010.

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

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

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

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

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 15 to the financial statements.

INVESTMENT PROPERTIES

The details of movements in investment properties during the year are set out in note 16 to the financial statements.

BORROWINGS

The details of the Group's borrowings at the end of the reporting period 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, together with the reasons therefor, during the year are set out in note 29 to the financial statements.

SHARE PREMIUM ACCOUNT

The details of movements in the share premium account during the year are set out in note 29 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 of the financial statements.

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 of the financial statements.

SPECIAL RESERVE

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

REVALUATION RESERVE

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

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 of the financial statements.

SUBSIDIARIES

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

JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

Particulars of the Group's investments in its jointly controlled entities and associates are set out in notes 17 and 18 to the financial statements, respectively.

RESERVES

The details of movements in the reserves of the Company and the Group during the year are set out in note 30(b) to the financial statements and in the consolidated statement of changes in equity of the financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31st December, 2010, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK$6,228.5 million, of which HK$85.1 million has been proposed as final dividend for the year.

In addition, the Company's share premium account, in the amount of HK$854.1 million, may be distributed in the form of fully paid bonus shares.

AUDITORS

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

On behalf of the Board

LO YUK SUI

Chairman

Hong Kong

23rd March, 2011

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. Enhancement to the current standards for complying with new requirements, revision of the existing policies and practices and introduction of appropriate new measures have been implemented. Periodic 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, 2010, except that:

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

(2) The Non-Executive Director and 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, 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, and were eligible for re-election. Further, following the relevant amendments to the Bye-laws on 9th June, 2010, all Directors (including the Non-Executive Director and Independent Non-Executive Directors) of the Company would be subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

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 of and any deviation from the provisions of the CG Code (as summarised below) by the Company during the year ended 31st December, 2010 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, 2010.

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. Minutes of the meetings 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, the effective controlling shareholder of the Company, who oversees the overall policy and decision making of the Group. A Chief Operating Officer has been appointed 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 had been put in place such that the Non-Executive Director and the Independent Non-Executive Directors would retire, 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, and were eligible for re-election, during the period before the amendments to the relevant provisions of the Bye-laws were approved at the 2010 Annual General Meeting of the Company held on 9th June, 2010. Since then, all Directors (including the Non-Executive Director and Independent Non-Executive Directors) of the Company would be subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

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 during the period before the amendments to the relevant provisions of the Bye-laws approved at the 2010 Annual General Meeting. Since then, all Directors (including the Non-Executive Director and Independent Non-Executive Directors) of the Company would be subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election. At the 2010 Annual General Meeting, an Executive Director, who was appointed in March 2010 and held office until that meeting, and three other Directors, who had been in office for three years, retired and were re-elected at that meeting.

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, 2010.

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 The Executive Director 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 Independent 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.

Code C.2.2 The board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.

Deviation from Code C.2.2

No As a manpower policy of the Group, which is subject to regular review by the Directors and senior management, adequate resources have been allocated to the accounting and financial reporting function with staff members possessing appropriate qualifications and experience engaged in the discharge of the relevant functions. The relevant staff members attend seminars and workshops organised by the professional accounting bodies on a regular basis, and a reasonable budget has been allocated for continuous professional development purposes.

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 in accordance with the requirements under the CG Code, 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 only delegates 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 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 2010. 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 of the Audit Committee had attended the Annual General Meeting of the Company held in 2010. Questions were raised by certain shareholders at the Meeting concerning the Group's business affairs, which were responded to by the Chairman and certain Executive Directors of the Board.

The Chairman of the Board and the sole member of the independent board committee had attended the Special General Meeting of the Company held in 2010 in relation to a discloseable and connected transaction subject to independent shareholders' approval. Questions were raised by certain shareholders of the Company and were responded to by the Chairman and certain Executive Directors of the Board.

Code E.1.3 The issuer should arrange for the notice to shareholders to be sent in the case of annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings.

Deviation from Code E.1.3

No Notice of more than 20 clear business days for convening the Annual General Meeting of the Company held in 2010 and notice of more than 10 clear business days for convening the Special General Meeting of the Company held in 2010 were sent to the shareholders of the Company.

E.2 Voting by Poll

Code E.2.1 The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.

Deviation from Code E.2.1

No The Chairman of the Annual General Meeting of the Company and the Special General Meeting of the Company both held in 2010 had at the commencement of the said Meetings demanded that the voting on all resolutions to be put forth at the Meetings be taken by poll. The Chairman also informed the Meetings that he would answer any questions about the poll procedures when the Meetings proceeded to the poll taking process.

(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, 2010.

(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
Mr. Allen Wan Tze Wai

Non-Executive Director:

Dr. Francis Choi Chee Ming, GBS, JP *(Vice Chairman)*

Independent Non-Executive Directors:

Ms. Alice Kan Lai Kuen
Mr. Ng Siu Chan
Mr. Wong Chi Keung

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

During the year ended 31st December, 2010, 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 2010, 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)*	6/6
Ms. Belinda Yeung Bik Yiu *(Chief Operating Officer)*	6/6
Mr. Donald Fan Tung	6/6
Mr. Jimmy Lo Chun To	6/6
Miss Lo Po Man	6/6
Mr. Kenneth Ng Kwai Kai	6/6
Mr. Allen Wan Tze Wai *(appointed on 1st March, 2010)*	6/6
Non-Executive Director	
Dr. Francis Choi Chee Ming, GBS, JP *(Vice Chairman)*	5/6
Independent Non-Executive Directors	
Ms. Alice Kan Lai Kuen	6/6
Mr. Ng Siu Chan	6/6
Mr. Wong Chi Keung	6/6

(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, GBS, JP *(Member)*

The Audit Committee has reviewed with the 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 2010, 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, GBS, JP	2/2
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 the 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 2010, the Remuneration Committee met once and has reviewed the Company's policy and structure for the remuneration of Directors and senior management. 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 2010, 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. Regular management audits have also been performed by the Area Financial Control department on the internal control systems of individual hotels to ensure that there are no significant control failings or weaknesses. Recommendations for improvement are forwarded to individual hotels' management for implementation. 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 2010 Annual General Meeting until the conclusion of the forthcoming 2011 Annual General Meeting.

The amount of fees payable to Messrs. Ernst & Young, the auditors of the Company, for the year ended 31st December, 2010 is HK$3.6 million (2009 - HK$2.7 million). The amount of remuneration payable to the auditors of the Company relating to non-audit service for the year ended 31st December, 2010 is HK$0.9 million (2009 - HK$0.2 million).

Consolidated Income Statement

For the year ended 31st December, 2010

	Notes	2010 HK$'million	2009 HK$'million (Restated)
REVENUE	5	**1,502.7**	1,381.2
Cost of sales		**(1,245.9)**	(1,611.4)
Gross profit/(loss)		**256.8**	(230.2)
Other income and gains	5	**27.0**	43.2
Administrative expenses		**(171.7)**	(151.6)
Other operating expense	6	**–**	(0.8)
Fair value gains on financial assets at fair value through profit or loss, net		**540.5**	311.4
Fair value gains upon reclassification of properties held for sale to investment properties		**–**	34.2
Fair value gains on investment properties		**181.7**	107.0
Fair value gain on remeasurement of investment in a listed associate	31	**4,134.8**	–
Gain on bargain purchase of a listed subsidiary	31	**2,502.6**	–
OPERATING PROFIT BEFORE DEPRECIATION		**7,471.7**	113.2
Depreciation		**(159.4)**	(6.4)
OPERATING PROFIT		**7,312.3**	106.8
Finance costs	8	**(86.4)**	(4.9)
Share of profits and losses of:			
Jointly controlled entities		**(1.8)**	(2.3)
Associates		**(159.3)**	361.1
PROFIT BEFORE TAX	7	**7,064.8**	460.7
Income tax expense	11	**(74.0)**	(12.7)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		**6,990.8**	448.0
Attributable to:			
Equity holders of the parent	12	**6,928.8**	448.0
Non-controlling interests		**62.0**	–
		6,990.8	448.0
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	14		(Restated)
Basic and Diluted		**HK$6.88**	HK$0.44

Details of the dividends paid and proposed for the year are disclosed in note 13 to the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2010

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

Consolidated Statement of Financial Position

As at 31st December, 2010

	Notes	2010 HK$'million	2009 HK$'million (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	15	**13,879.6**	38.2
Investment properties	16	**1,379.5**	805.0
Investments in jointly controlled entities	17	**182.5**	176.6
Investments in associates	18	**10.1**	601.8
Financial assets at fair value through profit or loss	19	**636.5**	358.0
Other loan	20	**13.3**	13.3
Pledged bank deposits		**–**	1,000.0
Total non-current assets		**16,101.5**	2,992.9
CURRENT ASSETS			
Hotel inventories	21	**22.9**	21.2
Properties held for sale	22	**806.7**	795.6
Debtors, deposits and prepayments	23	**323.8**	261.7
Financial assets at fair value through profit or loss	19	**774.7**	546.1
Restricted cash	24	**72.0**	–
Pledged time deposits		**1,003.0**	3.6
Time deposits		**280.8**	251.2
Cash and bank balances		**405.8**	358.5
Total current assets		**3,689.7**	2,237.9
CURRENT LIABILITIES			
Creditors and accruals	25	**(345.6)**	(407.8)
Interest bearing bank borrowings	26	**(152.6)**	(69.4)
Tax payable		**(22.3)**	(12.8)
Total current liabilities		**(520.5)**	(490.0)

	Notes	2010 HK$'million	2009 HK$'million (Restated)
NET CURRENT ASSETS		**3,169.2**	1,747.9
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,270.7**	4,740.8
NON-CURRENT LIABILITIES			
Interest bearing bank borrowings	26	**(4,943.3)**	(246.8)
Derivative financial instruments	27	**(142.4)**	–
Deferred tax liabilities	28	**(1,102.4)**	–
Total non-current liabilities		**(6,188.1)**	(246.8)
Net assets		**13,082.6**	4,494.0
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	29	**100.2**	101.1
Reserves	30(a)	**11,350.7**	4,322.9
Proposed final dividend	13	**85.1**	68.7
		11,536.0	4,492.7
Non-controlling interests		**1,546.6**	1.3
Total equity		**13,082.6**	4,494.0

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2010

		Attributable to equity holders of the parent											
	Notes	Issued share capital HK$'m	Share premium account HK$'m	Share option reserve HK$'m	Capital redemption reserve HK$'m	Hedge reserve HK$'m	Investment revaluation reserve HK$'m	Exchange equalisation reserve HK$'m	Retained profits HK$'m	Proposed final dividend HK$'m	Total HK$'m	Non-controlling interests HK$'m	Total equity HK$'m
At 1st January, 2009		101.4	885.1	40.7	6.2	(127.2)	(0.8)	90.0	3,089.0	50.5	4,134.9	1.3	4,136.2
Profit for the year (as restated)		–	–	–	–	–	–	–	448.0	–	448.0	–	448.0
Other comprehensive income/(loss) for the year:													
Reclassification adjustment for loss of available-for-sale investment		–	–	–	–	–	0.8	–	–	–	0.8	–	0.8
Exchange differences on translating foreign operations		–	–	–	–	–	–	1.0	–	–	1.0	–	1.0
Share of other comprehensive income of associates/jointly controlled entity		–	–	–	–	–	–	1.2	–	–	1.2	–	1.2
Share of other comprehensive loss of the listed associate		–	–	–	–	(20.0)	–	–	–	–	(20.0)	–	(20.0)
Total comprehensive income/(loss) for the year		–	–	–	–	(20.0)	0.8	2.2	448.0	–	431.0	–	431.0
Final 2008 dividend declared		–	–	–	–	–	–	–	(0.1)	(50.5)	(50.6)	–	(50.6)
Repurchase and cancellation of ordinary shares	29	(0.3)	(5.9)	–	0.3	–	–	–	(0.3)	–	(6.2)	–	(6.2)
Equity-settled share option arrangements		–	–	3.8	–	–	–	–	–	–	3.8	–	3.8
Forfeiture of equity settled share option arrangement		–	–	(0.1)	–	–	–	–	0.1	–	–	–	–
Interim 2009 dividend	13	–	–	–	–	–	–	–	(20.2)	–	(20.2)	–	(20.2)
Proposed final 2009 dividend	13	–	–	–	–	–	–	–	(68.7)	68.7	–	–	–
At 31st December, 2009 (as restated)		101.1	879.2	44.4	6.5	(147.2)	–	92.2	3,447.8	68.7	4,492.7	1.3	4,494.0

For the year ended 31st December, 2010

		Attributable to equity holders of the parent											
	Notes	Issued share capital HK$'m	Share premium account HK$'m	Share option reserve HK$'m	Capital redemption reserve HK$'m	Hedge reserve HK$'m	Capital reserve* HK$'m	Exchange equalisation reserve HK$'m	Retained profits HK$'m	Proposed final dividend HK$'m	Total HK$'m	Non-controlling interests HK$'m	Total equity HK$'m
At 1st January, 2010 (as previously reported)		101.1	879.2	44.4	6.5	(147.2)	–	92.2	3,430.9	68.7	4,475.8	1.3	4,477.1
Prior year adjustments	2.2	–	–	–	–	–	–	–	16.9	–	16.9	–	16.9
As restated		101.1	879.2	44.4	6.5	(147.2)	–	92.2	3,447.8	68.7	4,492.7	1.3	4,494.0
Profit for the year		–	–	–	–	–	–	–	6,928.8	–	6,928.8	62.0	6,990.8
Other comprehensive income for the year:													
Change in fair value of cash flow hedges		–	–	–	–	(13.0)	–	–	–	–	(13.0)	(4.4)	(17.4)
Transfer from hedge reserve to income statement		–	–	–	–	46.7	–	–	–	–	46.7	16.0	62.7
Exchange differences on translating foreign operations		–	–	–	–	–	–	3.6	–	–	3.6	–	3.6
Share of other comprehensive income of associates/jointly controlled entity		–	–	–	–	–	–	34.1	–	–	34.1	–	34.1
Share of other comprehensive income of the listed associate		–	–	–	–	10.4	–	–	–	–	10.4	–	10.4
Total comprehensive income for the year		–	–	–	–	44.1	–	37.7	6,928.8	–	7,010.6	73.6	7,084.2
Final 2009 dividend declared		–	–	–	–	–	–	–	0.1	(68.7)	(68.6)	–	(68.6)
Repurchase and cancellation of ordinary shares	29	(0.9)	(25.1)	–	0.9	–	–	–	(0.9)	–	(26.0)	–	(26.0)
Acquisition of a listed subsidiary	31	–	–	–	–	136.8	–	–	–	–	136.8	1,583.5	1,720.3
Acquisition of additional interest in a listed subsidiary		–	–	–	–	–	2.6	–	–	–	2.6	(2.6)	–
Acquisition of additional interest in a subsidiary		–	–	–	–	–	11.8	–	–	–	11.8	(37.9)	(26.1)
Equity-settled share option arrangements		–	–	1.2	–	–	–	–	–	–	1.2	–	1.2
Interim 2010 dividend	13	–	–	–	–	–	–	–	(25.1)	–	(25.1)	(71.3)	(96.4)
Proposed final 2010 dividend	13	–	–	–	–	–	–	–	(85.1)	85.1	–	–	–
At 31st December, 2010		100.2	854.1	45.6	7.4	33.7	14.4	129.9	10,265.6	85.1	11,536.0	1,546.6	13,082.6

* Following the adoption of HKAS 27 (Revised) Consolidated and Separate Financial Statements in the current year, changes in the parent's ownership interest in a subsidiary that does not result in a loss of control over that subsidiary are accounted for as equity transactions. As a result, the differences between the consideration paid or received and the changes in non-controlling shareholders' interest in that subsidiary are recognised directly in capital reserve and attributed to the owners of the parent. The amount would have been recorded in "Other income and gains" in the consolidated income statement prior to the adoption of HKAS27 (Revised).

Consolidated Statement of Cash Flows

For the year ended 31st December, 2010

	Notes	2010 HK$'million	2009 HK$'million
Net cash flows used in operating activities	33(a)	**(104.8)**	(401.7)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure for investment properties		**(21.4)**	–
Purchases of items of property, plant and equipment		**(63.4)**	(31.2)
Proceeds of disposal of property, plant and equipment		**0.8**	–
Proceeds of disposal of investment properties		**131.0**	232.9
Purchases of financial assets at fair value through profit or loss		**(0.5)**	(1.2)
Proceeds of disposal of available-for-sale investment		**–**	3.1
Acquisition of additional interest in a listed associate		**–**	(6.0)
Acquisition of a listed subsidiary	31	**83.1**	–
Repayment from/(advances to) associates		**67.2**	(51.2)
Repayment from/(advance to) a jointly controlled entity		**(0.5)**	25.2
Interest received		**6.6**	7.8
Dividends received from listed investments		**3.1**	2.0
Distributions received from a listed associate		**203.8**	373.7
Decrease in pledged bank deposits		**0.6**	4.7
Increase in restricted cash		**(6.9)**	–
Decrease in loan receivable		**–**	22.8
Net cash flows from investing activities		**403.5**	582.6
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase and cancellation of ordinary shares	29	**(26.0)**	(6.2)
Drawdown of new loans		**733.0**	748.0
Repayments of bank loans		**(581.5)**	(699.5)
Interest paid		**(91.8)**	(3.3)
Dividends paid		**(162.5)**	(70.7)
Acquisition of non-controlling interests		**(90.1)**	–
Increase in restricted cash		**(6.1)**	–
Net cash flows used in financing activities		**(225.0)**	(31.7)
Net increase in cash and cash equivalents		**73.7**	149.2
Cash and cash equivalents at beginning of year		**609.7**	460.5
Effect of foreign exchange rate changes, net		**3.2**	–
Cash and cash equivalents at end of year		**686.6**	609.7
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**405.8**	358.5
Non-pledged time deposits with original maturity of less than three months when acquired		**280.8**	251.2
		686.6	609.7

Statement of Financial Position

As at 31st December, 2010

	Notes	2010 HK$'million	2009 HK$'million
NON-CURRENT ASSETS			
Investments in subsidiaries	32	**7,242.8**	4,478.8
Total non-current assets		**7,242.8**	4,478.8
CURRENT ASSETS			
Deposits and prepayments		**0.3**	0.3
Cash and bank balances		**0.7**	0.5
Total current assets		**1.0**	0.8
CURRENT LIABILITIES			
Creditors and accruals		**(8.0)**	(3.8)
Total current liabilities		**(8.0)**	(3.8)
NET CURRENT LIABILITIES		**(7.0)**	(3.0)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,235.8**	4,475.8
Net assets		**7,235.8**	4,475.8
EQUITY			
Issued capital	29	**100.2**	101.1
Reserves	30(b)	**7,050.5**	4,306.0
Proposed final dividend	13	**85.1**	68.7
Total equity		**7,235.8**	4,475.8

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, the Company and its subsidiaries (collectively referred to as the "Group") was principally engaged in hotel operation and management, hotel ownership through investment in Regal Real Estate Investment Trust ("Regal REIT"), asset management of Regal REIT, property development and investment, and other investments. Regal REIT became a subsidiary during the year.

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 investment properties, financial assets at fair value through profit or loss and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1st January, 2010

The consolidated financial statements include the financial statements of the Group for the year ended 31st December, 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1st January, 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests (formerly known as minority interests), prior to 1st January, 2010, were accounted for using the parent entity extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interests until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1st January, 2010 were not reallocated between non-controlling interests and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1st January, 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (early adopted)
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation *4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

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

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

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

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

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

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

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

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

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

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

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

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

2.3 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 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1st July, 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1st January, 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1st February, 2010
2 Effective for annual periods beginning on or after 1st July, 2010
3 Effective for annual periods beginning on or after 1st January, 2011
4 Effective for annual periods beginning on or after 1st July, 2011
5 Effective for annual periods beginning on or after 1st January, 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that 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 investments in subsidiaries are stated at cost less any impairment losses.

Upon the disposal of investments in subsidiaries, any gain or loss arising thereon, including the realisation of the attributable reserves, is included in the income statement.

(b) Joint ventures

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 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 entities

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 entities 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 entities are eliminated to the extent of the Group's investments in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. The Group's investments in the jointly controlled entities are stated in the consolidated statement of financial position 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 investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

(e) Business combinations and goodwill

Business combinations from 1st January, 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase of a listed subsidiary.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The carrying amount of goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31st December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1st January, 2010 but after 1st January, 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1st January, 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

(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 investment properties), 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 the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an 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 an 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 are stated at cost less accumulated depreciation and any impairment losses. 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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset or as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciations.

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 land	Over the lease terms
Hotel buildings	Over the shorter of 40 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
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 least at the end of each reporting period.

An item of property, plant and equipment and any significant part initially recognised 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.

(h) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

(i) Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables, or as derivatives designed as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

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.

The Group's financial assets include other loan, trade debtors, other financial assets included in debtors, deposits and prepayments, financial assets at fair value through profit or loss, pledged deposits, time deposits and cash and cash equivalents.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do 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.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investments revaluation reserve until the investment is derecognised at which time the cumulative gain or loss is recognised in the income statement in other income or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investments revaluation reserve. Dividends earned are reported as dividend income and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets to assess whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Fair value of financial instruments

The fair value of financial investments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial investments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions and reference to the current market value of another instrument which is substantially the same.

(j) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

(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 when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. 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.

(l) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade creditors, other financial liabilities included in creditors and accruals and interest bearing bank borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

(m) 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.

(n) Offsetting of financial instrument

Financial asset and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle liabilities simultaneously.

(o) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of an interest rate hedging derivative is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the income statement over the remaining term to maturity. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement. The changes in the fair value of the hedging instrument are also recognised in the income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedge reserve, while any ineffective portion is recognised immediately in the income statement.

Amounts recognised in other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

(p) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and 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. Any difference between the carrying amount and the consideration is recognised in equity.

(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 estimated 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 agency and management services 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; and

(vi) net gain or loss from the sale of investments in listed shares, on the transaction dates when the relevant contract notes are exchanged.

(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 recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. 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 end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange equalisation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, 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 relating to items recognised outside profit or loss is recognised either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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 entities, 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 entities, 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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has became probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance lease, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

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. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

(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 for grants after 7th November, 2002 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 the Black-Scholes option pricing model.

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. The cumulative expense recognised for equity-settled transactions at the end of each reporting period 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 equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service 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, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, 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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. 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. All cancellations of equity-settled transaction awards are treated equally.

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

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' basic salaries 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, which are refunded to the Group when the employee leaves employment prior to the contributions vesting 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

For the purpose of the consolidated statement of cash flows, 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 dividend proposed by the Directors is classified as a separate allocation of retained profits within the equity section of the statement of financial position, until it has been approved by the shareholders in a general meeting. When the dividend has been approved by the shareholders and declared, it is recognised as a liability.

Interim dividend is simultaneously proposed and declared, because the Company's memorandum of association and bye-laws grant the Directors the authority to declare interim dividend. Consequently, interim dividend is recognised immediately as a liability when it is proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS 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 end of the reporting period. 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) Judgements

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, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Derivative financial instruments and hedging activities

Derivative financial instruments and hedging activities require the Group to make judgements on the designation of the hedging relationship of the Group's derivatives and their hedge effectiveness. These judgements determine if the changes in fair values of the derivative instruments are recognised directly in other comprehensive income in the hedge reserve or any ineffective element is recognised in the income statement.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. The Group uses judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group uses discounted cash flow analysis for its derivative financial instruments that are not traded in active markets.

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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 carried forward to the extent that it is probable that future taxable profits will be available against which the carry forward of unused tax 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. Recognition of deferred tax primarily involves judgements and estimations regarding the future performance of the Group. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amounts of deferred tax assets and related taxable profit projections are reviewed at the end of each reporting period. The amount of unrecognised deferred tax assets at 31st December, 2010 was HK$471.2 million (2009 - HK$440.6 million). Further details are contained in note 28 to the financial statements.

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 the end of each reporting period 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. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

Segment liabilities exclude interest bearing bank borrowings, derivative financial instruments and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

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

Group

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

Group

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Securities investment		Others		Eliminations		Consolidated	
	2010 HK$'m	2009 HK$'m (Restated)	2010 HK$'m	2009 HK$'m	2010 HK$'m	2009 HK$'m	2010 HK$'m	2009 HK$'m	2010 HK$'m	2009 HK$'m	2010 HK$'m	2009 HK$'m	2010 HK$'m	2009 HK$'m (Restated)
Segment assets	14,628.3	198.3	39.7	33.6	1,714.2	1,661.5	1,413.1	903.0	14.5	8.3	(39.0)	–	17,770.8	2,804.7
Investments in jointly controlled entities	–	–	–	–	182.5	176.6	–	–	–	–	–	–	182.5	176.6
Investments in associates	7.4	164.3	–	–	1.1	424.5	–	–	1.6	13.0	–	–	10.1	601.8
Cash and unallocated assets													1,827.8	1,647.7
Total assets													19,791.2	5,230.8
Segment liabilities	(1,423.6)	(239.1)	(7.1)	(13.1)	(44.0)	(29.8)	(0.1)	(98.4)	(3.4)	(2.4)	39.0	–	(1,439.2)	(382.8)
Bank borrowings and unallocated liabilities													(5,269.4)	(354.0)
Total liabilities													(6,708.6)	(736.8)
Other segment information:														
Capital expenditure*	14,511.1	27.8	0.1	–	2.8	–	–	–	0.2	0.1				

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

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Information about a major customer

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

6. OTHER OPERATING EXPENSE

Other operating expense represents the following item:

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

7. PROFIT BEFORE TAX

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

	GROUP	
	2010 HK$'million	2009 HK$'million
Cost of sales#	1,245.9	1,611.4
Cost of inventories sold and services provided	587.1	522.3
Depreciation	159.4	6.4
Impairment of trade debtors, net	0.2	0.9
Employee benefit expense (inclusive of directors' remuneration disclosed in note 9):		
Salaries, wages and benefits*	428.4	368.8
Equity-settled share option expense	1.2	3.8
Staff retirement scheme contributions	20.2	19.1
Less: Forfeited contributions	(0.9)	(0.8)
Net staff retirement scheme contributions	19.3	18.3
	448.9	390.9
Auditors' remuneration	3.6	2.7
Minimum lease payments under operating leases:		
Land and buildings**	418.0	737.9
Other equipment	0.2	0.2
	418.2	738.1
Gross rental income	(52.3)	(53.8)
Less: Outgoings	6.4	8.6
Net rental income	(45.9)	(45.2)

Cost of sales does not include depreciation, which is 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$363.8 million (2009 - HK$312.3 million) classified under cost of inventories sold and services provided.

** Inclusive of an amount of HK$405.6 million (2009 - HK$727.2 million) classified under cost of sales.

8. FINANCE COSTS

	GROUP	
	2010 HK$'million	2009 HK$'million
Interests on bank loans wholly repayable within five years	31.4	4.9
Fair value changes of derivative financial instruments	55.0	–
Total finance costs	86.4	4.9

9. 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	
	2010 HK$'million	2009 HK$'million
Fees	1.6	1.6
Other emoluments:		
Salaries and other allowances	14.0	12.5
Performance related/discretionary bonuses	1.7	1.5
Equity-settled share option expense	1.1	3.5
Staff retirement scheme contributions	0.9	0.8
	19.3	19.9

(a) Non-executive directors

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

	2010 HK$'million	2009 HK$'million
Non-executive director:		
Dr. Francis Choi Chee Ming	**0.15**	0.15
Independent non-executive directors:		
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
	0.65	0.65

The independent non-executive directors of the Company were entitled to a total sum of HK$0.50 million (2009 - 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, 2010.

There were no other emoluments payable to the non-executive directors during the year (2009 - Nil).

(b) Executive directors

	Fees* HK$'million	Salaries and other allowances HK$'million	Performance related/ discretionary bonuses HK$'million	Equity-settled share option expense HK$'million	Staff retirement scheme contributions HK$'million	Total remuneration HK$'million
2010						
Mr. Lo Yuk Sui	0.20	8.13	0.57	0.58	0.34	9.82
Ms. Belinda Yeung Bik Yiu	0.10	1.72	0.43	0.14	0.17	2.56
Mr. Donald Fan Tung	0.20	0.69	0.14	0.09	0.07	1.19
Mr. Jimmy Lo Chun To	0.20	0.31	0.05	0.07	0.03	0.66
Miss Lo Po Man	0.10	1.11	0.19	0.14	0.11	1.65
Mr. Kenneth Ng Kwai Kai	0.10	1.47	0.24	0.09	0.12	2.02
Mr. Allen Wan Tze Wai**	0.08	0.61	0.10	0.03	0.06	0.88
	0.98	14.04	1.72	1.14	0.90	18.78
2009						
Mr. Lo Yuk Sui	0.20	7.34	0.56	1.88	0.34	10.32
Ms. Belinda Yeung Bik Yiu	0.10	1.68	0.42	0.41	0.17	2.78
Mr. Donald Fan Tung	0.20	0.67	0.11	0.28	0.07	1.33
Mr. Jimmy Lo Chun To	0.20	0.30	0.05	0.21	0.03	0.79
Miss Lo Po Man	0.10	1.08	0.18	0.41	0.08	1.85
Mr. Kenneth Ng Kwai Kai	0.10	1.44	0.24	0.28	0.11	2.17
	0.90	12.51	1.56	3.47	0.80	19.24

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

* The fees entitled by Mr. Lo Yuk Sui, Mr. Donald Fan Tung and Mr. Jimmy Lo Chun To also include a fee of HK$0.1 million (2009 - HK$0.1 million) entitled by each of these Directors for serving as a non-executive director of Regal Portfolio Management Limited which is the manager of Regal REIT.

** Appointed as Director with effect from 1st March, 2010.

10. SENIOR EXECUTIVES' EMOLUMENTS

The five highest-paid individuals included four (2009 - four) Directors, details of whose remuneration are disclosed in note 9 to the financial statement. The emoluments of the remaining one (2009 - one) highest-paid individual, who was not a Director, are as follows:

	GROUP	
	2010 HK$'million	**2009 HK$'million**
Salaries and other emoluments	**1.4**	3.4
Performance related/discretionary bonuses	**0.2**	0.3
Staff retirement scheme contributions	**0.1**	–
	1.7	3.7

The emoluments of the non-director, highest paid individual for the year ended 31st December, 2010 fell within the band of HK$1,500,001 to HK$2,000,000 (2009 - HK$3,500,001 to HK$4,000,000).

11. INCOME TAX EXPENSE

	GROUP	
	2010 HK$'million	**2009 HK$'million**
Group:		
Current - Hong Kong		
Charge for the year	**41.2**	12.4
Overprovision in prior years	**(0.4)**	–
Current - Overseas		
Charge for the year	**0.5**	0.3
Deferred (Note 28)	**32.7**	–
Total tax charge for the year	**74.0**	12.7

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

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

A reconciliation of the tax expense applicable to profit before tax at 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	
	2010 HK$'million	**2009 HK$'million (Restated)**
Profit before tax	**7,064.8**	460.7
Tax at the statutory tax rate	**1,165.7**	76.0
Adjustment in respect of current tax of previous years	**(0.4)**	–
Profits and losses attributable to jointly controlled entities and associates	**26.6**	(59.2)
Higher tax rates of other countries	**0.1**	0.1
Income not subject to tax	**(1,215.9)**	(81.8)
Expenses not deductible for tax	**71.5**	15.2
Tax losses utilised from previous years	**(38.7)**	(15.7)
Increase in deferred tax assets not recognised during the year	**66.1**	79.0
Others	**(1.0)**	(0.9)
Tax charge at the Group's effective rate	**74.0**	12.7

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

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

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31st December, 2010 includes a profit of HK$2,878.5 million (2009 - HK$414.1 million) which has been dealt with in the financial statements of the Company (note 30(b)).

13. DIVIDENDS

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

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

14. 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$6,928.8 million (2009 - HK$448.0 million, as restated), and on the weighted average of 1,007.5 million (2009 - 1,011.1 million) ordinary shares of the Company in issue during the year.

(b) Diluted earnings per ordinary share

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

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel land and buildings HK$'million	Leasehold properties HK$'million	Leasehold improvements HK$'million	Furniture, fixtures and equipment HK$'million	Motor vehicles HK$'million	Total HK$'million
31st December, 2010						
At 1st January, 2010:						
Cost	–	5.3	40.5	12.6	2.4	60.8
Accumulated depreciation	–	(2.2)	(10.9)	(8.2)	(1.3)	(22.6)
Net carrying amount	–	3.1	29.6	4.4	1.1	38.2
At 1st January, 2010, net of accumulated depreciation	–	3.1	29.6	4.4	1.1	38.2
Acquisition of a listed subsidiary (note 31)	13,950.0	–	–	–	–	13,950.0
Additions	–	–	37.5	13.4	0.5	51.4
Disposals/write off	–	–	(0.5)	(0.1)	–	(0.6)
Depreciation provided during the year	(150.3)	(0.1)	(5.7)	(2.8)	(0.5)	(159.4)
At 31st December, 2010, net of accumulated depreciation	13,799.7	3.0	60.9	14.9	1.1	13,879.6
At 31st December, 2010:						
Cost	13,950.0	5.3	77.3	25.2	2.5	14,060.3
Accumulated depreciation	(150.3)	(2.3)	(16.4)	(10.3)	(1.4)	(180.7)
Net carrying amount	13,799.7	3.0	60.9	14.9	1.1	13,879.6

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Leasehold properties HK$'million	Leasehold improvements HK$'million	Furniture, fixtures and equipment HK$'million	Motor vehicles HK$'million	Total HK$'million
31st December, 2009					
At 1st January, 2009:					
Cost	5.3	15.5	10.9	1.9	33.6
Accumulated depreciation	(2.1)	(7.1)	(6.8)	(0.8)	(16.8)
Net carrying amount	3.2	8.4	4.1	1.1	16.8
At 1st January, 2009, net of accumulated depreciation	3.2	8.4	4.1	1.1	16.8
Additions	–	25.1	2.3	0.5	27.9
Disposals/write off	–	(0.1)	–	–	(0.1)
Depreciation provided during the year	(0.1)	(3.8)	(2.0)	(0.5)	(6.4)
At 31st December, 2009, net of accumulated depreciation	3.1	29.6	4.4	1.1	38.2
At 31st December, 2009:					
Cost	5.3	40.5	12.6	2.4	60.8
Accumulated depreciation	(2.2)	(10.9)	(8.2)	(1.3)	(22.6)
Net carrying amount	3.1	29.6	4.4	1.1	38.2

The Group's hotel land and buildings and leasehold properties are situated in Hong Kong and are held under the following lease terms:

	HK$'million
Long term lease	6,794.7
Medium term lease	7,008.0
	13,802.7

At 31st December, 2010, the Group's property, plant and equipment with a net carrying amount of HK$13,844.7 million (2009 - Nil) were pledged to secure bank loan facilities granted to the Group.

16. INVESTMENT PROPERTIES

	GROUP	
	2010 HK$'million	2009 HK$'million
Carrying amount at 1st January	**805.0**	855.0
Reclassification from properties held for sale	**–**	59.8
Acquisition of a listed subsidiary (note 31)	**485.0**	–
Capital expenditure for the period	**27.8**	–
Disposals	**(120.0)**	(251.0)
Fair value gain on reclassification of properties held for sales	**–**	34.2
Gain from fair value adjustments	**181.7**	107.0
Carrying amount at 31st December	**1,379.5**	805.0

The Group's investment properties are situated in Hong Kong and are held under the following lease terms:

	HK$'million
Long term lease	570.0
Medium term lease	809.5
	1,379.5

The Group's investment properties were revalued on 31st December, 2010 by independent professionally qualified valuers with an RICS qualification at HK$1,379.5 million, on an open market, existing use basis. Certain of the investment properties are leased to third parties under operating leases, further summary details of which are included in note 37(a) to the financial statements.

At 31st December, 2010, the Group's investment properties with a carrying value of HK$1,379.5 million (2009 - HK$711.0 million) were pledged to secure banking facilities granted to the Group.

Further particular of the Group's investment properties are included on pages 161 to 162.

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	GROUP	
	2010 HK$'million	2009 HK$'million
Share of net liabilities	(1,276.1)	(1,281.5)
Loans to jointly controlled entities	1,091.9	1,091.4
Amount due from a jointly controlled entity	366.7	366.7
	182.5	176.6

The loans to the jointly controlled entities and amount due from a jointly controlled entity are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, these loans are considered as quasi-equity investments in the jointly controlled entities.

Details of the Group's interests in jointly controlled entities are as follows:

Name	Place of incorporation	Particulars of issued shares held	Percentage of equity interest attributable to the Group 2010	2009	Principal activities
Chest Gain Development Limited ("Chest Gain")	Hong Kong	Ordinary shares of HK$1 each	70(1)	70(1)	Property development and investment
Faith Crown Holdings Limited ("Faith Crown")	British Virgin Islands	Ordinary shares of US$1 each	50(2)	50(2)	Investment holding

The jointly controlled entities were indirectly held by the Company.

(1) 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.

(2) The major asset of Faith Crown is its 100% indirect interest in a property development project in Xindu District, Chengdu in the Sichuan Province, the People's Republic of China (the "PRC").

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

	2010 HK$'million	2009 HK$'million
Share of jointly controlled entities' assets and liabilities:		
Non-current assets	**150.3**	130.2
Current assets	**42.3**	51.6
Current liabilities	**(10.0)**	(5.4)
Non-current liabilities	**(1,458.7)**	(1,457.9)
Net liabilities	**(1,276.1)**	(1,281.5)
Share of jointly controlled entities' results:		
Other income and gains	**0.5**	1.4
Total expenses	**(2.3)**	(3.7)
Loss after tax	**(1.8)**	(2.3)

At the end of the reporting period, the Group's share of capital commitments of Faith Crown in respect of a property development project was as follows:

	2010 HK$'million	2009 HK$'million
Contracted, but not provided for	**82.0**	82.0
	82.0	82.0

18. INVESTMENTS IN ASSOCIATES

	GROUP 2010 HK$'million	GROUP 2009 HK$'million (Restated)
Listed and unlisted companies:		
Share of net assets/(liabilities)	**(255.7)**	275.5
Amounts due from associates	**265.8**	326.3
	10.1	601.8
Share of net assets of a listed associate	**–**	156.9
Market value of an associate listed in Hong Kong	**–**	3,919.1

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, these amounts are considered as quasi-equity investments in the associates.

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 2010	Percentage of equity interest attributable to the Group 2009	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
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
Regal Real Estate Investment Trust ("Regal REIT")	Hong Kong	3,241,560,101 units	–	74.12[(3)]	Property investment

* Not audited by Ernst & Young Hong Kong or another 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. established in Beijing, the PRC, which are engaged in a property development project in Beijing, the PRC.

As disclosed in an announcement of the Company published on 15th March, 2010, Hang Fok was engaged in arbitration proceedings conducted in Beijing, involving claims against the associate by the vendor of the 36% shareholding interest (comprised within the 59% equity interest presently held) in the joint venture entities for the rescission of the relevant sale and purchase contracts entered into between the parties in 2005. Although the relevant court rejected the petitions made by the associate for the setting aside of the unfavourable arbitral awards, the associate is still resorting to other available legal means to safeguard the aforesaid 36% shareholding interest and to pursue its legal rights against the vendor. On the other hand, the joint venture entities are encountering various difficult issues including shareholders' disputes, lawsuits raised by the Chinese joint venture partner and a third party, and outstanding issues relating to the land development rights of the project. The associate and the joint venture entities are still in discussions with the Chinese joint venture partner and the relevant government authorities in an attempt to resolve the abovementioned issues. While the Group's management will persist in striving to tackle the overall difficult situation and to protect the Group's interests in the project, due to the lack of progress in resolving various issues for a prolonged period and having taken into account the complications in the overall situation, the Group's management considers it appropriate to make a further provision at the associate's level in respect of its investment in the project in the amount of HK$801.0 million and 50% of which is attributable to the Group.

(3) In the prior year, despite the Group's holding of a 74.12% 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 was wholly owned subsidiary of the Group, pursuant to the terms of the Trust Deed, the Group did not have unilateral power to retain or remove the REIT manager. Accordingly, the Group was considered not to have unilateral power to govern the financial and operating policies of Regal REIT which was therefore not treated as a subsidiary of the Group. However, the Directors considered that the Group still had significant influence over Regal REIT and therefore it was appropriate to account for Regal REIT as an associate and equity account for its investment in Regal REIT as an associate.

As explained in more details in note 31, following certain amendments made to the Trust Deed in compliance with the revisions made to the REIT Code during the year, the Group is considered to have the unilateral power to retain or remove, the REIT manager and therefore the unilateral control over the financial and operating policies of Regal REIT and, consequently, Regal REIT has been treated as a subsidiary effective 23rd July, 2010, the date the relevant amendments came into effect.

All associates are 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 Group has not recognised its share of results of Regal REIT for the period from 1st January, 2010 to 22nd July, 2010 since the Group's share of profit of Regal REIT for the period before the consolidation of Regal REIT was offset against the previously unrecognised share of loss of Regal REIT. As detailed in note 31, Regal REIT became a subsidiary of the Group with effect from 23rd July, 2010. As at 31st December, 2009, the Group's cumulative unrecognised share of losses of this associate was HK$875.6 million.

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

	2010 HK$'million	2009 HK$'million (Restated)
Assets	**26.3**	15,642.5
Liabilities	**538.1**	6,078.9
Revenue	**559.5**	771.4
Profit/(Loss)	**(399.5)**	432.7

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP	
	2010 HK$'million	**2009 HK$'million**
Non-current assets:		
Listed equity investments in Hong Kong, at market value	**68.5**	36.7
Unlisted debt investment, at fair value	**568.0**	321.3
	636.5	358.0
Current assets:		
Listed equity investments, at market value		
Hong Kong	**178.9**	203.4
Elsewhere	**–**	4.9
Unlisted investments, at fair value	**5.8**	4.5
Unlisted debt investment, at fair value	**590.0**	333.3
	774.7	546.1
	1,411.2	904.1

The listed equity investments included under non-current assets and the unlisted debt investments at 31st December, 2009 and 2010 were designated upon initial recognition 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 listed equity investments and unlisted investments included under current assets at 31st December, 2009 and 2010 were classified as held for trading.

The unlisted debt investment included under current assets represented the convertible bonds issued by a subsidiary of Cosmopolitan International Holdings Limited ("Cosmopolitan"), a listed company in Hong Kong, in a principal amount of HK$141.45 million, which were due 2010 and were convertible into 690 million new shares of Cosmopolitan at an initial conversion price of HK$0.205 per share ("2010 CB"). The conversion price of 2010 CB was adjusted to HK$0.2 per share upon the issuance of new convertible bonds by Cosmopolitan group on 25th February, 2009. The maturity date of 2010 CB was extended to 16th May, 2011 on 26th April, 2010 ("2011 CB"). The conversion price of 2011 CB was further adjusted to HK$0.04 per share upon the subdivision of shares of Cosmopolitan on 27th August, 2010. At 31st December, 2010, the 2011 CB in an aggregate principal amount of HK$141.45 million held by the Group are convertible into a total of 3,536.3 million new shares of Cosmopolitan at the adjusted conversion price of HK$0.04 per share.

The unlisted debt investment included under non-current assets represented the investment in another series of convertible bonds issued by Cosmopolitan group in a principal amount of HK$100.0 million, which are due 2013 and were convertible into 166.7 million new shares of Cosmopolitan at an initial conversion price of HK$0.6 per share ("2013 CB"). The Group was also granted an option to subscribe for further 2013 CB in an additional principal amount of up to HK$100.0 million. The optional 2013 CB, if fully subscribed for and issued, would be convertible into 166.7 million new shares of Cosmopolitan at an initial conversion price of HK$0.6 per share. The conversion price of 2013 CB was adjusted to HK$0.3 per share upon the issuance of new convertible bonds by Cosmopolitan group on 25th February, 2009. The conversion price of 2013 CB was further adjusted to HK$0.06 per share upon the subdivsion of shares of Cosmopolitan on 27th August, 2010. At 31st December, 2010, the 2013 CB (including the issued 2013 CB and, if fully subscribed for and issued, the optional 2013 CB) in an aggregate principal amount of HK$200.0 million are convertible into a total of 3,333.3 million new shares of Cosmopolitan at the adjusted conversion price of HK$0.06 per share.

At 31st December, 2010, the Group also held approximately 2.96% interest in the share capital of Cosmopolitan, which was included in listed equity investments under non-current assets. On the basis that all outstanding convertible bonds were converted, and all optional bonds were subscribed and converted, by the Group and other bond holders, the interest held by the Group in the enlarged share capital of Cosmopolitan would be increased to 32.8%. The results of Cosmopolitan group have not been equity accounted for by the Group as the Directors consider that despite the Group's investments in the shares of Cosmopolitan, the 2011 CB and the 2013 CB, the Group is not in a position to exercise significant influence over the financial and operating policy of Cosmopolitan.

The fair values of the unlisted debt investments have been estimated by an independent professional valuer using valuation techniques based on quoted market price of the underlying listed security.

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

At the date of approval of these financial statements, the market value of the listed equity investments included under non-current assets was approximately HK$43.4 million and the fair values of the unlisted debt investments was approximately HK$758.9 million.

20. OTHER LOAN

The amount represents the outstanding balance, net of provision for impairment, of a loan in an original sum of US$10.0 million (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 was originally 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 prior years 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.

Pursuant to a new agreement signed with the hotel owner in 2009, which supersedes the previous financing agreement, a partial payment of RMB20 million (approximately HK$22.8 million) was received by the Group and the remaining balance is repayable before the expiry of the relevant hotel management contract in 2012.

Accordingly, the other loan was classified as loans and receivables and was stated at amortised cost less provision for impairment of HK$13.3 million as at 31st December, 2010 (2009 - HK$13.3 million), calculated using the effective interest rate method.

21. HOTEL INVENTORIES

	GROUP	
	2010 **HK$'million**	**2009** **HK$'million**
Hotel and other merchandise	**22.9**	21.2

22. PROPERTIES HELD FOR SALE

At 31st December, 2010, the Group's properties held for sale with a carrying value of HK$428.1 million (2009 - HK$308.1 million) were pledged to secure banking facilities granted to the Group.

23. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK$102.2 million (2009 - HK$79.6 million) representing the trade debtors of the Group.

	GROUP	
	2010 **HK$'million**	**2009** **HK$'million**
Trade debtors	**103.2**	81.0
Impairment	**(1.0)**	(1.4)
	102.2	79.6

Credit terms

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

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

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

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

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

	GROUP	
	2010 HK$'million	2009 HK$'million
At 1st January	**1.4**	1.1
Impairment losses recognised (note 7)	**0.4**	1.1
Amount written off as uncollectible	**(0.6)**	(0.6)
Impairment losses reversed (note 7)	**(0.2)**	(0.2)
At 31st December	**1.0**	1.4

Included in the above provision for impairment of trade debtors is a provision for individually impaired trade debtors of HK$1.0 million (2009 - HK$1.4 million) with a gross carrying amount before provision of HK$1.1 million (2009 - HK$1.5 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	
	2010 HK$'million	2009 HK$'million
Neither past due nor impaired	**59.9**	50.1
Within 3 months past due	**37.3**	25.4
4 to 6 months past due	**1.8**	1.7
7 to 12 months past due	**1.0**	0.7
Over 1 year past due	**2.1**	1.6
	102.1	79.5

Trade debtors that were neither past due nor impaired relate to a large number of diversified customers 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 related companies of HK$2.8 million (2009 - HK$3.1 million). In the prior year, the Group's debtors, deposits and prepayments also included an amount due from an associate of HK$38.0 million. These balances are repayable on similar credit terms to those offered to the major customers of the Group.

24. RESTRICTED CASH

At 31st December, 2010, the Group had approximately HK$72.0 million (2009 - Nil) of cash which was restricted to use and mainly to be utilised for the purpose of servicing the finance costs and repayments on certain interest-bearing bank borrowings, funding the furniture, fixture and equipment reserve for use in the hotel buildings and deposits of certain tenants in respect of the Regal iClub Building. All of the restricted cash is expected to be released within one year from the end of the reporting period and is, accordingly, classified as a current asset.

25. CREDITORS AND ACCRUALS

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

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

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

Included in creditors and accruals are amounts due to associates and related companies of HK$4.2 million (2009 - HK$6.1 million) and HK$2.7 million (2009 - HK$4.5 million), respectively, which have similar credit terms to those offered by the associates and those related companies to their major customers.

26. INTEREST BEARING BANK BORROWINGS

GROUP

	2010 Effective interest rate p.a. (%)	2010 Maturity	2010 HK$'million	2009 Effective interest rate p.a. (%)	2009 Maturity	2009 HK$'million
Current						
Bank loans – secured	**0.90-2.70**	**2011**	**152.6**	1.05-1.35	2010	69.4
Non-current						
Bank loans – secured	**1.05-2.88**	**2012-2013**	**4,943.3**	0.90-2.25	2011	246.8
			5,095.9			316.2

GROUP

	2010 HK$'million	2009 HK$'million
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**152.6**	69.4
In the second year	**4,751.8**	246.8
In the third to fifth years, inclusive	**191.5**	—
	5,095.9	316.2

Included in the bank loans under non-current liabilities is a facility aggregating HK$4.5 billion granted to the Regal REIT Group (the "Initial Facility"). The Initial Facility, which was fully utilised at the end of the reporting period, bears interest at a floating interest rate of 3-month Hong Kong Interbank Offered Rate ("HIBOR") plus 0.6% per annum. The Regal REIT Group has entered into interest rate swap arrangements to hedge against the interest rate exposure for the Initial Facility for a notional amount of HK$4.35 billion, details of which are set out in note 27.

In 2009, the Regal REIT Group was granted another banking facilities aggregating HK$211.0 million, comprised of a term loan of HK$141.0 million and a revolving credit facility of HK$70.0 million (the "Refinanced Facilities"). At the end of the reporting period, the Regal REIT Group had fully utilised the Refinanced Facilities. The term loan was repayable quarterly with the final payment being due on 22nd October, 2012. The Refinanced Facilities bore interest at rates ranging from 215 to 230 basis points above HIBOR.

Bank borrowings under the Initial Facility are guaranteed by Regal REIT and, on a joint and several basis, by certain individual companies of the Regal REIT Group and the bank borrowings under the Refinanced Facilities are guaranteed by Regal REIT and Paliburg Holdings Limited in proportions of 75% and 25%, respectively, on a several basis.

The Initial Facility and the Refinanced Facilities are, respectively, also secured by, amongst others:

(i) legal charges and debentures over the relevant investment properties;

(ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests relevant under all hotel management agreements and lease agreements, where appropriate, relating to the relevant investment properties;

(iii) charges over the relevant rental account, sale proceeds account and other control accounts, if any;

(iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant Regal REIT Group companies; and

(v) an equitable charge over the shares in the relevant Regal REIT Group companies.

On 28th January, 2011, the Regal REIT Group was granted new banking facilities aggregating HK$280.0 million, comprised of a term loan of HK$220.0 million and a revolving credit facility of HK$60.0 million (the "New Facilities"), to replace the Refinanced Facilities. Subsequent to the end of the reporting period, the outstanding balances under the Refinanced Facilities were fully settled and the term loan under the New Facilities was fully drawn down.

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

All interest bearing bank borrowings at 31st December, 2010 were denominated in Hong Kong dollars. The carrying amounts of the Group's current and non-current floating rate borrowings approximate to their fair values.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	Liabilities	
	2010 **HK$'million**	**2009** **HK$'million**
Interest rate swaps - cash flow hedges	**142.4**	–

The Regal REIT Group uses interest rate swaps to minimise its exposure to movements in interest rates in relation to one of its floating rate term loans with a notional amount of HK$4.35 billion (note 26). The full fair value of these cash flow hedges is classified as a non-current item as the remaining maturities of the hedged items extend for more than 12 months. Major terms of the interest rate swaps are set out below.

Notional amount	**Maturity**	**Swaps**
HK$2,350,000,000	18th January, 2012	From a rate of 3-month HIBOR plus 0.6% per annum to a flat rate of 4.53% up to 17th January, 2008; and a floating rate of 3-month HIBOR plus 0.6% per annum, subject to a cap of 7.15% and a floor of 3.8% per annum for the period from 18th January, 2008 to 18th January, 2012
HK$2,000,000,000	18th January, 2012	From a rate of 3-month HIBOR plus 0.6% per annum to a flat rate of 4.55% up to 17th January, 2008; and a floating rate of 3-month HIBOR plus 0.6% per annum, subject to a cap of 7.15% and a floor of 3.8% per annum for the period from 18th January, 2008 to 18th January, 2012

The above derivatives are measured at fair values at the end of the reporting period and are determined based on discounted cash flow models.

28. DEFERRED TAX LIABILITIES

The movements in deferred tax assets and liabilities during the year were as follows:

	Depreciation allowances in excess of related depreciation HK$'million	Losses available for offsetting against future taxable profits HK$'million	Total HK$'million
Acquisition of a listed subsidiary (note 31)	(1,120.3)	50.6	(1,069.7)
Deferred tax charged to the income statement during the year (note 11)	(12.7)	(20.0)	(32.7)
Deferred tax assets/(liabilities) at 31st December, 2010	(1,133.0)	30.6	(1,102.4)

The Group had tax losses arising in Hong Kong amounting to HK$2,855.8 million (2009 - HK$2,670.0 million) at the end of the reporting period. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets amounting to HK$471.2 million (2009 - HK$440.6 million) have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31st December, 2010, there was no significant unrecognised deferred tax liability (2009 - Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, associates or jointly controlled entities as the Group has no liability to additional tax should such amounts be remitted due to the availability of double taxation relief.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. SHARE CAPITAL AND SHARE PREMIUM

	COMPANY	
	2010 **HK$'million**	**2009** **HK$'million**
Shares		
Authorised:		
2,000.0 million (2009 - 2,000.0 million) ordinary shares of HK$0.10 each	**200.0**	200.0
0.1 million 5¼% convertible cumulative redeemable preference shares of US$10 each	**1.3**	1.3
	201.3	201.3
Issued and fully paid:		
1,002.0 million (2009 - 1,010.7 million) ordinary shares of HK$0.10 each	**100.2**	101.1
Share premium		
Ordinary shares	**854.1**	879.2

A summary of the movements of the Company's share capital and share premium during the period from 1st January, 2009 to 31st December, 2010 is as follows:

		Authorised		Issued and fully paid		Share premium
	Notes	Number of shares 'million	Amount HK$'million	Number of shares 'million	Amount HK$'million	Amount HK$'million
Ordinary shares						
At 1st January, 2009		2,000.0	200.0	1,013.9	101.4	885.1
Repurchase and cancellation of shares	(i)	–	–	(3.2)	(0.3)	(5.9)
As 31st December, 2009 and at 1st January, 2010		2,000.0	200.0	1,010.7	101.1	879.2
Repurchase and cancellation of shares	(ii)	–	–	(8.7)*	(0.9)	(25.1)
As 31st December, 2010		2,000.0	200.0	1,002.0	100.2	854.1
5¹/₄% convertible cumulative redeemable preference shares of US$10 each						
At 1st January, 2009, 31st December, 2009 and 2010		0.1	1.3	–	–	–
Total share capital						
At 31st December, 2010			**201.3**		**100.2**	**854.1**
At 31st December, 2009			201.3		101.1	879.2

* inclusive of 1.32 million ordinary shares repurchased prior to the end of the reporting period but cancelled subsequent to the end of reporting period.

Notes:

(i) All ordinary shares repurchased during the year ended 31st December, 2009 were cancelled during that year, and the issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The premium and related expenses paid on the repurchases of the ordinary shares, of HK$5.9 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.

(ii) Except for 1.32 million repurchased ordinary shares of HK$0.1 each, which were cancelled subsequent to the end of the reporting period, all ordinary shares repurchased during the year were cancelled during the year, and the issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The premium and related expenses paid on the repurchases of the ordinary shares, of HK$25.1 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 during the year are summarised as follows:

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

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:

		Number of ordinary shares under share options*				
Offer date**	Name or category of participant	At 1st January, 2010	Vested during the year	At 31st December, 2010	Vesting/ Exercise periods of share options	Adjusted exercise price of share options* HK$
	Directors					
12th May, 2005	Mr. Lo Yuk Sui					
	Vested:	16,000,000	4,000,000	20,000,000	Note	7.50
	Unvested:	4,000,000***	(4,000,000)	–		
25th July, 2005	Ms. Belinda Yeung Bik Yiu					
	Vested:	2,400,000	600,000	3,000,000	Note	7.50
	Unvested:	600,000	(600,000)	–		
25th July, 2005	Mr. Donald Fan Tung					
	Vested:	1,600,000	400,000	2,000,000	Note	7.50
	Unvested:	400,000	(400,000)	–		
25th July, 2005	Mr. Jimmy Lo Chun To					
	Vested:	1,200,000	300,000	1,500,000	Note	7.50
	Unvested:	300,000	(300,000)	–		
25th July, 2005	Miss Lo Po Man					
	Vested:	2,400,000	600,000	3,000,000	Note	7.50
	Unvested:	600,000	(600,000)	–		
25th July, 2005	Mr. Kenneth Ng Kwai Kai					
	Vested:	1,600,000	400,000	2,000,000	Note	7.50
	Unvested:	400,000	(400,000)	–		
25th July, 2005	Mr. Allen Wan Tze Wai#					
	Vested:	640,000	160,000	800,000	Note	7.50
	Unvested:	160,000	(160,000)	–		
	Other Employees					
25th July, 2005	Employees, in aggregate					
	Vested:	1,440,000	360,000	1,800,000	Note	7.50
	Unvested:	360,000	(360,000)	–		
	Total:					
	Vested:	**27,280,000**	**6,820,000**	**34,100,000**		
	Unvested:	**6,820,000**	**(6,820,000)**	**–**		

* 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.

Appointed as Director of the Company on 1st March, 2010.

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, 2010 and at the date of this report:	34,100,000 ordinary shares (approximately 3.4%)
(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 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.

30. 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 of the financial statements on pages 69 and 70.

(b) Company

	Notes	Share premium account HK$'million	Capital redemption reserve HK$'million	Share option reserve HK$'million	Retained profits HK$'million	Total HK$'million
At 1st January, 2009		885.1	6.2	40.7	3,051.0	3,983.0
Final 2008 dividend declared		–	–	–	(0.1)	(0.1)
Repurchase and cancellation of ordinary shares	29(i)	(5.9)	0.3	–	(0.3)	(5.9)
Equity-settled share option arrangements		–	–	3.8	–	3.8
Forfeiture of equity-settled share option arrangements		–	–	(0.1)	0.1	–
Profit for the year		–	–	–	414.1	414.1
Interim 2009 dividend	13	–	–	–	(20.2)	(20.2)
Proposed final 2009 dividend	13	–	–	–	(68.7)	(68.7)
At 31st December, 2009 and at 1st January, 2010		879.2	6.5	44.4	3,375.9	4,306.0
Final 2009 dividend declared		–	–	–	0.1	0.1
Repurchase and cancellation of ordinary shares	29(ii)	(25.1)	0.9	–	(0.9)	(25.1)
Equity-settled share option arrangements		–	–	1.2	–	1.2
Profit for the year		–	–	–	2,878.5	2,878.5
Interim 2010 dividend	13	–	–	–	(25.1)	(25.1)
Proposed final 2010 dividend	13	–	–	–	(85.1)	(85.1)
At 31st December, 2010		854.1	7.4	45.6	6,143.4	7,050.5

31. BUSINESS COMBINATION

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

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

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

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

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

The gain on bargain purchase of a listed subsidiary was resulted from the lower market value of Regal REIT units as compared to the net asset value of Regal REIT.

The Group has elected to measure the non-controlling interests in Regal REIT at fair value which is determined based on quoted market prices.

The fair values of the identifiable assets and liabilities of Regal REIT at the date of acquisition are summarised as follows:

	HK$'million
Property, plant and equipment (note 15)	13,950.0
Investment properties (note 16)	485.0
Debtors, deposits and prepayments	66.3
Restricted cash	64.1
Cash and bank balances	83.1
Creditors and accruals	(153.8)
Tax payable	(10.6)
Interest bearing bank borrowings	(4,624.0)
Derivative financial instruments	(189.7)
Deferred tax liabilities (note 28)	(1,069.7)
Non-controlling interests	(1,583.5)
Total identifiable net assets at fair value	7,017.2
Gain on bargain purchase of a listed subsidiary recognised in the consolidated income statement	(2,502.6)
Satisfied by interest in a listed associate	4,514.6

An analysis of the cash flows in respect of the business combination is as follows:

	HK$'million
Inflow of cash and cash equivalents included in cash flows from investing activities	83.1

Since its acquisition, Regal REIT contributed approximately HK$10.6 million to the Group's turnover and a loss of approximately HK$246.0 million (including depreciation charges of HK$151.2 million on the hotel properties as a result of the consolidation) to the profit before allocation between equity holders of the parent and non-controlling interests for the year ended 31st December, 2010.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit for the year before allocation between equity holders of the parent and non-controlling interests of the Group would have been HK$1,516.1 million and HK$7,059.0 million, respectively.

32. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2010 HK$'million	**2009 HK$'million**
Unlisted shares, at cost	**5,552.2**	5,552.2
Amount due from a subsidiary	**1,690.6**	1,808.8
	7,242.8	7,361.0
Provision for impairment	**–**	(2,882.2)
	7,242.8	4,478.8

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 share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2010	2009	Principal activities
8D Travel Limited	Hong Kong	HK$500,000	100	100	Travel agency
8D Travel (Shanghai) Ltd(1)	People's Republic of China	US$375,000	100	100	Travel agency
Best Time Enterprises Limited	Hong Kong	HK$2	100	100	Lessee of offices
Camomile Investments Limited	Hong Kong	HK$2	100	100	Property investment
Come On Investment Company Limited	Hong Kong	HK$10,000	100	100	Securities trading and investment
Complete Success Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Cranfield Investments Limited	Hong Kong	HK$2	100	100	Financing
Favour Link International Limited	Hong Kong	HK$1	100	100	Hotel operations

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2010	2009	Principal activities
Favourite Stock Limited	British Virgin Islands	US$1	100	100	Securities investment
Fortune Nice Investment Limited	Hong Kong	HK$2	100	100	Financing
Fountain Sky Limited	Hong Kong	HK$2	100	100	Securities investment
Gaud Limited	Hong Kong	HK$2	100	100	Securities trading and investment
Great Prestige Investments Limited	British Virgin Islands	US$1	100	100	Securities investment
Harvest Charm Investment Limited	Hong Kong	HK$2	100	100	Financing
Honormate Nominees Limited	Hong Kong	HK$2	100	100	Securities investment and nominee services
Honrich Investment Limited	Hong Kong	HK$2	100	100	Financing
Kaybro Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
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 and management services

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2010	2009	Principal activities
Regal Hotels International Limited	Hong Kong	HK$100,000	100	100	Hotel management and investment holding
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
R.H.I. Licensing B.V.	The Netherlands	NLG40,000	100	100	Trademark holding
Tenshine Limited	Hong Kong	HK$2	100	100	Securities trading and investment and financing
Time Crest Investments Limited	British Virgin Islands	US$1	100	100	Securities investment
Unicorn Star Limited	British Virgin Islands	US$1	100	100	Securities investment
Valuegood International Limited	British Virgin Islands	US$1	100	100	Securities investment
Well Mount Investments Limited	British Virgin Islands	US$1	100	100	Securities investment
廣州市富堡訂房服務有限公司[(1)]	People's Republic of China	RMB100,000	100	100	Room reservation services
富豪酒店投資管理(上海)有限公司[(1)]	People's Republic of China	US$140,000	100	100	Hotel management

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2010	2009	Principal activities
Regal Real Estate Investment Trust ("Regal REIT")[(2)]	Hong Kong	3,241,560,101 units	74.42	–	Property investment
Bauhinia Hotels Limited[(3)]	Hong Kong	HK$2	74.42	–	Hotel ownership
Cityability Limited[(3)]	Hong Kong	HK$10,000	74.42	–	Hotel ownership
Gala Hotels Limited[(3)]	Hong Kong	HK$2	74.42	–	Hotel ownership
Regal Asset Holdings Limited[(3)]	Bermuda/ Hong Kong	US$12,000	74.42	–	Investment holding
Regal Riverside Hotel Limited[(3)]	Hong Kong	HK$2	74.42	–	Hotel ownership
Rich Day Investments Limited[(3)]	Hong Kong	HK$1	74.42	–	Financing
Ricobem Limited[(3)]	Hong Kong	HK$100,000	74.42	–	Hotel ownership
Sonnix Limited[(3)]	Hong Kong	HK$2	74.42	–	Property ownership

Notes:

(1) These subsidiaries are registered as wholly-foreign-owned enterprises under the PRC law.

(2) In the prior year, despite the Group's holding of a 74.12% 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 was a wholly owned subsidiary of the Group, pursuant to the terms of the Trust Deed, the Group did not have unilateral power to retain or remove the REIT manager. Accordingly, the Group was considered not to have unilateral power to govern the financial and operating policies of Regal REIT which was therefore not treated as a subsidiary of the Group. However, the Directors considered that the Group still had significant influence over Regal REIT and therefore it was appropriate to account for Regal REIT as an associate and equity account for its investment in Regal REIT as an associate.

As explained in more details in note 31, following certain amendments made to the Trust Deed in compliance with the revisions made to the REIT Code during the year, the Group is considered to have the unilateral power to retain or remove the REIT manager and therefore the unilateral control over the financial and operating policies of Regal REIT and, consequently, Regal REIT has been treated as a subsidiary effective as from 23rd July, 2010, the date the relevant amendments came into effect.

A wholly owned subsidiary of Regal REIT that owns the Regal Hongkong Hotel had instituted legal proceedings with the High Court in 2007 as plaintiff (the "Plaintiff") against a defendant who is the owner of a neighboring commercial building regarding a claim for reinstatement of easements and rights of way on the 1st floor and basement and for damages for interference during the renovation period of that commercial building (the "Claims"). The defendant made a counterclaim against the Plaintiff with respect to the usage of certain driveway areas on the ground floor of the Regal Hongkong Hotel (the "Counterclaim").

On 1st February, 2010, the High Court released a judgement to dismiss the Plaintiff's Claims and the defendant's Counterclaim and made a costs order nisi that the Plaintiff pays the defendant the costs of the Claims and the defendant pays the Plaintiff the costs of the Counterclaim (the "Judgement"). On 26th February, 2010, an appeal was filed by the Plaintiff against the Judgement on the Claims made by the High Court and the hearing for the appeal has been re-scheduled to November 2011. The outcome of such appeal remains uncertain at this stage.

On 19th July, 2010, a bill of costs in respect of the Claims was communicated by the defendant and the Plaintiff filed a list of objection items on such bill of costs on 15th October, 2010. Following 'without prejudice' negotiations between the Plaintiff and the defendant to narrow down the items under objection, the Directors take the view it is probable that a certain portion of the bill of costs of the Claims communicated by the defendant could be payable after a taxation hearing scheduled in May 2011. Accordingly, Regal REIT has provided for the expected losses which could arise from the Judgement. This amount has been included in "Creditors and accruals" in the consolidated statement of financial position. No further disclosures regarding the provision are being made by Regal REIT at this stage, as the Directors believe such disclosures might be prejudicial to the legal position of Regal REIT.

(3) These companies are subsidiaries of Regal REIT and therefore became subsidiaries of the Company with effect from 23rd July, 2010.

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.

For the year ended 31st December, 2010, the Company has reversed an impairment loss of HK$2,882.2 million (2009 – reversal of impairment loss of HK$417.4 million) to reflect the increase in the net asset value of its subsidiaries during the year.

33. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before tax to net cash flows used in operating activities

	2010 HK$'million	2009 HK$'million (Restated)
Profit before tax	**7,064.8**	460.7
Adjustments for:		
Finance costs	**86.4**	4.9
Share of profits and losses of jointly controlled entities and associates	**161.1**	(358.8)
Interest income	**(7.8)**	(8.4)
Depreciation	**159.4**	6.4
Dividend income from listed investments	**(3.1)**	(2.1)
Gain on disposal of investment properties	**(16.4)**	(33.1)
Gain on disposal of property, plant and equipment	**(0.2)**	–
Fair value gains on financial assets at fair value through profit or loss, net	**(540.5)**	(267.1)
Fair value gain on derivative financial instruments	**(1.9)**	–
Fair value gains on investment properties	**(181.7)**	(107.0)
Loss on disposal of available-for-sale investment	**–**	0.8
Equity-settled share option expenses	**1.2**	3.8
Income from asset management service	**(38.4)**	(70.8)
Fair value gains upon reclassification of properties held for sale to investment properties	**–**	(34.2)
Fair value gain on remeasurement of investment in a listed associate	**(4,134.8)**	–
Gain on bargain purchase of a listed subsidiary	**(2,502.6)**	–
Impairment of trade debtors, net	**0.2**	0.9
	45.7	(404.0)
Decrease/(increase) in hotel inventories	**(1.7)**	1.5
Decrease/(increase) in properties held for sale	**(11.1)**	108.1
Decrease/(increase) in debtors, deposits and prepayments	**(0.3)**	7.4
Decrease in restricted cash	**5.1**	–
Increase in financial assets at fair value through profit or loss	**(63.4)**	(6.8)
Decrease in creditors and accruals	**(36.7)**	(104.5)
Cash used in operations	**(62.4)**	(398.3)
Overseas taxes paid	**(0.3)**	(0.3)
Hong Kong tax paid	**(42.1)**	(3.1)
Net cash flows used in operating activities	**(104.8)**	(401.7)

(b) Major non-cash transaction

During the year, REIT manager's fee in the amount of HK$44.3 million (2009 - HK$56.7 million) was received by the Group in units issued by Regal REIT.

(c) Cash and cash equivalent balances

At the end of the reporting period, the cash and bank balances of the Group amounted to HK$110.6 million (2009 - HK$59.4 million) were held by certain subsidiaries operating in the PRC where exchange controls apply.

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	2010 HK$'million	2009 HK$'million
A substantial shareholder:			
Management fees expenses	(i)	**17.0**	16.4
Wholly owned subsidiaries of a substantial shareholder, Paliburg Holdings Limited ("PHL"):			
Development consultancy fees expenses	(ii)	**3.2**	3.8
Service fees expenses in respect of security systems and products and other software	(iii)	**3.8**	1.9
Repairs and maintenance fees and construction fees expenses	(iv)	**5.6**	31.4
Rental income	(v)	**10.6**	–
Management and marketing fee income	(vi)	**1.2**	–
Associates:			
REIT manager's fees	(vii)	**38.4**	70.8
Lease rental expenses	(viii)	**441.6**	757.8
Furniture, fixtures and equipment reserve contribution expenses	(ix)	**14.2**	24.1
Other rental expenses	(x)	**3.9**	7.4
Advertising and promotion fees expenses (including cost reimbursements)	(xi)	**9.7**	7.3

Notes:

(i) The management costs included rentals and other overheads allocated from a wholly owned subsidiary of 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 room extension and other renovation projects of the hotels operated by the Group. The fees were charged at agreed rates of the estimated cost of individual projects.

(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 rental income are earned by the Group with respect to the Regal iClub Building which is owned by Regal REIT and leased to a wholly owned subsidiary of PHL.

(vi) The management and marketing fees were charged to a wholly owned subsidiary of PHL in connection with the provision of hotel management and marketing services commencing from 24th December, 2009. The management fees and marketing fees were calculated based on 5% (subject to a monthly minimum of HK$80,000) and 1%, respectively, of the gross revenue generated from the hotel operated by that company.

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

(viii) The lease rental represents the cash base 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.

(ix) 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.

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

(xi) 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.

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

As detailed in note 31, Regal REIT was previously treated as an associate and became a subsidiary of the Group with effect from 23rd July, 2010, since which date all significant transactions between Regal REIT and other subsidiaries of the Group have been eliminated upon consolidation. Accordingly, all the amounts noted in (vii) to (x) represent those for the period prior to that date.

Prior to Regal REIT becoming a subsidiary of the Group during the year, the following were also regarded as related and connected party transactions between the Group and Regal REIT:

- The Group has guaranteed a total minimum variable rent payable under the Lease Agreements for the period from 30th March, 2007 to 31st December, 2010 in the amount of HK$220.0 million, of which HK$101.6 million has been paid by the Group up to 31st December, 2009.

- 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 for separate listing of Regal REIT completed on 30th March, 2007, 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, 2009 amounted to approximately HK$24.2 million and has been fully provided for in the financial statements.

- 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	2010 HK$'million	2009 HK$'million
Due from a jointly controlled entity	(i)	**366.7**	366.7
Due from an associate	(ii)	**–**	38.0
Due from related companies	(ii)	**2.8**	3.1
Due to an associate	(iii)	**(4.2)**	(6.1)
Due to related companies	(iii)	**(2.7)**	(4.5)
Loans to jointly controlled entities	(i)	**1,091.9**	1,091.4
Amounts due from associates	(iv)	**265.8**	326.3

Notes:

(i) Details of an amount due from and loans to jointly controlled entities are included in investments in jointly controlled entities in note 17 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 23 to the financial statements.

(iii) Details of the amount due to an associate and related companies are included in creditors and accruals in note 25 to the financial statements.

(iv) Details of amounts due from associates are included in investments in associates in note 18 to the financial statements.

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

	2010 HK$'million	2009 HK$'million
Short term employee benefits	**21.0**	19.4
Equity-settled share-based payments	**1.1**	3.5
Total compensation paid to key management personnel	**22.1**	22.9

Further details of directors' emoluments are included in note 9 to the financial statements.

The related party transactions set out in notes 34(a)(i) to (vi) and (xi) above also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules to the Company. Certain of the transactions set out in notes 34(a)(i) to (iv), (vi) and (xi) are exempted from relevant disclosures and other requirements, including, inter alia, independent shareholders' approval pursuant to, where applicable, rules 14A.31(8), 14A.33(2), 14A.31(2)(a) and 14A.33(3)(a) of the Listing Rules. The transaction set out in note 34(a)(v) is 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 reporting and announcement requirements as set out in rules 14A.45 and 14A.47 of the Listing Rules with respect to such transactions have been complied with.

Relevant disclosures and other requirements, including, inter alia, independent shareholders' approval (where required) in accordance with the Listing Rules with respect to the connected 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, 2010, part of the Group's bank deposits in the amount of HK$1,000.0 million (2009 - HK$1,000.0 million) were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT, (note 34(a)), and the Group's investment properties and certain of the Group's property, plant and equipment, properties held for sale, bank deposits and cash balances in the total amount of HK$15,670.5 million (2009 - HK$1,055.1 million) were also pledged to secure other banking facilities granted to the Group.

36. CONTINGENT LIABILITIES

The Group had no contingent liability as at 31st December, 2010.

Apart from the guarantees given under the Lease Agreements in respect of the minimum variable rent as disclosed in note 34(a), the Group had no other contingent liability as at 31st December, 2009.

As at 31st December, 2010, corporate guarantees amounted to HK$833.0 million (2009 - HK$776.0 million) were given by the Company in connection with banking facilities granted to a subsidiary. The banking facilities granted to the subsidiary were utilised to the extent of approximately HK$406.0 million (2009 - HK$318.5 million) at 31st December, 2010.

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain retail space and areas of its hotel properties under operating lease arrangements, with leases negotiated for terms ranging from 1 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 also leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms of 2 to 4 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, 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	GROUP	
	2010 **HK$'million**	**2009** **HK$'million**
Within one year	**23.2**	30.8
In the second to fifth years, inclusive	**17.9**	16.2
	41.1	47.0

(b) As lessee

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

In the prior year, the Group has leased certain hotel properties from Regal REIT, 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. For the years from 2011 to 2015, the rental package is to be determined subject to annual rent reviews by an independent property valuer and a minimum annual aggregate lease rental of HK$400.0 million.

At 31st December, 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	GROUP	
	2010 **HK$'million**	**2009** **HK$'million**
Land and buildings:		
Within one year	**9.3**	789.4
In the second to fifth years, inclusive	**28.0**	0.6
After five years	**38.0**	–
	75.3	790.0
Other equipment:		
Within one year	**0.3**	0.2
In the second to fifth years, inclusive	**1.0**	0.6
	1.3	0.8
	76.6	790.8

At the end of the reporting period, the Company had no outstanding operating lease commitments.

38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37(b) above, the Group had the following capital commitments in respect of its hotel buildings at the end of the reporting period:

	2010 **HK$'million**	**2009** **HK$'million**
Authorised and contracted for	**3.0**	–
Authorised, but not contracted for	**30.3**	–
	33.3	–

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2010 **GROUP**

Financial assets

	Financial assets at fair value through profit or loss - designated as such upon initial recognition HK$'million	- held for trading HK$'million	Loans and receivables HK$'million	Total HK$'million
Other loan (note 20)	–	–	13.3	13.3
Trade debtors (note 23)	–	–	102.2	102.2
Other financial assets included in debtors, deposits and prepayments	–	–	196.7	196.7
Financial assets at fair value through profit or loss (note 19)	1,226.5	184.7	–	1,411.2
Restricted cash	–	–	72.0	72.0
Pledged time deposits	–	–	1,003.0	1,003.0
Time deposits	–	–	280.8	280.8
Cash and bank balances	–	–	405.8	405.8
	1,226.5	184.7	2,073.8	3,485.0

Finanical liabilities

	Financial liabilities at fair value through profit or loss - designated as hedging instruments HK$'million	Financial liabilities at amortised cost HK$'million	Total HK$'million
Trade creditors (note 25)	–	56.6	56.6
Other financial liabilities included in creditors and accruals	–	232.9	232.9
Derivative financial instruments	142.4	–	142.4
Interest bearing bank borrowings (note 26)	–	5,095.9	5,095.9
	142.4	5,385.4	5,527.8

2009 **GROUP**

Financial assets

	Financial assets at fair value through profit or loss - designated as such upon initial recognition HK$'million	- held for trading HK$'million	Loans and receivables HK$'million	Total HK$'million
Other loan (note 20)	–	–	13.3	13.3
Trade debtors (note 23)	–	–	79.6	79.6
Other financial assets included in debtors, deposits and prepayments	–	–	163.8	163.8
Financial assets at fair value through profit or loss (note 19)	691.3	212.8	–	904.1
Pledged bank deposits	–	–	1,003.6	1,003.6
Time deposits	–	–	251.2	251.2
Cash and bank balances	–	–	358.5	358.5
	691.3	212.8	1,870.0	2,774.1

Finanical liabilities

	Financial liabilities at amortised cost HK$'million
Trade creditors (note 25)	53.0
Other financial liabilities included in creditors and accruals	226.4
Interest bearing bank borrowings (note 26)	316.2
	595.6

	COMPANY	
Financial assets	**2010 Loans and receivables HK$'million**	**2009 Loans and receivables HK$'million**
Cash and bank balances	**0.7**	0.5

Financial liabilities	**2010 Financial liabilities at amortised cost HK$'million**	**2009 Financial liabilities at amortised cost HK$'million**
Other financial liabilities included in creditors and accruals	**6.2**	2.0

40. FAIR VALUE AND FAIR VALUE HIERARCHY

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

Fair value hierarchy

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

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value as at 31st December, 2010

	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
Equity investments at fair value through profit or loss	**247.4**	**–**	**–**	**247.4**
Unlisted investment at fair value through profit or loss	**–**	**5.8**	**–**	**5.8**
Unlisted debt investments at fair value through profit or loss	**–**	**1,158.0**	**–**	**1,158.0**
	247.4	**1,163.8**	**–**	**1,411.2**

Assets measured at fair value at 31st December, 2009

	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
Equity investments at fair value through profit or loss	245.0	–	–	245.0
Unlisted investment at fair value through profit or loss	–	4.5	–	4.5
Unlisted debt investments at fair value through profit or loss	–	654.6	–	654.6
	245.0	659.1	–	904.1

Liabilities measured at fair value as at 31st December, 2010:

	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
Derivative financial instruments	–	142.4	–	142.4

During the year there were no transfers into or out of Level 3 fair value measurements (2009 - Nil).

The Group did not have any financial liabilities measured at fair value as at 31st December, 2009.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest bearing bank borrowings 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 adopts prudent strategies on its risk management. 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 floating interest rates. 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 Group has put in place interest rate swap arrangements to limit the variabilities in cash flows attributable to changes in interest rates of certain borrowings. This involves fixing portions of interest payable on its underlying bank borrowings through derivative instruments. Details of interest rate swaps are set out in note 27 to the financial statements. These swaps are designated to hedge underlying bank borrowing obligations.

The following table demonstrates the sensitivity at the end of the reporting period 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 borrowings).

		Group	
	Change in basis points	Change in profit before tax HK$'million	Change in equity* HK$'million
2010			
Hong Kong dollar	**100**	**(51.0)**	**–**
2009			
Hong Kong dollar	100	(3.2)	–

* Excluding retained profits

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 statement of financial position. 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).

Further quantitative data in respect of the Group's exposure to credit risk arising from trade debtors are disclosed in note 23 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 realisation of its assets if required.

The maturity profile of the Group's other financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	2010		
	Within 1 year or on demand HK$'million	1 to 5 years HK$'million	Total HK$'million
Interest bearing bank borrowings	195.0	5,002.8	5,197.8
Trade creditors	56.6	–	56.6
Other payables	232.9	–	232.9
Derivative financial instruments	137.7	4.7	142.4
	622.2	5,007.5	5,629.7

Group

	2009		
	Within 1 year or on demand HK$'million	1 to 5 years HK$'million	Total HK$'million
Interest bearing bank borrowings	75.0	251.9	326.9
Trade creditors	53.0	–	53.0
Other payables	226.4	–	226.4
	354.4	251.9	606.3

Company

	2010	2009
	On demand HK$'million	On demand HK$'million
Guarantees given to banks in connection with facilities granted to subsidiaries	**406.0**	318.5
Other payables	**6.2**	2.0
	412.2	320.5

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 debt investment in convertible bonds classified as financial assets at fair value through profit or loss (note 19) as at 31st December, 2010. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period. The Group's unlisted debt investment in convertible bonds are stated at fair value provided by an independent professional valuer using valuation techniques based on the quoted market price of the underlying listed securities at the end of the reporting period.

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 end of the reporting period. For the purpose of this analysis, for the available-for-sale investments, the impact is deemed to be on the available-for-sale investments revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

	Carrying amount of equity investments HK$'million	Change in profit before tax HK$'million	Change in equity* HK$'million
2010			
Investments listed in Hong Kong	**247.4**	**12.4**	**–**
Unlisted investment at fair value			
Convertible bonds	**1,156.4**	**55.1**	**–**
2009			
Investments listed in Hong Kong	240.1	12.0	–
Investments listed outside Hong Kong	4.9	0.2	–
Unlisted investment at fair value			
Convertible bonds	653.5	29.7	–

* Excluding retained earnings

Capital management

The primary objectives of the Group's capital management are 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 shareholders' 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 except for the obligation under the lease guarantees as detailed in note 34 to maintain a minimum consolidated tangible net worth. No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December, 2010 and 31st December, 2009.

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 less cash and cash equivalents. The debt to total assets ratios as at the end of the reporting periods were as follows:

Group

	2010 HK$'million	2009 HK$'million (Restated)
Interest bearing bank borrowings	**5,095.9**	316.2
Less: Cash and cash equivalents	**(1,761.6)**	(1,613.3)
Net debt/ (cash)	**3,334.3**	(1,297.1)
Total assets	**19,791.2**	5,230.8
Debt to total assets ratio	**16.8%**	N/A

42. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the consolidated financial statements, due to the adoption of the new and revised HKFRSs during the current year, the accounting treatment of certain items and balances in the consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been restated to conform with the current year's accounting treatment.

43. EVENT AFTER THE REPORTING PERIOD

On 17th March, 2011, the Group entered into a shareholders' agreement with the PHL group in connection with the establishment of a joint venture company ("JV Co") for the development of real estate projects for sale and/or leasing. It is proposed that the JV Co will be owned by the Group and the PHL group on a 50:50 basis and the maximum total capital commitment to the JV Co will be HK$3,800 million, which will be contributed by each of the Group and the PHL group in a maximum capital commitment of HK$1,900 million and on a pro-rata basis in accordance with their respective shareholding in the JV Co. The establishment of the JV Co, further details of which is contained in a joint announcement of the Company on 17th March, 2011, is subject to, inter alia, the approval of the Company's independent shareholders.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 23rd March, 2011.

Independent Auditors' Report

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Regal Hotels International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 65 to 157, which comprise the consolidated and company statements of financial position as at 31st December, 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2010, 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
23rd March, 2011

Schedule of Principal Properties

As at 31st December, 2010

PROPERTIES FOR DEVELOPMENT AND/OR SALE

	Description	Use	Approx. Area	Stage of completion (completion date)	Percentage interest attributable to the Company
(1)	Certain luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Residential	Site area for the whole development - 571,848 sq. ft. Gross floor area of 13 allocated houses held - approx. 64,810 sq. ft.	Completed in March 2004	100
(2)	Development site at south of Xindu Main Road and both sides of Xingle Road, Banqiao Village, Xindu County, Xindu District, Chengdu, Sichuan Province, PRC	Hotel and commercial complex/ residential	Site area for the whole development - 1,204,148 sq. ft. First stage • a 300-room hotel • residential development with total gross floor area of approx. 1,500,000 sq. ft. Stage two • residential development with total gross floor area of approx. 1,900,000 sq. ft. Stage three • commercial and office accomodations with total gross floor area of approx. 1,500,000 sq. ft.	Development works for first stage commenced	50

As at 31st December, 2010

Description	Use	Approx. Area	Stage of completion (completion date)	Percentage interest attributable to the Company
(3) Development site at Chao Yang Men Wai Da Jie, Chao Yang District, Beijing, PRC	Commercial/ office/hotel complex	Construction site area for the whole development - 610,240 sq. ft.	• Land Use Right Certificates for the Phase I land site obtained • Development works suspended	29.5

PROPERTIES FOR INVESTMENT

Description	Use	Lease	Percentage interest attributable to the Company
(1) Regal Airport Hotel 9 Cheong Tat Road, Hong Kong International Airport, Chek Lap Kok, New Territories, Hong Kong	Hotel	Medium term	74.4
(2) Regal Hongkong Hotel 88 Yee Wo Street, Causeway Bay, Hong Kong	Hotel	Long term	74.4
(3) Regal Kowloon Hotel 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong	Hotel	Long term	74.4

Description	Use	Lease	Percentage interest attributable to the Company
(4) Regal Oriental Hotel 30-38 Sa Po Road and Shops 3-11 on G/F including Cockloft of Shops 5-7 and the whole of 1/F, Po Sing Court, 21-25 Shek Ku Lung Road, 40-42 Sa Po Road and 15-29 Carpenter Road, Kowloon City, Kowloon, Hong Kong	Hotel	Medium term	74.4
(5) Regal Riverside Hotel 34-36 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong	Hotel	Medium term	74.4
(6) Regal iClub Building Shops A, B and C on G/F, Flat Roof on 3/F, Whole of 5-12/F, 15-23/F and 25-29/F, Eastern and Western Elevations of External Walls, Architectural Feature at Roof Top and Upper Roof, 211 Johnston Road, Wanchai, Hong Kong	Hotel/ office/ commercial	Long term	74.4
(7) 9 luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Residential	Medium term	100

Published Five Year Financial Summary

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

RESULTS

	Year ended 31st December,				
	2010 HK$'million	**2009 HK$'million (Restated)**	**2008 HK$'million (Restated)**	**2007 HK$'million (Restated)**	**2006 HK$'million**
Revenue	**1,502.7**	1,381.2	1,511.8	1,722.9	1,261.2
Operating profit/(loss) before depreciation	**7,471.7**	113.2	(331.5)	2,504.7	553.5
Depreciation	**(159.4)**	(6.4)	(4.0)	(9.6)	(139.0)
Finance costs	**(86.4)**	(4.9)	(9.9)	(84.2)	(265.8)
Share of profits and losses of:					
Jointly controlled entities	**(1.8)**	(2.3)	(4.9)	41.6	203.6
Associates	**(159.3)**	361.1	(616.3)	685.4	2.9
Profit/(loss) before tax	**7,064.8**	460.7	(966.6)	3,137.9	355.2
Income tax expense	**(74.0)**	(12.7)	(0.6)	(22.2)	(23.9)
Profit/(loss) for the year	**6,990.8**	448.0	(967.2)	3,115.7	331.3
Attributable to:					
Equity holders of the parent	**6,928.8**	448.0	(967.2)	3,115.7	331.3
Non-controlling interests	**62.0**	–	–	–	–
	6,990.8	448.0	(967.2)	3,115.7	331.3

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	31st December,				
	2010 HK$'million	**2009 HK$'million (Restated)**	**2008 HK$'million**	**2007 HK$'million (Restated)**	**2006 HK$'million**
Property, plant and equipment	**13,879.6**	38.2	16.8	11.1	10.6
Investment properties	**1,379.5**	805.0	855.0	–	–
Investments in jointly controlled entities	**182.5**	176.6	203.8	112.1	2,032.6
Investments in associates	**10.1**	601.8	517.4	1,435.7	488.8
Financial assets at fair value through profit or loss/long term investments	**636.5**	358.0	423.0	380.7	–
Available-for-sale investment	**–**	–	3.1	–	–
Other loan	**13.3**	13.3	36.1	36.1	65.6
Deferred tax assets	**–**	–	–	–	2.4
Pledged bank deposits	**–**	1,000.0	1,000.0	970.0	–
Deposit for acquisition of land	**–**	–	–	134.4	–
Current assets	**3,689.7**	2,237.9	1,780.2	3,160.6	4,478.4
Total assets	**19,791.2**	5,230.8	4,835.4	6,240.7	7,078.4
Current liabilities	**(520.5)**	(490.0)	(430.7)	(800.6)	(2,102.7)
Interest bearing bank and other borrowings	**(4,943.3)**	(246.8)	(268.5)	–	(2,628.8)
Derivative financial instruments	**(142.4)**	–	–	–	–
Convertible preference shares	**–**	–	–	–	(127.7)
Deferred tax liabilities	**(1,102.4)**	–	–	–	–
Total liabilities	**(6,708.6)**	(736.8)	(699.2)	(800.6)	(4,859.2)
Non-controlling interests	**(1,546.6)**	(1.3)	(1.3)	(1.3)	(1.3)

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