

2011

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)

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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

Wong Chi Keung (Chairman)*

Lo Yuk Sui

Alice Kan Lai Kuen

Ng Siu Chan

NOMINATION 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

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

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Website: www.regal.com.hk

* appointed on 29th March, 2012

** established on 29th March, 2012

Directors' Profile

Mr. Lo Yuk Sui, aged 67; *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 66; *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) Limited 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 53; *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 55; *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.

Directors' Profile (Cont'd)

Ms. Alice Kan Lai Kuen, aged 57; *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 investment adviser under the Securities and Futures Ordinance of Hong Kong (the "SFO") and a responsible officer of Lotus Asset Management Limited. She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She 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 Energy International (Holdings) Limited, Shimao Property Holdings Limited, Shougang Concord International Enterprises Company Limited and Sunway International Holdings Limited, all of which are companies listed on the Stock Exchange, and an independent director of AVIC International Investments Limited, a company listed on Singapore Exchange Securities Trading Limited.

Mr. Jimmy Lo Chun To, aged 38; *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 32; *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 57; *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 81; *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 53; *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 30 years of experience in finance and accounting field.

Mr. Wong Chi Keung, aged 57; *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 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), 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, 2011.

FINANCIAL RESULTS

For the year ended 31st December, 2011, the Group achieved a consolidated profit attributable to shareholders of HK\$107.9 million, as compared to the HK\$6,928.8 million attained in 2010. However, as previously explained, a very significant part of the profit attained last year was related to a one-off accounting gain of HK\$6,637.4 million recognised on the consolidation of Regal Real Estate Investment Trust as a subsidiary of the Group in July 2010.

During the year under review, the performance of the Group's core hotel operations has improved substantially, with the gross operating profits of the hotel operations of the six Regal Hotels in Hong Kong owned by the Group through Regal REIT having increased by about 31% to approximately HK\$852.5 million. Moreover, there were gains of over HK\$600 million from share of profits of jointly controlled entities, which were principally derived from the transaction relating to the sale to P&R Holdings Limited, formerly known as Flourish Lead Investments Limited, of 70% effective interest in the composite development in Chengdu, Sichuan, the People's Republic of China by a jointly controlled entity that is 50%-owned by the Group.

Due to the weak performance of the stock market in Hong Kong in 2011, the Group recorded losses of approximately HK\$822.8 million on the changes in the fair values of the Group's portfolio of financial assets, including in particular the Group's long term holdings in the convertible bonds and shares of Cosmopolitan International Holdings Limited. In addition, the five Regal Hotels leased to the Group are owned by Regal REIT as investment properties, but they are treated by the Group in its consolidated financial statements as fixed assets and depreciation charges in a total amount of HK\$351.2 million were required to be provided for these hotel properties in the financial year ended 31st December, 2011. Although the fair value losses and depreciation charges are non-cash flow items, they have nevertheless adversely affected the financial results of the Group for the year under review.

DIVIDENDS

The Directors have resolved to recommend the payment of a final dividend of HK9.0 cents per ordinary share for the year ended 31st December, 2011, representing an increase of about 5.9% over the final dividend of HK8.5 cents per ordinary share paid for the last financial year. This proposed final dividend will absorb an amount of approximately HK\$90.1 million (2010 – HK\$85.1 million) and will be payable to the holders of ordinary shares on the Register of Ordinary Shareholders on 8th June, 2012.

Together with the interim dividend of HK3.0 cents (2010 – HK2.5 cents) per ordinary share paid in October 2011, total dividends per ordinary share for the year ended 31st December, 2011 will amount to HK12.0 cents, representing an increase of about 9.1% over the total dividends of HK11.0 cents paid for the last financial year.

BUSINESS OVERVIEW

HOTELS

MARKET OVERVIEW

The first half of 2011 saw positive signs of gradual recovery in the global economy, but the recovery pace was stalled in the second half by the intensifying strains in the sovereign debt crisis across the Euro-zone. Towards the end of 2011, the economy in the United States was able to regain some momentum as a result of an improved labour market and its monetary policy to maintain a low interest environment. As the second largest economy in the world, China's Gross Domestic Product continued to expand by about 9.2% in 2011, although the growth rate has slowed down as compared to the past few years. Benefiting from its close economic ties with China and the resilience of its domestic economy, Hong Kong's GDP has managed to grow by about 5% in 2011.

During the year under review, tourist arrivals to Hong Kong hit a historical record of approximately 41.9 million, representing a 16.4% increase over the previous year. Visitors from Mainland China were still the strongest growth segment and accounted for about two-thirds of the total visitors to Hong Kong. The ever-growing affluence of the Chinese visitors have continued to drive market demands on the retail and lodging businesses in Hong Kong.

According to the Hotel Survey published by Hong Kong Tourism Board, the average hotel room occupancy rate for all the surveyed hotels in different categories for 2011 was 89%, a year-on-year increase of about 2.3%, while the average RevPAR (Revenue per Available Room) improved by about 19%.



HOTEL OWNERSHIP

The Group's hotel ownership business is undertaken through Regal REIT, in which the Group is holding approximately 74.5% of its issued units.

For the year ended 31st December, 2011, Regal REIT achieved a consolidated net profit before distribution to unitholders of HK\$2,997.3 million, which was an increase of about 200% over the comparative amount of HK\$997.1 million recorded for the year 2010. The significant improvement in the net profit achieved was principally attributable to the increase in the fair values of the five Regal Hotels leased to the Group and held by Regal REIT as investment properties. Total distributable income of Regal REIT for the year amounted to approximately HK\$397.9 million, as compared to HK\$682.9 million for the preceding year.

However, as the five Regal Hotels leased to the Group are treated by the Group as fixed assets, they are stated in the Group's consolidated financial statements at their fair values as at the time when Regal REIT became a subsidiary of the Group in July 2010, plus subsequent capital additions and deducting accumulated depreciation. Accordingly, any subsequent changes in their fair values, including those recorded by Regal REIT in its results for 2011, would not be reflected in the consolidated financial statements of the Group. On the other hand and as mentioned above, depreciation charges in a total amount of HK\$351.2 million were required to be provided for such hotel properties in the financial year under review. Shareholders could however refer to the supplementary information in the section headed "Management Discussion and Analysis", which shows the impact on the Group's assets value if such hotel properties were stated at their market valuations as at 31st December, 2011.

The annual base rent for the five Regal Hotels leased to the Group, namely, the Regal Airport Hotel, the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel, for the year 2011 was HK\$560 million, as determined by a jointly appointed independent professional valuer. On account of the satisfactory operating results achieved by these hotels in 2011, Regal REIT received from the Group additional variable rent of approximately HK\$116.0 million, based on 50% sharing of the excess of the aggregate net property income for the year over the annual base rent.

The annual base rent payable by the Group for the year 2012 under the market rental package determined by the independent professional valuer was HK\$645 million, an increase of approximately 15.2% over the base rent for 2011, and likewise with an equal sharing of the excess net property income.

Regal REIT continues to invest in capital additions projects as an ongoing programme to upgrade the quality and standards of the rooms and facilities in the hotels. During 2011, over 450 guestrooms and suites across the five Regal Hotels and various ballrooms, function rooms and food and beverage outlets in the Regal Hongkong Hotel, Regal Kowloon Hotel and Regal Riverside Hotel have been renovated. Recently, government approvals have been obtained for the conversion of part of the second floor and the fourteenth floor at the Regal Oriental Hotel into 56 new additional rooms and interior fitting out plans are being finalised to convert these areas, which are now being used for food and beverage operations, into the more lucrative room business.

The sixth Regal Hotel owned by Regal REIT, the Regal iClub Hotel in Wanchai, is managed by the Group's wholly owned subsidiary but operated by Regal REIT itself. The hotel began full operation with 99 rooms and suites in December 2010 and has performed very well during the year. Year round occupancy was recorded at a level of about 96% and the RevPAR was about 41% higher than that attained in 2010.

Regal REIT recently concluded arrangements for a new 3-year HK\$4,500 million term loan facility, involving a syndicate of 12 local and international banks, to refinance the existing term loan facilities that will mature on 30th March, 2012. Due to the changes in the financial market, the interest margin for the new term loan facility will be higher than that under the existing loan facilities, but the interbank interest rate is now much lower than the level when the interest rate swap and hedging arrangements were put in place for the existing facilities in 2007. Therefore, it is expected that there would be overall savings in the finance costs for the bank loans of Regal REIT, as compared with the effective loan interest paid in the previous years. Management of Regal REIT will closely monitor the interest rate market to determine whether and when it will be beneficial to put in place new interest rate swaps for the new term loan facility.

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

HOTEL OPERATIONS

The five Regal Hotels in Hong Kong leased by the Group from Regal REIT have all performed very satisfactorily in the year under review. Their combined average occupancy rate has increased over the previous year by about 5.8% to 90.7%, with average RevPAR having at the same time improved by about 28.7%. Total gross operating profits for the five hotels for the year amounted to approximately HK\$822.7 million.

After adjusting its marketing strategy to increase market share, the occupancy rate for Regal Airport Hotel has increased year-on-year by about 11.1% to 86.7%, while its average RevPAR improved by about 17.9%. Having regard to the superior quality and standards of the Regal Airport Hotel as well as its strategic location, which for many consecutive years have been voted as the Best Airport Hotel in Asia Pacific and the World, the Group considers that there is still further room for improvement in its overall profitability.

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, there are presently seven hotels under operation which are managed by the Group, of which four are in Shanghai, one in Chengdu, Sichuan, one in Dezhou, Shandong and the latest one in Guiyang, Guizhou, which was taken over and renamed as the Regal Poly Guiyang Hotel in October 2011. There are another six hotel projects with which the Group has entered into management services contracts, which are in different stages of development. In the order of their targeted dates of opening, spreading out from late 2012 to the 3rd quarter of 2014, these hotel projects are, respectively, the 310-room Regal Yuhong Hotel in Zhengzhou, Henan, the 310-room Regal Xindu Hotel in Chengdu, Sichuan, the 260-room Regal Fanhua Center Hotel in Suzhou, Jiangsu, the 220-room Regal Financial Center Hotel in Foshan, Guangdong, the 300-room Regal Royale Hotel in Kunshan, Jiangsu and the 300-room Regal Wolong Hotel in Wuhan, Hubei.

The Group will continue to invest additional management and financial resources to its management businesses in China, with a view to expanding its network to other major cities.

PROPERTIES

Due to the tightening of market liquidity, the property market in Hong Kong was faced with some consolidation since the latter part of last year. Viewing from a longer term perspective, a cooling down of overheated demands with resultant stabilisation in price levels might indeed be beneficial to the development of a healthy and sustainable market.



The Group still retains 19 houses in Regalia Bay, Stanley, Hong Kong, apart from the 2 houses contracted to be sold and scheduled for completion later this year. Three houses have been leased out during the year. The Group will continue with the disposal of some houses if the price is considered favourable but, in the meantime, may also consider leasing out further houses for rental income.

Through P&R Holdings, a joint venture company equally owned by the Group and Paliburg Holdings Limited established in April 2011, the Group has been actively expanding its property development business. As mentioned in the 2011 Interim Report, P&R Holdings has since its establishment acquired a total of 3 sites in Hong Kong, two of which are located in Sheung Wan District acquired from Paliburg and one located in North Point acquired from a third party, which are all planned for hotel developments. As also reported before, P&R Holdings has acquired a 70% effective interest in the composite development in Xindu District, Chengdu, Sichuan previously held by the jointly controlled entity that is 50:50 owned by each of the Group and the Cosmopolitan group.

Further in September 2011, through one of its wholly owned subsidiaries, P&R Holdings has successfully acquired at a government land auction another development site at Tan Kwai Tsuen Road, Yuen Long, New Territories, which is intended to be developed into residential houses and apartments.

Shareholders could refer to the section headed "Management Discussion and Analysis" in this Annual Report for further details on the progress of these property projects undertaken by P&R Holdings.

OTHER INVESTMENTS

The Group held a sizable investment portfolio consisting primarily of listed securities. The Group owned within this portfolio a substantial holding of two series of convertible bonds due 2013 and a relatively minor interest in the shares of Cosmopolitan, which are held as long term strategic investments. Like most other financial assets, these holdings of convertible bonds and shares of Cosmopolitan are stated in the financial statements at their fair values based on the traded price of the Cosmopolitan shares as at the financial reporting date and, in the case of the convertible bonds, valued by an independent professional valuer. On account of the fluctuation in the traded price of the Cosmopolitan shares, the changes in the fair values of the Group's holdings in the convertible bonds and shares of Cosmopolitan have been relatively substantial. Due to the weak performance of the stock market in Hong Kong in 2011 and the fall in the traded price of the Cosmopolitan shares, the fair values of these convertible bonds and shares have substantially declined. This has resulted in a loss on changes in fair values of approximately HK\$716.3 million in the year under review, which more than reversed the corresponding gain of approximately HK\$534.7 million recorded in the previous year. In this regard, it should however be noted that the convertible bonds and shares in Cosmopolitan are held for long term strategic purpose and that the prevailing conversion prices of these 2013 convertible bonds are still below the traded price of the Cosmopolitan shares as at 31st December, 2011.

OUTLOOK

Despite the uncertainty over the pace of recovery of the global economy and the anticipated slowdown in the GDP growth in China, Hong Kong is still forecasting that the number of visitor arrivals will increase by about 5.5% to reach a level of 44 million in 2012.

In the bid to maintain its prominence as a favoured tourist destination and as an international financial center, Hong Kong has taken initiatives to undertake a wide array of infrastructural developments. For further integration with Mainland China, particularly the southern provinces, the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macau Bridge are already under construction. To uphold Hong Kong's competitive edge as a leading aviation hub, Hong Kong is beginning to embark on building a third runway in its international airport. As for the tourism sector, the construction of the Kai Tak cruise terminal, the redevelopment of the Ocean Park and the expansion project at the Hong Kong Disneyland should help to foster tourism growth.

The Group is confident of the prospects of the hotel industry in Hong Kong. The Group's hotel portfolio in Hong Kong has grown to command a total of 3,929 quality guestrooms and suites, representing about 10% of the current High Tariff A & B hotel room inventory in Hong Kong. Through its 50%-owned joint venture company with Paliburg, the Group is developing three new hotels in Hong Kong which, on their completion within the next three years, will add about 700 rooms and suites to its hotel portfolio. The Group will continue to look for acquisition opportunities, both with a view to maintaining its eminence in the local market and, when circumstances are considered appropriate, to expand its hotel network overseas.

Although there has been some consolidation in the property market in Hong Kong since last year, the Group is still optimistic of the high end residential sector due to limited supply. The additional cash resources to be generated from time to time from the continuing gradual disposal of the retained houses in Regalia Bay will be useful for the funding of the Group's ongoing business development.

Having regard to the strong financial position and business prospects of the Group, the Directors believe that the Company will be able to bring to its shareholders increasing returns in the coming years.

DIRECTORS AND STAFF

Taking this opportunity, I would like to express my gratitude to all my fellow Directors for their valuable contribution and all the management and staff members for their dedication and efforts.

LO YUK SUI

Chairman

Hong Kong
20th March, 2012





REGAL AIRPORT HOTEL

CHEK LAP KOK ■ HONG KONG

■ Grand Ballroom



■ Hotel Lobby



■ Regal Club Deluxe Room



■ Regal Royale Presidential Suite



■ Regal Royale Guestroom



■ Regal Royale Club Lounge

REGAL HONGKONG HOTEL

CAUSEWAY BAY ■ HONG KONG



REGAL KOWLOON HOTEL

TSIMSHATSUI ■ HONG KONG

■ Regal Club Premier Room



■ Regal Club Lounge



■ V bar & lounge



■ Regal iClub Executive Suite



■ Regal iClub Conference Room



■ Café Neo



REGAL ORIENTAL HOTEL

KOWLOON CITY ■ HONG KONG



REGAL RIVERSIDE HOTEL

SHA TIN ■ HONG KONG

■ Outdoor Swimming Pool



■ The Forum



■ Deluxe Room



REGAL iCLUB HOTEL

WAN CHAI ■ HONG KONG

■ iBusiness



■ iSuite



■ Hotel Lobby



REGAL INTERNATIONAL EAST ASIA HOTEL

SHANGHAI ■ MAINLAND CHINA



■ Premier Room



■ Fragrance Chinese Restaurant



■ Conference Room



REGAL SHANGHAI EAST ASIA HOTEL

SHANGHAI ■ MAINLAND CHINA

■ Main Hall



■ Pujiang Hall



■ Hotel Lobby



REGAL JINFENG HOTEL

SHANGHAI ■ MAINLAND CHINA



■ Deluxe Room



■ Avanti Ristorante



■ Rivoli Café



REGAL PLAZA HOTEL & RESIDENCE

SHANGHAI ■ MAINLAND CHINA



■ Hotel Lobby



■ Deluxe Room



■ Regal Court



REGAL MASTER HOTEL

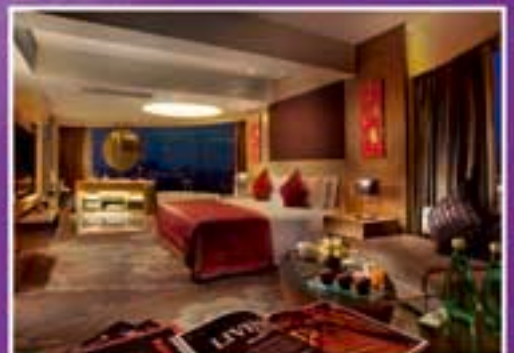
CHENGDU ■ MAINLAND CHINA



■ Regal Ballroom



■ Rivoli



■ Regal Studio



■ Asia Delights



■ Deluxe Suite



■ Hotel Lobby

REGAL KANGBO HOTEL

DEZHOU ■ MAINLAND CHINA



REGAL POLY GUIYANG HOTEL

GUIYANG ■ MAINLAND CHINA



■ Premier Room



■ The Forum



■ Regal Court



REGALIA BAY

STANLEY ■ HONG KONG

■ Luxurious residence in the south of Hong Kong Island

JOINT VENTURE DEVELOPMENTS



■ Artist impression of the two hotel developments in Sheung Wan, Hong Kong



■ Artist impression of a hotel lobby



■ Artist impression of the hotel development in North Point, Hong Kong

Hotel Developments



■ A composite hotel / residential / commercial development



Composite Development

Chengdu ■ Mainland China

COMING ADDITIONS



REGAL YUHONG HOTEL (2012)
ZHENGZHOU ■ MAINLAND CHINA



REGAL FANHUA CENTER HOTEL (2013)
SUZHOU ■ MAINLAND CHINA



REGAL FINANCIAL CENTER HOTEL (2014)

FOSHAN ■ MAINLAND CHINA



REGAL ROYALE HOTEL (2014)

KUNSHAN ■ MAINLAND CHINA



REGAL WOLONG HOTEL (2014)

WUHAN ■ MAINLAND CHINA

Management Discussion and Analysis

BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise hotel ownership through Regal Real Estate Investment Trust ("Regal REIT"), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including through the joint venture in P&R Holdings Limited ("P&R Holdings") and the interest in the retained houses in Regalia Bay in Stanley, and other investment businesses.

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

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the sections headed "Business Overview" and "Outlook" in the preceding Chairman's Statement and in this Management Discussion and Analysis ("MD&A").

Other Investments

Apart from the strategic holdings in certain other listed entities, the Group holds, as long term strategic investments, significant amount of convertible bonds issued by the Cosmopolitan International Holdings Limited ("Cosmopolitan") group as well as a minor holding in the shares of Cosmopolitan. If these convertible bonds were converted, the Group's shareholdings in Cosmopolitan would substantially increase and might result in regulatory compliance requirements, including the possible triggering of a mandatory obligation for the Group to make an offer for all the Cosmopolitan shares. The convertible bonds due 2011 ("2011 CB") issued by the Cosmopolitan group in the principal amount of HK\$141.45 million, which was held by the Group, was originally extended to be due on 16th May, 2011. As the Group did not intend to convert these convertible bonds such that a mandatory offer obligation could be triggered, the Group entered into an extension agreement in April 2011 with Cosmopolitan to extend the maturity of the 2011 CB. Following approval by the independent shareholders of Cosmopolitan in June 2011, the maturity date of the 2011 CB has been further extended to 14th February, 2013, same as the maturity date of the convertible bonds due 2013 issued by the Cosmopolitan group, part of which is also held by the Group.

As the price of the Cosmopolitan shares as at 31st December, 2011 was much lower than that prevailing as at 31st December, 2010, the fair value losses on financial assets recorded in the final results under review were mostly attributable to the Group's holdings in the convertible bonds and shares of Cosmopolitan.

Joint Venture – P&R Holdings Limited (formerly known as Flourish Lead Investments Limited)

P&R Holdings is a 50:50 owned joint venture established with Paliburg Holdings Limited ("PHL"), of which the Company is the listed associate, in April 2011, with maximum total capital commitment presently capped at HK\$3,800 million. The maximum capital commitment for each of the Company and PHL is HK\$1,900 million, which is to be contributed on a pro-rata basis in accordance with their respective shareholdings in P&R Holdings. P&R Holdings has, since its establishment, acquired a number of property development projects. Further information relating to such property development projects is set out below:

Hong Kong

Nos.132-140 Bonham Strand and

Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan

In May 2011, P&R Holdings acquired two development sites from the PHL group for an aggregate transaction consideration of HK\$752 million, which was equivalent to the then market valuations of the properties as appraised by an independent professional valuer appointed by P&R Holdings.

Management Discussion and Analysis

The development site at Nos.132-140 Bonham Strand, with a site area of approximately 5,430 square feet, is planned for the development of a hotel with 248 guestrooms and suites with gross floor area of approximately 79,800 square feet. The foundation works are being carried out and will soon be completed. The superstructure works for this hotel development will commence shortly and are expected to be completed in the fourth quarter of 2013.

The other development site is constituted by two adjoining properties at Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street having an aggregate site area of approximately 3,710 square feet. The general building plans for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 56,350 square feet, have been approved. The foundation works for this site have commenced and completion of the hotel development is presently anticipated for the fourth quarter of 2014.

Nos.14-20 Merlin Street, North Point

The sale and purchase agreement entered into with an independent third party vendor in August 2011 for the purchase of the subject properties at a consideration of HK\$459.3 million was, upon delivery of vacant possession by the vendor, completed in September 2011. The properties have an aggregate site area of approximately 5,300 square feet and the plans for their development into a hotel with about 351 guestrooms and suites, with total gross floor area of approximately 75,490 square feet, have been approved. Foundation works are currently in progress and this development project is scheduled for completion in the third quarter of 2014.

Lot No. 4309 in Demarcation District No. 124, Tan Kwai Tsuen Road, Yuen Long, New Territories

This development site was acquired at a land premium of HK\$361.0 million through a government public auction held in September 2011. The site has an area of approximately 120,470 square feet and is planned for a residential development with a total of 170 units, comprising 36 houses and 134 apartments, having an aggregate gross floor area of approximately 120,470 square feet. The building plans have been submitted to the government for approval.

Mainland China

Composite development project in Xindu District, Chengdu, Sichuan

The 70% interest in this property project was acquired by P&R Holdings in June 2011 from the jointly controlled entity that is 50:50 owned by the Group and Cosmopolitan. The consideration payable by P&R Holdings was based on an agreed value of HK\$1,000 million, representing a discount of 12% to the appraised value as at 29th June, 2011 of RMB1,350 million for the whole property project, which appraisal was carried out by an independent professional valuer jointly engaged by the jointly controlled entity and P&R Holdings. Details of this transaction were contained in the joint announcement of the Company dated 30th June, 2011.

This project in Chengdu is a mixed use development planned to consist of hotel, commercial, office and residential components. 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 438,000 square feet. Superstructural works for the hotel development is progressing and the first phase of hotel is presently scheduled to be soft opened in the second quarter of 2013. 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 gross floor area of approximately 489,000 square feet. Superstructure works for this part of the development are also in progress, with overall construction works scheduled to be completed in the first quarter of 2013. Presale of the residential units is anticipated to be launched shortly in the second quarter of 2012. Development works for the other stages are planned to be carried out progressively.



Regal (Chongqing) Equity Investment Fund

P&R Holdings have subscribed, through two of its wholly owned subsidiaries, a total amount of approximately RMB250 million in a cross-border Renminbi fund, named as Regal (Chongqing) Equity Investment Fund, in December 2011. The fund was established as a limited partnership and its investment objective is principally to support the businesses undertaken by P&R Holdings in China. A wholly owned subsidiary of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of PHL, acts as the general partner of the fund and holds a very minor interest in the partnership.

Other Joint Venture – Hang Fok Properties Limited

The joint development project in the Central Business District in Beijing, the People's Republic of China ("PRC") is held through Hang Fok Properties Limited ("Hang Fok"), an associate that is 50% owned by each of the Group and the PHL group. As previously reported, Hang Fok has been exercising strenuous efforts to set aside the earlier adverse arbitral award to rescind the previous agreements for the purchase by Hang Fok from the third party vendor of 36% interests in the PRC joint venture entities that hold the subject development site. Such efforts have unfortunately not been successful and the beneficial interests of Hang Fok in the PRC joint venture entities have effectively been reduced from 59% to 23%. Appropriate provision had already been made by Hang Fok in the financial year ended 31st December, 2010 and the interest held by the Group in this development project is now carried in the consolidated financial statements of the Group at an insignificant amount. Nevertheless, the Group's management will persist in striving to protect the Group's interest in the project and to salvage potential value. Shareholders will be kept informed if any substantive progress in this respect can be achieved.

FINANCIAL 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 appropriate.

Cash Flow

During the year under review, there were net cash flows generated from operating activities of HK\$489.0 million (2010 – net cash outflow of HK\$104.8 million). Net interest paid for the year amounted to HK\$170.1 million (2010 – HK\$85.2 million).

Borrowings

As at 31st December, 2011, the Group's borrowings net of cash and bank balances and deposits amounted to HK\$4,132.2 million (2010 – HK\$3,334.3 million).

As at 31st December, 2011, part of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss, available-for-sale investments and held-to-maturity investments in the amount of HK\$404.0 million (2010 – 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, held-to-maturity investments, bank deposits and bank balances in the total amount of HK\$15,219.6 million (2010 – HK\$15,670.5 million) were also pledged to secure other banking facilities granted to the Group.

The Group had loan facilities aggregating to HK\$5,519.0 million as at 31st December, 2011 (2010 – HK\$5,552.0 million), including a term loan of HK\$4,500.0 million granted to Regal REIT due to mature on 30th March, 2012, the refinancing arrangement of which has recently been concluded. Further information relating to the loan refinancing of Regal REIT is disclosed in the preceding Chairman's Statement and note 27 to the financial statements.

Details of the maturity profile of the borrowings, pledge of assets and the contingent liabilities of the Group are shown in notes 27, 36 and 37, respectively, to the financial statements.

Share Capital

During the year under review, the Company 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 of Hong Kong Limited (the "Stock Exchange"). All the 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.

All of the outstanding 20,000,000 and 14,100,000 share options granted to the eligible persons under "The Regal Hotels International Holdings Limited Share Option Scheme" of the Company (the "Share Option Scheme") on 12th May, 2005 and 25th July, 2005, which entitled the holders thereof to subscribe for 20,000,000 and 14,100,000 new ordinary shares at the adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment), lapsed upon the expiry of the exercise periods of the share options on 11th May, 2011 and 24th July, 2011, respectively. Details of the movements in share options granted by the Company during the year are disclosed in note 30 to the financial statements.

ASSETS VALUE

The Group's hotel properties, which are owned by Regal REIT, were stated in these financial statements at their fair values as at 23rd July, 2010 when Regal REIT became a subsidiary of the Group, plus subsequent capital additions and less accumulated depreciation. The market valuations of these hotel properties have since appreciated substantially but have not been reflected in the Group's financial statements. For the purpose of providing supplementary information, if the Group's hotel property portfolio is restated in its consolidated financial statements at its market value as at 31st December, 2011, the unaudited adjusted net asset value of the ordinary shares of the Company would increase to HK\$14.80 per share, as follows:

	As at 31st December, 2011	
	HK\$'million	HK\$ per ordinary share
Book net assets after non-controlling interests	11,542.8	11.53
Adjustment to restate the Group's hotel property portfolio at its market value and add back the relevant deferred tax liabilities	3,280.2	3.27
Unaudited adjusted net assets after non-controlling interests	14,823.0	14.80

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR JOINTLY CONTROLLED ENTITIES

Establishment of Joint Venture – P&R Holdings

As previously reported, on 17th March, 2011, a conditional shareholders' agreement was entered into between Capital Merit Investments Limited ("Capital Merit"), a wholly-owned subsidiary of PHL and Regal Hotels Investments Limited ("Regal Investments"), a wholly-owned subsidiary of the Company, in connection with the establishment of a joint venture company (the "JV Co.") (the "Shareholders' Agreement").

As contemplated under the Shareholders' Agreement, the JV Co. is to be owned by Capital Merit and Regal Investments on a 50:50 basis and treated as a jointly controlled entity of each of PHL and the Company. The scope of business of the JV Co. and its subsidiaries (together, the "JV Group") principally includes the development of real estate projects for sale and/or leasing and the doing of such acts, matters and things as may be necessary for or ancillary or incidental to the principal business of the JV Group as aforesaid, and the undertaking of related investment and financing activities. The maximum total capital commitment to the JV Co. is HK\$3,800 million, which will be contributed by Capital Merit and Regal Investments in a maximum capital commitment of HK\$1,900 million each and on a pro-rata basis in accordance with their respective shareholdings in the JV Co.. The funding requirement by the JV Co. will be in stages and will be contributed in such amount and in such manner as determined by the board of directors of the JV Co.. The maximum capital commitment of the Group to the JV Co. in the amount of HK\$1,900 million is expected to be funded by the Group from its internal resources.

As the maximum capital commitment of each of the PHL group and the Group to the JV Co. was more than 25% but less than 100% of the applicable percentage ratios, the transaction contemplated under the Shareholders' Agreement (the "Transaction") constituted a major transaction for each of CCIHL, of which PHL is the listed subsidiary, PHL and the Company and was subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). As no shareholder of either CCIHL or PHL was required to abstain from voting, each of CCIHL and PHL obtained a written approval from a closely allied group of their respective shareholders who together hold a majority shareholding interests, in lieu of a general meeting, for the Transaction.

Further, as PHL and Capital Merit are connected persons of the Company, the Transaction also constituted a connected transaction for the Company under Chapter 14A of the Listing Rules and was subject to the approval of the independent shareholders by way of poll at a special general meeting of the Company (the "SGM"). At the SGM held on 28th April, 2011, the Transaction was approved by the independent shareholders of the Company. Flourish Lead Investments Limited, which has been renamed as P&R Holdings Limited since 6th March, 2012, was then established as the JV Co. following the Shareholders' Agreement became unconditional on 28th April, 2011.

Relevant details of the transactions under the Shareholders' Agreement were disclosed in the joint announcement dated 17th March, 2011 and the circular dated 8th April, 2011 (the "Circular") of the Company.

Subsequent to its establishment and as was already indicated in the Circular, P&R Holdings acquired from the PHL group certain property development projects in Hong Kong as the JV Group's starting projects. According to the terms of the Shareholders' Agreement, the acquisitions of these property development projects by P&R Holdings from the PHL group were supported by independent market valuations and approved by the board of P&R Holdings with the directors nominated by Capital Merit abstaining from voting. These property development projects, which comprise the two development sites located at (i) Nos.132-140 Bonham Strand, Sheung Wan, Hong Kong and (ii) Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan, Hong Kong (collectively, the "Sheung Wan Properties"), were acquired by P&R Holdings through the transfer of 100% interests in two wholly owned subsidiaries of the PHL group to P&R Holdings pursuant to two respective sale and purchase agreements both dated and completed on 6th May, 2011. The considerations were based on the market valuations of the Sheung Wan Properties as stated in the relevant valuation report issued by an independent valuer appointed by P&R Holdings, being HK\$455 million and HK\$297 million, respectively, and subject to adjustments for other assets and liabilities. The above transactions relating to the Sheung Wan Properties did not constitute notifiable transactions nor connected transactions for each of CCIHL, PHL or the Company under the Listing Rules.

Further information relating to these property development projects is mentioned in the section above headed "Business Review" of this MD&A.

Transfer of Interests in a Jointly Controlled Entity to P&R Holdings

As also previously reported, on 30th June, 2011, a sale and purchase agreement was entered into between Faith Crown Holdings Limited ("Faith Crown"), a jointly controlled entity owned as to 50% each by the Company and Cosmopolitan, as the vendor and P&R Holdings as the purchaser in relation to the transfer of 70% effective interests in the project for the development of a property complex at Xindu District, Chengdu, Sichuan Province, PRC (the "Chengdu Project"), held through certain wholly owned subsidiaries of Faith Crown, to P&R Holdings, by way of the transfer of 70% interests in each of two relevant wholly owned subsidiaries of Faith Crown (the "Relevant Subsidiaries", and together with their respective wholly owned subsidiaries, the "Subject Group") to P&R Holdings (the "Chengdu Transaction") (the "S&P Agreement").

The consideration (comprising the considerations for the shares of the Relevant Subsidiaries and the loans to the Subject Group (the "Shareholder's Loans")) for the Chengdu Transaction (the "Consideration") was approximately HK\$1,048 million, representing the aggregate amount of (i) HK\$1,000 million (being 70% of the agreed value of the Chengdu Project, which was determined based on the appraised value of the Chengdu Project of RMB1,350 million as stated in a valuation report from an independent professional valuer jointly appointed by Faith Crown and P&R Holdings (the "Appraised Value") and after applying a discount of approximately 12% on the Appraised Value) and (ii) 70% of the combined consolidated net asset value of the Subject Group (excluding the Chengdu Project and the Shareholder's Loans) as at 31st May, 2011, and subject to adjustments.

The Consideration was adjusted on a dollar-for-dollar basis based on the combined consolidated net asset value of the Subject Group (excluding the Chengdu Project and the Shareholder's Loans) as at 30th June, 2011. The Consideration is payable in cash and by instalments pursuant to the terms of the S&P Agreement. The last instalment will be paid within three years from the date of completion of the Chengdu Transaction, and the payment of the last instalment may be extended to four years if the period to exercise the Put Option (as referred to below) is extended by the Grantee (as also referred to below).

The S&P Agreement was unconditional and the completion of the S&P Agreement took place 14th July, 2011.

On completion of the S&P Agreement, a put option deed was executed by Faith Crown as the Grantor and one of the Relevant Subsidiaries as the Grantee in relation to the grant of an option (the "Put Option"), exercisable during the period of three years from the date of completion of the S&P Agreement (extendable to four years by the Grantee under certain circumstances), to sell (or procure the sale of) the hotel and commercial podium in the Chengdu Project being constructed to Faith Crown (or the purchaser to be procured by Faith Crown).

The Chengdu Transaction and the grant and possible exercise of the Put Option did not constitute notifiable transactions nor connected transactions for each of CCIHL, PHL or the Company under the Listing Rules. Relevant details of the transactions under the S&P Agreement were disclosed in the voluntary joint announcement of the Company dated 30th June, 2011.

Further information relating to the Chengdu Project is mentioned in the preceding Chairman's Statement and the section above headed "Business Review" of this MD&A.

Saved as disclosed herein, during the year under review, there were no other material acquisitions or disposals of subsidiaries, associates or jointly controlled entities of the Company.

STAFF AND REMUNERATION POLICY

The Group employs approximately 1,930 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 the Share Option Scheme, under which share options had been granted to selected eligible persons.

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiaries are hotel ownership through Regal Real Estate Investment Trust ("Regal REIT"), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including through the joint venture in P&R Holdings Limited ("P&R Holdings") and the interest in the retained houses in Regalia Bay in Stanley, and other investment businesses.

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, 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 59 to 152.

DIVIDENDS

An interim dividend of HK3.0 cents (2010 – HK2.5 cents) per ordinary share, absorbing an amount of approximately HK\$30.0 million (2010 – HK\$25.1 million), was paid to holders of ordinary shares during the year.

The Directors now recommend the payment of a final dividend of HK9.0 cents (2010 – HK8.5 cents) per ordinary share for the year ended 31st December, 2011, absorbing an amount of approximately HK\$90.1 million (2010 – HK\$85.1 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 8th June, 2012. This recommendation has been incorporated in the financial statements.

ANNUAL GENERAL MEETING

The 2012 Annual General Meeting of the Company will be convened to be held on Wednesday, 30th May, 2012. 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 2011 Annual Report.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders of the Company will be closed during the following periods, within which no transfers of shares will be effected:

- (i) from Monday, 28th May, 2012 to Wednesday, 30th May, 2012, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2012 Annual General Meeting. In order to be entitled to attend and vote at the 2012 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 (the "Branch Registrar"), no later than 4:30 p.m. on Friday, 25th May, 2012; and
- (ii) from Wednesday, 6th June, 2012 to Friday, 8th June, 2012, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Branch Registrar no later than 4:30 p.m. on Tuesday, 5th June, 2012.

The relevant dividend warrants for the aforesaid final dividend are expected to be despatched on or about 22nd June, 2012.

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, there have been no changes in the Directors of the Company.

In accordance with Bye-law 109(A) of the Bye-laws of the Company, Dr. Francis CHOI Chee Ming, the Vice Chairman and a Non-Executive Director, Ms. Belinda YEUNG Bik Yiu, an Executive Director and the Chief Operating Officer, and Mr. Donald FAN Tung and Mr. Jimmy LO Chun To, both Executive Directors, will retire from office by rotation at the 2012 Annual General Meeting.

All the above retiring Directors, being eligible, have offered themselves for re-election at the 2012 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 had 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. All of the options that were granted under the Share Option Scheme had lapsed on expiry of their respective exercise periods during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2011, 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:

The Company/ Name of Associated Corporation	Name of Director	Class of shares held	Personal interests	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2011)
				Corporate interests	Family/Other interests		
1. The Company	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	494,835,261 (Note a)	260,700	495,120,161 (49.44%)	
	Dr. Francis Choi Chee Ming	Ordinary (issued)	50,240,000	–	–	50,240,000 (5.02%)	
	Miss Lo Po Man	Ordinary (issued)	300,000	–	269,169 (Note b)	569,169 (0.06%)	
	Mr. Allen Wan Tze Wai	Ordinary (issued)	10,200	–	–	10,200 (0.00%)	

Report of the Directors (Cont'd)

	The Company/ Name of Associated Corporation	Name of Director	Class of shares held	Personal interests	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2011)
					Corporate interests	Family/Other interests		
2.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	1,000 (Note c)	-	1,000 (100%)	
3.	Regal REIT	Mr. Lo Yuk Sui	Units (issued)	-	2,433,549,739 (Note d)	-	2,433,549,739 (74.71%)	

Notes:

- (a) 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 56.63% 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 60.30% shareholding interests.
- (b) The interests in 269,169 issued ordinary shares of the Company were held by Miss Lo Po Man as the beneficiary of a trust.
- (c) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 56.63% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.
- (d) The interests in 2,428,262,739 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 60.30% shareholding interests, held 49.37% shareholding interests in the Company. Mr. Lo held 56.63% shareholding interests in CCIHL.

Save as disclosed herein, as at 31st December, 2011, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Save as disclosed in note 30 to the financial statements, during the year, no right has been granted to, or exercised by, the following persons to subscribe for shares in or debentures of the Company under the Share Option Scheme, and no option granted to such persons under the Share Option Scheme has been cancelled and lapsed:

- (i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) any participant under the Share Option Scheme with options granted in excess of the individual limit;
- (iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;
- (iv) any supplier of goods or services; and
- (v) any other participants under the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2011, 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, 2011
CCIHL (Note i)	494,835,261	–	494,835,261	49.41%
Century City BVI Holdings Limited (Note ii)	494,835,261	–	494,835,261	49.41%
Almighty International Limited (Note ii)	494,413,861	–	494,413,861	49.37%
PHL (Note iii)	494,413,861	–	494,413,861	49.37%
Paliburg Development BVI Holdings Limited (Note iv)	494,413,861	–	494,413,861	49.37%
Guo Yui Investments Limited (Note iv)	180,930,466	–	180,930,466	18.07%
Paliburg BVI Holdings Limited (Note iv)	262,943,209	–	262,943,209	26.26%
Taylor Investments Ltd. (Note iv)	154,232,305	–	154,232,305	15.40%
Glaser Holdings Limited (Note iv)	58,682,832	–	58,682,832	5.86%

Notes:

- (i) The interests in the ordinary shares of the Company 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 60.30% 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, 2011, 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 Company 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) Mr. Lo Yuk Sui, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man and Mr. 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, 2011 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	Details of changes
<i>Executive Directors:</i>	
Mr. Lo Yuk Sui	<ul style="list-style-type: none"> Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$307,500 commencing from January 2012. (Notes)
Ms. Belinda Yeung Bik Yiu	<ul style="list-style-type: none"> Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$163,000 commencing from January 2012. (Notes)
Mr. Donald Fan Tung	<ul style="list-style-type: none"> Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$62,400 commencing from January 2012. (Notes) Resigned as a non-executive director of KH Investment Holdings Limited ("KH Investment"), a company listed on the Growth Enterprise Market of the Stock Exchange, with effect from 5th March, 2012.
Mr. Jimmy Lo Chun To	<ul style="list-style-type: none"> Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$29,250 commencing from January 2012. (Notes)
Miss Lo Po Man	<ul style="list-style-type: none"> Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$99,450 commencing from January 2012. (Notes)
Mr. Kenneth Ng Kwai Kai	<ul style="list-style-type: none"> Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$104,000 commencing from January 2012. (Notes) Resigned as an executive director of KH Investment with effect from 5th March, 2012.
Mr. Allen Wan Tze Wai	<ul style="list-style-type: none"> Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$66,950 commencing from January 2012. (Notes)
<i>Independent Non-Executive Director:</i>	
Ms. Alice Kan Lai Kuen	<ul style="list-style-type: none"> being an independent director of AVIC International Investments Limited, which became listed on Singapore Exchange Securities Trading Limited on 12th September, 2011.

Notes:

- (i) Each Executive Director is also entitled to performance based discretionary bonus 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, 2011 are disclosed in note 8 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 RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Rule 13.22 of Chapter 13 of the Listing Rules relating to the information required to be disclosed under Rule 13.16:

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 by the Group as at 31st December, 2011 are set out below:

Name of Affiliated Companies		Principal Amount of Advances (HK\$'million)	Interest Receivable (HK\$'million)	Guarantee given for Banking Facilities	
				(i) Principal Amount of Banking Facilities (HK\$'million)	(ii) Amount of Banking Facilities Drawdown (HK\$'million)
8D International (BVI) Limited	(A)	0.3	–	Nil	Nil
8D Matrix Limited	(B)	2.5	–	Nil	Nil
Bright Future (HK) Limited	(C)	5.6	–	Nil	Nil
Faith Crown Holdings Limited	(D)	95.9	–	Nil	Nil
Hang Fok Properties Limited	(E)	275.2	–	Nil	Nil
P&R Holdings	(F)	970.0	–	(G)(i) 170.0	(G)(ii) 90.0
				Total: (A) to (G)(i)	1,519.5
				(A) to (F) & (G)(ii)	1,439.5

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, which is involved in advertising and promotion 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). 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"), a 50% owned jointly controlled entity of the Company, presently holds 30% effective interests in a site in Xindu District, Chengdu, PRC, which was previously acquired at a public land auction, (the "Chengdu Project"), following the completion of an unconditional sale and purchase agreement dated 30th June, 2011 in respect of the transfer of 70% effective interests in the Chengdu Project to P&R Holdings on 14th July, 2011. The remaining 50% shareholding interest in Faith Crown is indirectly held by Cosmopolitan International Holdings Limited ("Cosmopolitan"), 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, 2.83% shareholding interests in Cosmopolitan and certain convertible bonds issued by the Cosmopolitan group. The Chengdu Project is primarily planned for a hotel, residential and commercial composite development project. Further information relating to the Chengdu Project is disclosed in the preceding Chairman's Statement and Management Discussion and Analysis ("MD&A"). The advances to Faith Crown are 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 certain shareholding interests in two investee companies (the "Investee Companies"), which were established as Sino-foreign cooperative joint ventures in the PRC and principally engaged in the development project of a property complex at Chao Yang Men Wai Da Jie in the Central Business District of Beijing, PRC. The remaining 50% shareholding interest in Hang Fok is indirectly held by PHL. 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 investment in Hang Fok is disclosed in the section headed "Business Review" in the preceding MD&A.



P&R Holdings (formerly known as Flourish Lead Investments Limited), a 50% owned jointly controlled entity of the Company, principally engages in the development of real estate projects for sale and/or leasing. The remaining 50% shareholding interest in P&R Holdings is indirectly held by PHL, of which the Company is the listed associate. Since its establishment as a jointly controlled entity of PHL and the Company in April 2011, P&R Holdings has acquired interests in a number of property development projects in Hong Kong and Mainland China (including the Chengdu Project). Information relating to the investment of P&R Holdings in such property development projects are disclosed in the section headed "Business Review" in the preceding MD&A. The maximum total capital commitment to P&R Holdings is HK\$3,800 million, which is to be contributed on a pro-rata basis in accordance with the respective shareholdings of the Company and PHL in P&R Holdings, and the maximum capital commitment for each of the Company and PHL is HK\$1,900 million. The advances to P&R Holdings were provided by a wholly owned subsidiary of the Company in the form of shareholders' loan in proportion to its shareholding interest in P&R Holdings. The advances to P&R Holdings are unsecured, interest-free and have no fixed term of repayment. The guarantee was provided by the Company on a several basis in proportion to its shareholding interests in P&R Holdings and was given in respect of the bank loan facilities of HK\$340.0 million made available to a wholly owned subsidiary of P&R Holdings for the purposes of re-financing part of the consideration for the acquisition of the development site at Nos. 132-140 Bonham Strand, Sheung Wan, Hong Kong (the "Sheung Wan site") and financing the estimated construction costs required for the hotel development at the Sheung Wan site.

Calculated on the basis shown above, as at 31st December, 2011, the aggregate amount of financial assistance provided to and bank guarantees given for affiliated companies by the Group in the respective sums of (a) HK\$1,519.5 million (based on the total available amount of the banking facilities) and (b) HK\$1,439.5 million (based on the total amount of banking facilities drawdown) represented (a) 7.7% and (b) 7.2% of the consolidated total assets of the Group of HK\$19,860.8 million, calculated by reference to its latest audited consolidated financial statements for the year ended 31st December, 2011.

Save as disclosed above, there were no other financial assistance provided to or guarantees given for affiliated companies by the Group as at 31st December, 2011, 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	4,762.6	2,381.1
Current assets	286.3	141.2
Current liabilities	(271.6)	(135.3)
Non-current liabilities	(3,692.0)	(1,844.2)
	<hr/>	<hr/>
	1,085.3	542.8
Non-controlling interests	(371.8)	(185.9)
	<hr/>	<hr/>
Net assets after non-controlling interests	<u>713.5</u>	<u>356.9</u>

CONNECTED TRANSACTIONS

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

On 27th April, 2011, 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 CB(s)") (the "Issuer") and CIHL as the guarantor of the Issuer, in relation to the further extension of the maturity date of the Subject CB (as referred to below) to 14th February, 2013 and the conversion period of the Subject CB for one year to 31st January, 2013 (the "Extension") subject to the terms and conditions as set out therein (the "Extension Agreement"). Apart from further extension of the maturity date of the Subject CB and the redemption premium calculated based on a fixed yield to maturity of the Subject CB, all the original terms of the 2010 CBs (as varied by a deed of variation dated 26th April, 2010 for the extension of the maturity date of the Subject CB to 16th May, 2011), which were applicable to the Subject CB, remained unchanged.

Valuegood subscribed for the 2010 CB with a principal amount of HK\$102.5 million in 2007 and further acquired additional 2010 CB with a principal amount of HK\$38.95 million from a subscriber of the 2010 CB in 2008 (together, the "Subject CB"). As at the date of the Extension Agreement, a total number of 3,536,250,000 new shares of HK\$0.0002 each of CIHL ("CIHL Shares") would fall to be issued on conversion of the Subject CB at the then prevailing conversion price of HK\$0.04 per CIHL Share, representing approximately 30.0% of the then issued share capital of CIHL and approximately 23.1% of the issued share capital of CIHL as enlarged by such conversion.

The conversion of the Subject CB might result in regulatory compliance requirements (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 CB such that any such mandatory offer obligation would be triggered. The Extension would allow further time for the Group to determine its overall planning with regard to its strategic investments in the CIHL and its subsidiaries (the "CIHL Group").

Pursuant to the Extension Agreement, the Extension was conditional on (i) CIHL obtaining approval and/or ratification of the Extension Agreement by its independent shareholders; and (ii) the Stock Exchange's approval in respect of the Extension and, if necessary, the Stock Exchange's granting the listing of and permission to deal in the CIHL Shares falling to be issued pursuant to the exercise of the conversion rights attached to the Subject CB (as varied by the Extension). If the conditions were not fulfilled on or before 11th June, 2011 (being 45 days after the Extension Agreement) or such later date as may be agreed by the parties, the Extension Agreement would lapse and terminate.

If the Extension had not become unconditional by the long-stop date of the Extension Agreement, all the Subject CB would have to be redeemed in accordance with its terms by the Issuer at 121.84% of the outstanding principal amount of the Subject CB, requiring the CIHL Group to pay Valuegood, as holder of the Subject CB, redemption monies of approximately HK\$172.34 million. Valuegood had agreed that the Issuer might suspend the payment of such redemption monies pending the satisfaction of the conditions precedent of the Extension Agreement or until the lapse of the Extension Agreement in accordance with its terms (as the case may be).

As at the date of the Extension Agreement, the Group held approximately 2.8% of the issued share capital of CIHL. PHL held approximately 49.4% of the issued share capital of the Company and approximately 17.1% 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 connected transaction for the Company subject to the reporting and announcement requirements under the Listing Rules but exempt from independent shareholders' approval.



The Extension was approved by the independent shareholders of CIHL at the extraordinary general meeting of CIHL held on 9th June, 2011, and all other conditions of the Extension Agreement were fulfilled before 11th June, 2011.

Details of the Extension were disclosed in the announcement of the Company dated 27th April, 2011. Further details relating to the Subject CB so extended are disclosed in note 19 to the financial statements.

Establishment of Joint Venture – P&R Holdings

As disclosed under the section headed "Material Acquisitions or Disposals of Subsidiaries or Associates" in the preceding MD&A, on 17th March, 2011, a conditional shareholders' agreement was entered into between Capital Merit Investments Limited ("Capital Merit"), a wholly-owned subsidiary of PHL (the controlling shareholder of the Company holding approximately 49.4% of the issued share capital of the Company), and Regal Hotels Investments Limited ("Regal Investments"), a wholly-owned subsidiary of the Company, in connection with the establishment of a joint venture company (the "JV Co.") (the "Shareholders' Agreement").

As contemplated under the Shareholders' Agreement, the JV Co. is to be owned by Capital Merit and Regal Investments on a 50:50 basis and treated as a jointly controlled entity of each of PHL and the Company. The scope of business of the JV Co. and its subsidiaries (together, the "JV Group") principally includes the development of real estate projects for sale and/or leasing and the doing of such acts, matters and things as may be necessary for or ancillary or incidental to the principal business of the JV Group as aforesaid, and the undertaking of related investment and financing activities. The maximum total capital commitment to JV Co. is HK\$3,800 million, which will be contributed by each of Capital Merit and Regal Investments in a maximum capital commitment of HK\$1,900 million each and on a pro-rata basis in accordance with their respective shareholding in JV Co..

As PHL and Capital Merit are connected persons of the Company, the transaction contemplated under the Shareholders' Agreement (the "Transaction") constituted a connected transaction for the Company under Chapter 14A of the Listing Rules and was subject to the approval of the independent shareholders by way of poll at a special general meeting of the Company (the "SGM"). At the SGM held on 28th April, 2011, the Transaction was approved by the independent shareholders of the Company. As the maximum capital commitment of the PHL group to JV Co. was more than 25% but less than 100% of the applicable percentage ratios, the Transaction constituted a major transaction for each of CCIHL, the ultimate listed holding company of PHL, and PHL and was subject to reporting, announcement and shareholders' approval requirements under Rule 14.33 of the Listing Rules. As no shareholder of CCIHL was required to abstain from voting, CCIHL had obtained a written approval (in lieu of a general meeting) for the Transaction from Mr. Lo Yuk Sui, the Chairman and controlling shareholder of CCIHL, and his associates, who together then held approximately 56.4% of the issued share capital of CCIHL as at the date of the Shareholders' Agreement. As no shareholder of PHL was required to abstain from voting, PHL had obtained a written approval (in lieu of a general meeting) for the Transaction from certain wholly-owned subsidiaries of CCIHL, which together then held approximately 60% of the issued share capital of PHL as at the date of the Shareholders' Agreement. P&R Holdings was then established as the JV Co. following the Shareholders' Agreement became unconditional on 28th April, 2011.

Relevant details of the transactions under the Shareholders' Agreement were disclosed in the joint announcement dated 17th March, 2011 and the circular dated 8th April, 2011 of the Company. Further information relating to the latest development of P&R Holdings are disclosed in the preceding Chairman's Statement and MD&A.

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

During the year ended 31st December, 2011, the Company 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. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2011	566,000	3.180	3.150	1,788,480
		Total expenses on shares repurchased		6,782
			Total	1,795,262

All the repurchased ordinary shares were cancelled during the year. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

The details of movements in investment properties during the year are set out in note 15 to the financial statements.

BORROWINGS

The details of the Group's borrowings at the end of the reporting period are set out in note 27 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 30 to the financial statements.

SHARE PREMIUM ACCOUNT

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

SHARE OPTION RESERVE

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

HEDGE RESERVE

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

CAPITAL RESERVE

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

AVAILABLE-FOR-SALE INVESTMENT REVALUATION RESERVE

The details of movements in the available-for-sale investment 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 33 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 16 and 17 to the financial statements, respectively.

CHARITABLE CONTRIBUTION

During the year, the Group made charitable contributions totalling HK\$0.2 million.

RESERVES

The details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity of the financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31st December, 2011, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$6,154.4 million, of which HK\$90.1 million has been proposed as final dividend for the year.

In addition, the Company's share premium account, in the amount of HK\$852.4 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

20th March, 2012

Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31st December, 2011.

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.

(I) CORPORATE GOVERNANCE PRACTICES

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, 2011, except that:

- (1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals due to practical necessity to cater to the Group's corporate operating structure.
- (2) The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Bye-laws of the Company, all Directors (including the Non-Executive Director and Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

(II) BOARD OF DIRECTORS

The Board 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, 2011, 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 year 2011, the attendance rates of individual Board members of the Company were as follows:

Name of Directors	Attendance
<i>Executive Directors</i>	
Mr. Lo Yuk Sui (<i>Chairman and Chief Executive Officer</i>)	6/6
Ms. Belinda Yeung Bik Yiu (<i>Chief Operating Officer</i>)	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	6/6
<i>Non-Executive Director</i>	
Dr. Francis Choi Chee Ming, GBS, JP (<i>Vice Chairman</i>)	6/6
<i>Independent Non-Executive Directors</i>	
Ms. Alice Kan Lai Kuen	5/6
Mr. Ng Siu Chan	6/6
Mr. Wong Chi Keung	6/6

(III) BOARD COMMITTEES

There are two board committees, namely the Audit Committee and the Remuneration Committee, established by the Board for overseeing certain functions delegated by the Board.

(a) Audit Committee

The Audit Committee was 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 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 year 2011, 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 (<i>Chairman of the Committee</i>)	2/2
Dr. Francis Choi Chee Ming, GBS, JP	2/2
Ms. Alice Kan Lai Kuen	2/2
Mr. Ng Siu Chan	2/2

The existing terms of reference of the Audit Committee will be revised to comply with relevant amendments to the CG Code which will take effect on 1st April, 2012. The revised terms of reference of the Audit Committee will be published on the websites of the Company and the Stock Exchange before end of March 2012.

(b) Remuneration Committee

The Remuneration Committee was established 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 review the remuneration of individual Directors and senior management and to make recommendations to the Board on the policy and structure for the determination of the remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy of the Company on such matters.

During the year and as at the date of this report, the Remuneration Committee comprised 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 acted as the Secretary of the Committee.

In year 2011, 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 (<i>Chairman of the Committee</i>)	1/1
Ms. Alice Kan Lai Kuen	1/1
Mr. Ng Siu Chan	1/1
Mr. Wong Chi Keung	1/1

The existing terms of reference of the Remuneration Committee will be revised to comply with the relevant amendments to the CG Code which will take effect on 1st April, 2012, and the composition of the Remuneration Committee, in particular that the chairman of the Remuneration Committee shall be an Independent Non-Executive Director of the Company, will be changed to accord with the revised terms of reference. The revised terms of reference of the Remuneration Committee will be published on the websites of the Company and the Stock Exchange before end of March 2012.

(c) Nomination of Directors

During the year, the Company did not have a nomination committee, and the Board was responsible for the procedure of selecting and appointing Directors of the Company.

In compliance with the relevant amendments to the CG Code which will take effect on 1st April, 2012, a nomination committee (the "Nomination Committee") will be established with specific terms of reference by the Board for the purpose of making recommendations to the Board in relation to the nomination and appointment of Directors, with a view to ensuring fairness and transparency in the nomination and selection procedures. The terms of reference of the Nomination Committee adopted by the Board will be published on the websites of the Company and the Stock Exchange before end of March 2012.

(IV) 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 ensuring that appropriate accounting policies are selected and applied consistently and that the financial statements are prepared in accordance with the relevant statutory requirements and applicable accounting standards. The Directors will also ensure that 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.

(V) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Code for Securities Transactions by Directors of Regal Hotels International Holdings Limited" (the "Regal Code"), on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (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 Model Code and the Regal Code during the year ended 31st December, 2011.

(VI) INTERNAL CONTROL

The Board has conducted a review of the effectiveness of the system of internal controls of the Group during the year, 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 Executive 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 the delegated Executive 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 Executive 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.

(VII) AUDITORS' REMUNERATION

Messrs. Ernst & Young have been re-appointed as the external auditors of the Company at the 2011 Annual General Meeting until the conclusion of the forthcoming 2012 Annual General Meeting.

The remuneration to Messrs. Ernst & Young, the auditors of the Company, in respect of the audit and non-audit services rendered for the year ended 31st December, 2011 were HK\$4.8 million (2010 - HK\$3.6 million) and HK\$1.1 million (2010 - HK\$0.9 million), respectively. The significant non-audit services covered by these fees are as follows:

Nature of services	Fees paid (HK\$'million)
(1) Interim review of the financial statements of the Group and the Regal REIT group, respectively, for the six months ended 30th June, 2011	0.8
(2) Compliance and other services to the Group	0.3

Consolidated Income Statement

For the year ended 31st December, 2011

	Notes	2011 HK\$'million	2010 HK\$'million
REVENUE	5	2,037.2	1,502.7
Cost of sales		(1,169.5)	(1,245.9)
Gross profit		867.7	256.8
Other income and gains	5	81.7	27.0
Administrative expenses		(167.0)	(171.7)
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		(822.8)	540.5
Fair value gains on investment properties	15	67.8	181.7
Fair value gain on remeasurement of investment in a listed associate	32	–	4,134.8
Gain on bargain purchase of a listed subsidiary	32	–	2,502.6
OPERATING PROFIT BEFORE DEPRECIATION		27.4	7,471.7
Depreciation		(365.5)	(159.4)
OPERATING PROFIT/(LOSS)		(338.1)	7,312.3
Finance costs	7	(190.5)	(86.4)
Share of profits and losses of:			
Jointly controlled entities		623.4	(1.8)
Associates		52.2	(159.3)
PROFIT BEFORE TAX	6	147.0	7,064.8
Income tax expense	10	(16.3)	(74.0)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		130.7	6,990.8
Attributable to:			
Equity holders of the parent	11	107.9	6,928.8
Non-controlling interests		22.8	62.0
		130.7	6,990.8
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted		HK\$0.11	HK\$6.88

Details of the dividends paid and proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2011

	2011 HK\$'million	2010 HK\$'million
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	130.7	6,990.8
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Changes in fair value	(1.8)	–
Cash flow hedges:		
Changes in fair value of cash flow hedges	(21.4)	(17.4)
Transfer from hedge reserve to income statement	128.1	62.7
	<u>106.7</u>	<u>45.3</u>
Exchange differences on translating foreign operations	3.7	3.6
Share of other comprehensive income/(loss) of associates/jointly controlled entities	(68.4)	34.1
Share of other comprehensive income of the listed associate	–	10.4
Other comprehensive income for the year	<u>40.2</u>	<u>93.4</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>170.9</u>	<u>7,084.2</u>
Attributable to:		
Equity holders of the parent	120.9	7,010.6
Non-controlling interests	50.0	73.6
	<u>170.9</u>	<u>7,084.2</u>

Consolidated Statement of Financial Position

As at 31st December, 2011

	Notes	2011 HK\$'million	2010 HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment	14	14,041.4	13,879.6
Investment properties	15	886.0	1,379.5
Investments in jointly controlled entities	16	1,689.6	182.5
Investments in associates	17	16.7	10.1
Available-for-sale investments	18	18.0	–
Financial assets at fair value through profit or loss	19	508.6	636.5
Other loan	20	17.6	13.3
Total non-current assets		17,177.9	16,101.5
CURRENT ASSETS			
Hotel inventories	21	26.0	22.9
Properties held for sale	22	914.3	806.7
Debtors, deposits and prepayments	23	208.8	323.8
Other loan	20	14.5	–
Held-to-maturity investments	24	45.1	–
Available-for-sale investments	18	7.7	–
Financial assets at fair value through profit or loss	19	240.5	774.7
Restricted cash	25	69.2	72.0
Pledged time deposits and bank balances		301.6	1,003.0
Time deposits		569.2	280.8
Cash and bank balances		286.0	405.8
Total current assets		2,682.9	3,689.7
CURRENT LIABILITIES			
Creditors and accruals	26	(372.8)	(345.6)
Interest bearing bank borrowings	27	(4,731.1)	(152.6)
Derivative financial instruments	28	(32.0)	–
Tax payable		(1.4)	(22.3)
Total current liabilities		(5,137.3)	(520.5)

Consolidated Statement of Financial Position (Cont'd)

As at 31st December, 2011

	Notes	2011 HK\$'million	2010 HK\$'million
NET CURRENT ASSETS/(LIABILITIES)		(2,454.4)	3,169.2
TOTAL ASSETS LESS CURRENT LIABILITIES		14,723.5	19,270.7
NON-CURRENT LIABILITIES			
Interest bearing bank borrowings	27	(627.1)	(4,943.3)
Derivative financial instruments	28	–	(142.4)
Deferred tax liabilities	29	(1,093.3)	(1,102.4)
Total non-current liabilities		(1,720.4)	(6,188.1)
Net assets		13,003.1	13,082.6
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	30	100.1	100.2
Reserves	31(a)	11,352.6	11,350.7
Proposed final dividend	12	90.1	85.1
		11,542.8	11,536.0
Non-controlling interests		1,460.3	1,546.6
Total equity		13,003.1	13,082.6

KENNETH NG KWAI KAI

Director

LO YUK SUI

Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2011

		Attributable to equity holders of the parent										Non-controlling interests	Total equity
		Issued capital	Share premium account	Share option reserve	Capital redemption reserve	Hedge reserve	Capital reserve	Exchange equalisation reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
		HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Notes	At 1st January, 2010	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:												
	Changes 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)
30	Repurchase and cancellation of ordinary shares	(0.9)	(25.1)	-	0.9	-	-	-	(0.9)	-	(26.0)	-	(26.0)
32	Acquisition of a listed subsidiary	-	-	-	-	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
12	Interim 2010 dividend	-	-	-	-	-	-	-	(25.1)	-	(25.1)	(71.3)	(96.4)
12	Proposed final 2010 dividend	-	-	-	-	-	-	-	(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

Consolidated Statement of Changes in Equity (Cont'd)

For the year ended 31st December, 2011

Notes	Attributable to equity holders of the parent											Total equity HK\$'m	
	Issued 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	Available-for-sale 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
At 1st January, 2011	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
Profit for the year	-	-	-	-	-	-	-	-	107.9	-	107.9	22.8	130.7
Other comprehensive income for the year:													
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	(1.8)	-	-	-	(1.8)	-	(1.8)
Changes in fair value of cash flow hedges	-	-	-	-	(16.0)	-	-	-	-	-	(16.0)	(5.4)	(21.4)
Transfer from hedge reserve to income statement	-	-	-	-	95.5	-	-	-	-	-	95.5	32.6	128.1
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	3.7	-	-	3.7	-	3.7
Share of comprehensive loss of associate/ jointly controlled entities	-	-	-	-	-	-	-	(68.4)	-	-	(68.4)	-	(68.4)
Total comprehensive income for the year	-	-	-	-	79.5	-	(1.8)	(64.7)	107.9	-	120.9	50.0	170.9
Final 2010 dividend declared	-	-	-	-	-	-	-	-	(85.1)	(85.1)	(85.1)	(86.2)	(171.3)
Repurchase and cancellation of ordinary shares	(0.1)	(1.7)	-	0.1	-	-	-	-	(0.1)	-	(1.8)	-	(1.8)
Acquisition of additional interest in a listed subsidiary	-	-	-	-	0.1	2.7	-	-	-	-	2.8	(2.8)	-
Share option lapsed	-	-	(45.6)	-	-	-	-	-	45.6	-	-	-	-
Interim 2011 dividend	-	-	-	-	-	-	-	-	(30.0)	-	(30.0)	(47.3)	(77.3)
Proposed final dividend	-	-	-	-	-	-	-	-	(90.1)	90.1	-	-	-
At 31st December, 2011	100.1	852.4	-	7.5	113.3	17.1	(1.8)	65.2	10,298.9	90.1	11,542.8	1,460.3	13,003.1

Consolidated Statement of Cash Flows

For the year ended 31st December, 2011

	Notes	2011 HK\$'million	2010 HK\$'million
Net cash flows from/(used in) operating activities	34(a)	489.0	(104.8)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure for investment properties		(1.7)	(21.4)
Purchases of items of property, plant and equipment		(98.1)	(63.4)
Proceeds from disposal of property, plant and equipment		–	0.8
Proceeds from disposal of investment properties		194.8	131.0
Purchases of financial assets at fair value through profit or loss		–	(0.5)
Purchases of available-for-sale investments		(27.5)	–
Purchases of held-to-maturity investments		(45.1)	–
Acquisition of a listed subsidiary	32	–	83.1
Acquisition of a subsidiary	33	6.3	–
Advances to jointly controlled entities		(1,013.9)	(2.8)
Repayment from jointly controlled entities		125.4	2.3
Advances to associates		(39.2)	(20.6)
Repayment from associates		20.7	87.8
Interest received		9.7	6.6
Dividends received from listed investments		3.5	3.1
Distributions received from a listed associate		–	203.8
Decrease in pledged bank deposits		701.4	0.6
Increase in restricted cash		(9.2)	(6.9)
Decrease in other loan		15.6	–
Net cash flows from/(used in) investing activities		(157.3)	403.5
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase and cancellation of ordinary shares	30	(1.8)	(26.0)
Drawdown of new bank loans		828.0	733.0
Repayments of bank loans		(576.5)	(581.5)
Interest paid		(179.8)	(91.8)
Dividends paid		(115.0)	(91.2)
Dividends paid to non-controlling shareholders		(133.5)	(71.3)
Acquisition of non-controlling interests		–	(90.1)
Decrease/(increase) in restricted cash		12.1	(6.1)
Net cash flows used in financing activities		(166.5)	(225.0)
Net increase in cash and cash equivalents		165.2	73.7
Cash and cash equivalents at beginning of year		686.6	609.7
Effect of foreign exchange rate changes, net		3.4	3.2
Cash and cash equivalents at end of year		855.2	686.6
Analysis of balances of cash and cash equivalents			
Cash and bank balances		286.0	405.8
Non-pledged time deposits with original maturity of less than three months when acquired		569.2	280.8
		855.2	686.6

Statement of Financial Position

As at 31st December, 2011

	Notes	2011 HK\$'million	2010 HK\$'million
NON-CURRENT ASSETS			
Investments in subsidiaries	33	7,117.6	7,242.8
Total non-current assets		7,117.6	7,242.8
CURRENT ASSETS			
Deposits and prepayments		0.2	0.3
Cash and bank balances		0.7	0.7
Total current assets		0.9	1.0
CURRENT LIABILITIES			
Creditors and accruals		(4.1)	(8.0)
Total current liabilities		(4.1)	(8.0)
NET CURRENT LIABILITIES			
		(3.2)	(7.0)
TOTAL ASSETS LESS CURRENT LIABILITIES			
Net assets		7,114.4	7,235.8
EQUITY			
Issued capital	30	100.1	100.2
Reserves	31(b)	6,924.2	7,050.5
Proposed final dividend	12	90.1	85.1
Total equity		7,114.4	7,235.8

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

Notes to Financial Statements

31st December, 2011

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 operations and management, hotel ownership through its listed subsidiary, Regal Real Estate Investment Trust ("Regal REIT"), asset management of Regal REIT, property development and investment, and other investments.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, available-for-sale investments, 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

The consolidated financial statements include the financial statements of the Group for the year ended 31st December, 2011. 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.

Total comprehensive income within a subsidiary is 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.



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 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19 <i>Improvements to HKFRSs 2010</i>	<i>Extinguishing Financial Liabilities with Equity Instruments</i> Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 35 to the consolidated financial statements.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKFRS 3 Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- *HKAS 1 Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.
- *HKAS 27 Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1st July, 2009 or earlier if HKAS 27 is applied earlier.



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 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> ³
HKFRS 9	<i>Financial Instruments</i> ⁵
HKFRS 10	<i>Consolidated Financial Statements</i> ³
HKFRS 11	<i>Joint Arrangements</i> ³
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ³
HKFRS 13	<i>Fair Value Measurement</i> ³
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> ²
HKAS 19 (2011)	<i>Employee Benefits</i> ³
HKAS 27 (2011)	<i>Separate Financial Statements</i> ³
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ³
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ⁴
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> ³

¹ Effective for annual periods beginning on or after 1st July, 2011

² Effective for annual periods beginning on or after 1st July, 2012

³ Effective for annual periods beginning on or after 1st January, 2013

⁴ Effective for annual periods beginning on or after 1st January, 2014

⁵ Effective for annual periods beginning on or after 1st January, 2015

The Group is in the process of making an assessment of the financial impacts on the application of the below issued but not yet effective HKFRSs.

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1st January, 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1st January, 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1st January, 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1st January, 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1st January, 2013.



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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

(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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

(e) Business combinations and goodwill

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 Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. 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 will be 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 will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

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 identifiable net 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.

(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 in those expense categories consistent with the function of the impaired asset.

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 depreciates them accordingly.

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 investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

(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, loans and receivables, available-for-sale financial investments and held-to-maturity investments, 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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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.

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net 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.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

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, in rare circumstances, 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. 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 as these instruments cannot be reclassified after initial recognition.

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.



Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments 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 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. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

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 investment 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, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other operating expenses. Interest and dividends earned whilst holding the available-for-sale financial investments 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 investments 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 investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, 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. 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 Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and 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 maturity amount 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 instruments 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 instruments 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; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

(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 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.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in 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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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 plus, in the case of loans and borrowings, directly attributable transaction costs.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling 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. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.



Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

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 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 instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a 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 interest rate swaps to hedge its interest rate risk. 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 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.

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:

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 in finance costs.

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) 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.

(q) 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.

(r) 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 or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (v) dividend income, when the shareholders' right to receive payment has been established;
- (vi) net gain or loss from the sale of investments in listed shares, on the transaction dates when the relevant contract notes are exchanged; and
- (vii) sale of food products, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the food products sold.

(s) 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 arising on settlement or translation of monetary items 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, jointly controlled entities 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.

(t) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, 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:

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

- when 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 joint ventures, 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 become 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.

(u) 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 leases, 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.

(v) 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.

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 benefit 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.

(w) Related parties

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

- (i) the party is a person or a close member of that person's family and that person
 - (1) has control or joint control over the Group;
 - (2) has significant influence over the Group;
 - (3) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (ii) the party is an entity where any of the following conditions applies:
 - (1) the entity and the Group are members of the same group;
 - (2) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (3) the entity and the Group are joint ventures of the same third party;
 - (4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (6) the entity is controlled or jointly controlled by a person identified in (i); and
 - (7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(x) 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.

(y) 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.

(z) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.



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 judgements, apart from those involving estimations, which have 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.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

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 a 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 described below.

Estimation of fair value of investment properties

The fair value of each investment property is individually determined at the end of each reporting period by an independent valuer based on a market value assessment, on an open market, existing use basis. The valuer has relied on the discounted cash flow analysis and the capitalisation of income approach as its primary methods, supported by the direct comparison method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cash flow profile. The discounted cash flow projections of each investment property are based on reliable estimates of expected future cash flows, supported by the terms of any existing leases and other contracts and (when possible) by external evidence, and using discount rates that reflect current market assessments of the uncertainty in the amounts and timing of the cash flows.

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 carryforward 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 assets 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, 2011 was HK\$542.4 million (2010 - HK\$471.2 million). Further details are contained in note 29 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.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. At 31st December, 2011, no impairment losses have been recognised for available-for-sale assets. The carrying amount of available-for-sale assets was HK\$25.7 million (2010 - Nil).



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 and sale of food products.

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

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

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

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

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31st December, 2011 and 2010:

Group

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Securities investment		Others		Eliminations		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Segment revenue:														
Sales to external customers	1,754.6	1,366.3	-	38.4	220.1	14.3	(8.7)	17.0	66.7	71.2	-	-	2,037.2	1,502.7
Intersegment sales	-	8.4	75.5	37.0	3.4	3.4	-	-	0.3	-	(78.9)	(49.1)	-	-
Total	1,754.6	1,374.7	75.5	75.4	223.5	17.7	(8.7)	17.0	67.0	71.2	(78.9)	(49.1)	2,037.2	1,502.7
Segment results before depreciation	811.6	6,776.3	(10.5)	28.2	82.9	142.8	(82.0)	556.0	(1.3)	0.4	-	-	52.4	7,502.0
Depreciation	(363.9)	(158.4)	(0.3)	(0.3)	(0.1)	(0.1)	-	-	(0.2)	(1.0)	-	-	(365.3)	(159.0)
Segment operating results	447.7	6,617.9	(10.8)	27.9	82.8	142.7	(82.0)	556.0	(1.5)	(0.6)	-	-	(312.9)	7,343.0
Interest income and unallocated non-operating and corporate gains													15.4	8.7
Unallocated non-operating and corporate expenses, net													(40.6)	(39.4)
Operating profit/(loss)													(338.1)	7,312.3
Finance costs													(190.5)	(86.4)
Share of profits and losses of:														
Jointly controlled entities														
Associates	(0.4)	-	-	-	62.3	(1.8)	-	-	-	(0.6)	-	-	62.3	(1.8)
Profit before tax		234.9	-	-	53.2	(418.7)	-	-	24.5	-	-	-	52.2	(159.3)
Income tax expense													147.0	7,064.8
Profit for the year before allocation between equity holders of the parent and non-controlling interests													(16.3)	(74.0)
Attributable to:													130.7	6,990.8
Equity holders of the parent													107.9	6,928.8
Non-controlling interests													22.8	62.0
													130.7	6,990.8

Notes to Financial Statements (Cont'd)

Group

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Securities investment		Others		Eliminations		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Segment assets	14,413.7	14,628.3	38.1	39.7	1,669.7	1,714.2	826.9	1,413.1	13.6	14.5	(37.7)	(39.0)	16,924.3	17,770.8
Investments in jointly controlled entities	-	-	-	-	1,689.6	182.5	-	-	-	-	-	-	1,689.6	182.5
Investments in associates	7.0	7.4	-	-	7.3	1.1	-	-	2.4	1.6	-	-	16.7	10.1
Cash and unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	1,230.2	1,827.8
Total assets													19,860.8	19,791.2
Segment liabilities	(352.7)	(304.8)**	(1.5)	(1.2)**	(27.1)	(44.0)	(0.4)	(0.1)	(2.4)	(3.4)	37.7	39.0	(346.4)	(314.5)**
Bank borrowings and unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	(6,511.3)	(6,394.1)**
Total liabilities													(6,857.7)	(6,708.6)
Other segment information:														
Other non-cash income	(29.5)	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditure*	87.6	14,511.1	-	0.1	1.6	2.8	-	-	2.8	0.2	-	-	-	-

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

** Tax liabilities in the amount of HK\$1,118.8 million and HK\$5.9 million included in the segment liabilities under hotel operation and management and hotel ownership segment and asset management segment, respectively, in the prior year have been reclassified to unallocated liabilities to conform with current year's presentation.

Geographical information

(a) Revenue from external customers

	2011	2010
	HK\$'million	HK\$'million
Hong Kong	1,951.0	1,423.6
Mainland China	86.2	79.1
	2,037.2	1,502.7
	2,037.2	1,502.7

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

(b) Non-current assets

	2011	2010
	HK\$'million	HK\$'million
Hong Kong	15,223.8	15,260.7
Mainland China	1,409.9	191.0
	16,633.7	15,451.7
	16,633.7	15,451.7

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	
	2011 HK\$'million	2010 HK\$'million
<u>Revenue</u>		
Hotel operations and management services	1,721.1	1,327.4
Other operations, including estate management, estate agency, travel agency and sale of food products	72.2	67.6
Rental income:		
Hotel properties	28.6	28.3
Investment properties	10.5	24.0
Net gain/(loss) from sale of financial assets at fair value through profit or loss	(12.2)	13.9
Dividend income from listed investments	3.5	3.1
Asset management service	–	38.4
Sale of properties	213.5	–
	2,037.2	1,502.7
<u>Other income</u>		
Bank interest income	3.9	2.7
Other interest income	9.7	5.1
Reversal of impairment of other loan	29.5	–
Others	18.8	0.7
	61.9	8.5
<u>Gains</u>		
Fair value changes on derivative financial instruments	3.7	1.9
Gain on disposal of investment properties	16.1	16.4
Gain on disposal of property, plant and equipment	–	0.2
	19.8	18.5
	81.7	27.0

6. PROFIT BEFORE TAX

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

	GROUP	
	2011	2010
	HK\$'million	HK\$'million
Cost of sales [#]	1,169.5	1,245.9
Cost of inventories sold and services provided	666.5	587.1
Depreciation	365.5	159.4
Foreign exchange differences, net	(8.0)	(2.8)
Impairment of trade debtors, net	0.3	0.2
Employee benefit expense (inclusive of directors' remuneration disclosed in note 8):		
Salaries, wages and benefits*	487.2	428.4
Equity-settled share option expense	–	1.2
Staff retirement scheme contributions	21.8	20.2
Less: Forfeited contributions	(1.1)	(0.9)
Net staff retirement scheme contributions	20.7	19.3
	507.9	448.9
Minimum lease payments under operating leases:		
Land and buildings**	14.2	418.0
Other equipment	0.3	0.2
	14.5	418.2
Gross rental income	(39.1)	(52.3)
Less: Outgoings	5.9	6.4
Net rental income	(33.2)	(45.9)
Auditors' remuneration	4.8	3.6

[#] 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\$422.7 million (2010 - HK\$363.8 million) classified under cost of inventories sold and services provided.

** Inclusive of an amount of HK\$405.6 million classified under cost of sales in the prior year.

7. FINANCE COSTS

	GROUP	
	2011 HK\$'million	2010 HK\$'million
Interests on bank loans wholly repayable within five years	62.4	31.4
Fair value changes on derivative financial instruments - cash flow hedge (transfer from hedge reserve)	128.1	55.0
Total finance costs	<u>190.5</u>	<u>86.4</u>

8. DIRECTORS' REMUNERATION

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

	GROUP	
	2011 HK\$'million	2010 HK\$'million
Fees	1.7	1.6
Other emoluments:		
Salaries and other allowances	14.4	13.8
Performance related/discretionary bonuses	2.5	1.7
Equity-settled share option expense	-	1.1
Staff retirement scheme contributions	0.9	0.9
	<u>19.5</u>	<u>19.1</u>

(a) Non-executive directors

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

	2011	2010
	HK\$'million	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 (2010 - 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, 2011.

There were no other emoluments payable to the non-executive directors during the year (2010 - Nil).

Notes to Financial Statements (Cont'd)

(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
2011						
Mr. Lo Yuk Sui	0.20	8.07	0.88	–	0.35	9.50
Ms. Belinda Yeung Bik Yiu	0.10	1.84	0.50	–	0.18	2.62
Mr. Donald Fan Tung	0.20	0.71	0.18	–	0.07	1.16
Mr. Jimmy Lo Chun To	0.20	0.33	0.08	–	0.03	0.64
Miss Lo Po Man	0.10	1.14	0.29	–	0.11	1.64
Mr. Kenneth Ng Kwai Kai	0.10	1.50	0.38	–	0.12	2.10
Mr. Allen Wan Tze Wai	0.10	0.76	0.19	–	0.08	1.13
	<u>1.00</u>	<u>14.35</u>	<u>2.50</u>	<u>–</u>	<u>0.94</u>	<u>18.79</u>
2010						
Mr. Lo Yuk Sui	0.20	7.86	0.57	0.58	0.34	9.55
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
	<u>0.98</u>	<u>13.77</u>	<u>1.72</u>	<u>1.14</u>	<u>0.90</u>	<u>18.51</u>

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 (2010 - 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.

9. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid individuals included four (2010 - four) Directors, details of whose remuneration are disclosed in note 8 to the financial statements. The emoluments of the remaining one (2010 - one) highest paid individual, who was not a Director, are as follows:

	GROUP	
	2011 HK\$'million	2010 HK\$'million
Salaries and other emoluments	1.6	1.4
Performance related/discretionary bonuses	0.3	0.2
Staff retirement scheme contributions	0.1	0.1
	2.0	1.7
	2.0	1.7

The emoluments of the non-director, highest paid individual for the year ended 31st December, 2011 fell within the band of HK\$2,000,001 to HK\$2,500,000 (2010 - HK\$1,500,001 to HK\$2,000,000).

10. INCOME TAX EXPENSE

	GROUP	
	2011 HK\$'million	2010 HK\$'million
Group:		
Current - Hong Kong		
Charge for the year	24.5	41.2
Underprovision/(overprovision) in prior years	0.1	(0.4)
Current - Overseas		
Charge for the year	1.0	0.5
Overprovision in prior years	(0.2)	-
Deferred (note 29)	(9.1)	32.7
Total tax charge for the year	16.3	74.0
	16.3	74.0

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2010 - 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.

Notes to Financial Statements (Cont'd)

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 is domiciled to the tax expense at the effective tax rate is as follows:

	GROUP	
	2011 HK\$'million	2010 HK\$'million
Profit before tax	147.0	7,064.8
Tax at the statutory tax rate	24.3	1,165.7
Adjustment in respect of current tax of previous years	(0.1)	(0.4)
Profits and losses attributable to jointly controlled entities and associates	(111.5)	26.6
Higher tax rates of other jurisdiction	0.2	0.1
Income not subject to tax	(22.7)	(1,215.9)
Expenses not deductible for tax	114.5	71.5
Tax losses utilised from previous years	(23.0)	(38.7)
Increase in deferred tax assets not recognised during the year	33.7	66.1
Others	0.9	(1.0)
Tax charge at the Group's effective rate	16.3	74.0

The Group had not shared the tax charge attributable to Regal REIT during the period before the consolidation of Regal REIT in the prior year, since the Group's share of profit of Regal REIT for such period had been offset against the previously unrecognised share of loss of Regal REIT.

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 (2010 - Nil).

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31st December, 2011 includes a loss of HK\$4.5 million (2010 - profit of HK\$2,878.5 million) which has been dealt with in the financial statements of the Company (note 31(b)).

12. DIVIDENDS

	2011 HK\$'million	2010 HK\$'million
Interim - HK3.0 cents (2010 - HK2.5 cents) per ordinary share	30.0	25.1
Proposed final - HK9.0 cents (2010 - HK8.5 cents) per ordinary share	90.1	85.1
	120.1	110.2

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

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

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the year attributable to equity holders of the parent of HK\$107.9 million (2010 - HK\$6,928.8 million), and on the weighted average of 1,001.4 million (2010 - 1,007.5 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, 2010 and 31st December, 2011 in respect of a dilution, as the exercise price of the share options of the Company outstanding during both years is higher than the average market price of the Company's ordinary shares for the respective years and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.



14. 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, 2011						
At 1st January, 2011:						
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
At 1st January, 2011, net of accumulated depreciation	13,799.7	3.0	60.9	14.9	1.1	13,879.6
Transfer from investment properties (note 15)	437.0	-	-	-	-	437.0
Additions	-	-	32.2	58.1	-	90.3
Depreciation provided during the year	(345.9)	(0.1)	(10.1)	(8.9)	(0.5)	(365.5)
At 31st December, 2011, net of accumulated depreciation	13,890.8	2.9	83.0	64.1	0.6	14,041.4
At 31st December, 2011:						
Cost	14,387.0	5.3	109.2	83.3	2.5	14,587.3
Accumulated depreciation	(496.2)	(2.4)	(26.2)	(19.2)	(1.9)	(545.9)
Net carrying amount	13,890.8	2.9	83.0	64.1	0.6	14,041.4

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 32)	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

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

	2011 HK\$'million	2010 HK\$'million
Long term lease	7,169.4	6,794.7
Medium term lease	6,724.3	7,008.0
	13,893.7	13,802.7

At 31st December, 2011, the Group's property, plant and equipment with a net carrying amount of HK\$14,011.2 million (2010 - HK\$13,844.7 million) were pledged to secure banking facilities granted to the Group.

15. INVESTMENT PROPERTIES

	GROUP	
	2011 HK\$'million	2010 HK\$'million
Carrying amount at 1st January	1,379.5	805.0
Transfer to owner-occupied property (note 14)	(437.0)	–
Acquisition of a listed subsidiary (note 32)	–	485.0
Capital expenditure for the year	1.7	27.8
Disposals	(126.0)	(120.0)
Gain from fair value adjustments	67.8	181.7
	886.0	1,379.5
Carrying amount at 31st December	886.0	1,379.5

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

	2011 HK\$'million	2010 HK\$'million
Long term lease	144.0	570.0
Medium term lease	742.0	809.5
	886.0	1,379.5
	886.0	1,379.5

The Group's investment properties were revalued on 31st December, 2011 by independent professionally qualified valuers with an RICS qualification at HK\$886.0 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 38(a) to the financial statements.

At 31st December, 2011, the Group's investment properties with a carrying value of HK\$736.0 million (2010 - HK\$1,379.5 million) were pledged to secure banking facilities granted to the Group.

Further particulars of the Group's investment properties are included on pages 157 to 158.

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	GROUP	
	2011 HK\$'million	2010 HK\$'million
Unlisted companies:		
Share of net assets/(liabilities)	623.7	(1,276.1)
Loans to jointly controlled entities	1,065.9	1,091.9
Amount due from a jointly controlled entity	–	366.7
	<u>1,689.6</u>	<u>182.5</u>

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 investments in jointly controlled entities are as follows:

Name	Place of incorporation	Particulars of issued shares held	Percentage of equity interest attributable to the Group		Principal activities
			2011	2010	
Chest Gain Development Limited ("Chest Gain")	Hong Kong	Ordinary shares of HK\$1 each	– ⁽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
P&R Holdings Limited ("P&R Holdings")	British Virgin Islands	Ordinary shares of US\$1 each	50 ⁽³⁾	–	Investment holding

The jointly controlled entities were indirectly held by the Company.

⁽¹⁾ In prior year, despite the Group's holding of a 70% interest in Chest Gain, the Directors had confirmed that neither the Group nor the other shareholder of Chest Gain had 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 considered 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") had effectively been fully assumed by the Group who had 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 considered that it was 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.

Notes to Financial Statements (Cont'd)

During the year, Chest Gain ceased to be a jointly controlled entity and became a wholly owned subsidiary as the remaining 30% interest in Chest Gain was transferred to the Group by the other joint venture partner upon the remaining unsold units allocated to that joint venture partner being effectively acquired by the Group.

- (2) The major asset of Faith Crown is its 30% (2010 - 100%) indirect interest in a property development project in Xindu District, Chengdu in the Sichuan Province, the People's Republic of China (the "PRC") following the disposal of Faith Crown's 70% indirect interest in the project to P&R Holdings, another jointly controlled entity noted in (3) below, during the year.
- (3) P&R Holdings is owned by the Group and a wholly owned subsidiary of Paliburg Holdings Limited ("PHL") on a 50:50 basis and is the holding company of subsidiaries primarily involved in the property development projects for sale and/or leasing and the undertaking of related investment and financing activities. P&R Holdings was formerly known as Flourish Lead Investments Limited when it was established as a jointly controlled entity, and it was subsequently renamed as "P&R Holdings Limited" on 6th March, 2012.

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

	2011 HK\$'million	2010 HK\$'million
Share of jointly controlled entities' assets and liabilities:		
Non-current assets	2,373.1	150.3
Current assets	119.1	42.3
Current liabilities	(123.1)	(10.0)
Non-current liabilities	(1,559.8)	(1,458.7)
	<u>809.3</u>	<u>(1,276.1)</u>
Non-controlling interests	(185.6)	-
	<u>623.7</u>	<u>(1,276.1)</u>
Share of jointly controlled entities' results:		
Other income and gains	639.1	0.5
Total expenses	(15.2)	(2.3)
Share of profits and losses of associates	(2.6)	-
	<u>621.3</u>	<u>(1.8)</u>
Profit/(loss) after tax	621.3	(1.8)
Non-controlling interests	2.1	-
	<u>623.4</u>	<u>(1.8)</u>
Profit/(loss) after tax attributable to equity holders of the parent	<u>623.4</u>	<u>(1.8)</u>

At 31st December, 2011, the Group's share of the maximum capital commitment to P&R Holdings in respect of its property development projects amounted to HK\$1,900.0 million (2010 - Nil), of which HK\$970.0 million (2010 - Nil) has been contributed as shareholder's loan and HK\$170.0 million (2010 - Nil) has been provided as a guarantee, on a several basis, for banking facilities granted to a subsidiary of P&R Holdings during the year.

At the end of the reporting period, the Group's share of the P&R Holdings group's own capital commitments in respect of property development projects, was as follows:

	2011 HK\$'million	2010 HK\$'million
Contracted, but not provided for	307.1	–
Authorised, but not contracted for	302.2	–
	609.3	–
	609.3	–

At 31st December, 2010, the Group's share of the Faith Crown group's own capital commitments in respect of property development projects, which was contracted but not provided for, amounted to HK\$179.7 million.

17. INVESTMENTS IN ASSOCIATES

	GROUP	
	2011 HK\$'million	2010 HK\$'million
Unlisted companies:		
Share of net liabilities	(267.6)	(255.7)
Amounts due from associates	284.3	265.8
	16.7	10.1
	16.7	10.1

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.

Notes to Financial Statements (Cont'd)

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

Name	Place of incorporation/ establishment	Particulars of issued shares held	Percentage of equity interest attributable to the Group		Principal activities
			2011	2010	
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

* 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 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 previously reported, 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 originally held) in the joint venture entities for the rescission of the relevant sale and purchase contracts entered into between the parties in 2005. Despite the strenuous efforts made by Hang Fok to set aside the adverse arbitral award to rescind the said contracts, such efforts have unfortunately not been successful and the beneficial interests of Hang Fok in the joint venture entities have effectively been reduced from 59% to 23%. In this connection, a provision at the associate's level in the amount of HK\$801 million had already been made in the prior year, 50% of which was attributable to the Group. Nevertheless, the Group's management will persist in striving to protect the Group's interest in the project and to salvage potential value.

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

	2011	2010
	HK\$'million	HK\$'million
Assets	64.9	26.3
Liabilities	601.3	538.1
Revenue	243.7	559.5
Profit/(Loss)	103.6	(399.5)
	103.6	(399.5)

18. AVAILABLE-FOR-SALE INVESTMENTS

	GROUP	
	2011	2010
	HK\$'million	HK\$'million
Non-current assets:		
Overseas listed investments, at fair value	14.5	–
Unlisted investments, at fair value	3.5	–
	18.0	–
Current assets:		
Hong Kong listed investments, at fair value	7.7	–
	25.7	–

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK\$1.8 million (2010 - Nil).

The above unlisted investments represent investments which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP	
	2011 HK\$'million	2010 HK\$'million
Non-current assets:		
Hong Kong listed equity investments, at market value	23.7	68.5
Unlisted debt investment, at fair value	484.9	568.0
	508.6	636.5
Current assets:		
Hong Kong listed equity investments, at market value	240.0	178.9
Unlisted investments, at fair value	–	5.8
Unlisted debt investment, at fair value	0.5	590.0
	240.5	774.7
	749.1	1,411.2

The listed equity investments included under non-current assets and the unlisted debt investments at 31st December, 2010 and 2011 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, 2010 and 2011 were classified as held for trading.

The unlisted debt investment included under non-current assets at 31st December, 2011 represented two series of convertible bonds, the 2013 Extended CB and 2013 CB as further detailed below, issued by certain subsidiaries of Cosmopolitan International Holdings Limited ("Cosmopolitan", and together with its subsidiaries, "Cosmopolitan Group"), a listed company in Hong Kong.

The unlisted debt investment included under current assets in the prior year represented the convertible bonds issued by the Cosmopolitan Group, 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 the Cosmopolitan Group on 25th February, 2009. On 26th April, 2010, the maturity date of 2010 CB was extended to 16th May, 2011 ("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. On 27th April, 2011, the maturity date of 2011 CB was further extended to 14th February, 2013 ("2013 Extended CB"), which was accordingly included under non-current assets. At 31st December, 2011, the 2013 Extended CB in an aggregate principal amount of HK\$141.45 million 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 in the prior year mainly represented the investment in another series of convertible bonds issued by the 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 the Cosmopolitan Group on 25th February, 2009. The conversion price of 2013 CB was further adjusted to HK\$0.06 per share upon the subdivision of shares of Cosmopolitan on 27th August, 2010. At 31st December, 2011, 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, 2011, the Group also held approximately 2.8% 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 the 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 2013 Extended 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, including discounted cash flows and binomial option pricing models, 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\$18.7 million and the fair value of the unlisted debt investments was approximately HK\$430.2 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.

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

Pursuant to a supplemental agreement signed with the hotel owner in September 2011, the term of the said hotel management contract was extended to the end of 2019 with the outstanding balance of the loan repayable in installments, the last of which falls due no later than 2015. The first installment of US\$2 million (approximately HK\$15.6 million) was received by the Group during the year. Accordingly, a provision in the amount of HK\$29.5 million made in the prior years was fully written back during the year.

As at 31st December, 2011, the other loan was classified as loans and receivables and was stated at amortised cost of HK\$32.1 million (2010 - HK\$13.3 million, net of provision of impairment of HK\$29.5 million) calculated using the effective interest rate method.

21. HOTEL INVENTORIES

	GROUP	
	2011 HK\$'million	2010 HK\$'million
Hotel and other merchandise	<u>26.0</u>	<u>22.9</u>

22. PROPERTIES HELD FOR SALE

At 31st December, 2011, the Group's properties held for sale with a carrying value of HK\$435.7 million (2010 - HK\$428.1 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\$131.5 million (2010 - HK\$102.2 million) representing the trade debtors of the Group.

	GROUP	
	2011 HK\$'million	2010 HK\$'million
Trade debtors	132.8	103.2
Impairment	(1.3)	(1.0)
	131.5	102.2

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. The Group does not hold any collateral or other credit enhancements over its trade debtors balance. 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	
	2011 HK\$'million	2010 HK\$'million
Outstanding balances with ages:		
Within 3 months	117.2	95.5
Between 4 to 6 months	8.2	3.5
Between 7 to 12 months	3.0	1.5
Over 1 year	4.4	2.7
	132.8	103.2
Impairment	(1.3)	(1.0)
	131.5	102.2

Notes to Financial Statements (Cont'd)

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

	GROUP	
	2011 HK\$'million	2010 HK\$'million
At 1st January	1.0	1.4
Impairment losses recognised (note 6)	0.3	0.4
Amount written off as uncollectible	–	(0.6)
Impairment losses reversed (note 6)	–	(0.2)
	<hr/>	<hr/>
At 31st December	1.3	1.0
	<hr/> <hr/>	<hr/> <hr/>

Included in the above provision for impairment of trade debtors is a provision for individually impaired trade debtors of HK\$1.3 million (2010 - HK\$1.0 million) with a gross carrying amount before provision of HK\$1.3 million (2010 - HK\$1.1 million). The individually impaired trade debtors relate to customers that were in financial difficulties and only a portion of the balances is expected to be recovered.

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

	GROUP	
	2011 HK\$'million	2010 HK\$'million
Neither past due nor impaired	76.0	59.9
Within 3 months past due	42.4	37.3
4 to 6 months past due	7.6	1.8
7 to 12 months past due	2.2	1.0
Over 1 year past due	3.3	2.1
	<hr/>	<hr/>
	131.5	102.1
	<hr/> <hr/>	<hr/> <hr/>

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.

Included in the Group's debtors, deposits and prepayments are amounts due from related companies of HK\$2.2 million (2010 - HK\$2.8 million). These balances are repayable on similar credit terms to those offered to the major customers of the Group.

24. HELD-TO-MATURITY INVESTMENTS

The amount represents unlisted certificate of deposits with fixed maturity date held as at 31st December, 2011. Except for an amount of HK\$2.3 million which is denominated in United States dollars with no coupon rate, the remaining unlisted certificate of deposits held are in Renminbi with fixed interest rate ranging from 1.3% to 1.4% per annum.

25. RESTRICTED CASH

At 31st December, 2011, the Group had approximately HK\$69.2 million (2010 - HK\$72.0 million) of cash which was restricted as 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, fixtures and equipment reserve for use in the hotel buildings, and deposits of certain tenants in respect of certain investment properties. 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.

26. CREDITORS AND ACCRUALS

Included in the balance is an amount of HK\$75.9 million (2010 - HK\$56.6 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	
	2011 HK\$'million	2010 HK\$'million
Outstanding balances with ages:		
Within 3 months	75.3	56.3
Between 4 to 6 months	0.3	–
Over 1 year	0.3	0.3
	75.9	56.6

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 an associate and related companies of HK\$3.0 million (2010 - HK\$4.2 million) and HK\$3.4 million (2010 - HK\$2.7 million), respectively, which have similar credit terms to those offered by the associate and those related companies to their major customers.

27. INTEREST BEARING BANK BORROWINGS

	GROUP			
	2011		2010	
	Maturity	HK\$'million	Maturity	HK\$'million
Current				
Bank loans – secured	2012	4,731.1	2011	152.6
Non-current				
Bank loans – secured	2013-2014	627.1	2012-2013	4,943.3
		<u>5,358.2</u>		<u>5,095.9</u>

	GROUP	
	2011	2010
	HK\$'million	HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year or on demand	4,731.1	152.6
In the second year	423.6	4,751.8
In the third to fifth years, inclusive	203.5	191.5
	<u>5,358.2</u>	<u>5,095.9</u>

Included in the bank loans under 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 28.

As at 31st December, 2011, the Group's current liabilities exceeded its current assets by approximately HK\$2,454.4 million as the Initial Facility of HK\$4.5 billion, repayable in full on 30th March, 2012, and the related derivative financial instruments were both classified as current liabilities at the end of the current reporting period.

On 7th March, 2012, the Regal REIT group entered into a new facility agreement amounting to HK\$4.5 billion (the "New Term Loan Facility") for a term of three years. The New Term Loan Facility will be wholly used for refinancing the Initial Facility that will mature on 30th March, 2012. It is expected that the full drawdown of the principal amount from the New Term Loan Facility will take place on or before 30th March, 2012. Based on the terms of the New Term Loan Facility, the Directors of the Company believe that the Group will have sufficient resources to satisfy its commitments and working capital requirement.

After completion of the acquisition of the remaining 25% interest in Regal iClub Hotel on 31st December, 2010, Regal iClub Hotel became wholly-owned by Regal REIT. On 28th January, 2011, the Regal REIT group entered into a new loan agreement for loan facilities aggregating HK\$280.0 million for a term of three years, comprised of a term loan of HK\$220.0 million and a revolving credit facility of HK\$60.0 million (the "iClub Existing Facilities") to replace the previous facilities of HK\$211.0 million. The iClub Existing Facilities bear interest at rates ranging from 215 to 230 basis points above HIBOR per annum. As at the end of the reporting period, the term loan facility had an outstanding amount of HK\$215.5 million and the revolving credit facility of HK\$60.0 million was fully utilised. Out of the term loan of HK\$220.0 million, an amount of HK\$16.5 million is repayable quarterly and a final repayment amount of HK\$203.5 million is due on 28th January, 2014.

On 24th February, 2012, the Regal REIT group entered into another loan agreement for a new term loan facility of HK\$340.0 million for a term of three years (the "New iClub Facility"), to replace the iClub Existing Facilities. The New iClub Facility also bears HIBOR-based interest.

Bank borrowings under the Initial Facility are guaranteed by Regal REIT and, on a joint and several basis, by certain companies within the Regal REIT group. The iClub Existing Facilities are guaranteed by Regal REIT while the bank borrowings under the replaced facilities in the prior year were guaranteed by Regal REIT and PHL in proportions of 75% and 25%, respectively, on a several basis.

The Regal REIT group's interest-bearing bank borrowings are also secured by, amongst others:

- (i) legal charges and debentures over the corresponding properties;
- (ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, and relating to the relevant properties;
- (iii) charges over each relevant rental account, sales 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.

The Group's other bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 36 to the financial statements. They bear interest at HIBOR plus 0.98% to 1.08% per annum (2010 - HIBOR plus 0.98% to 1.35% per annum), except for a bank loan of HK\$33.0 million (2010 - Nil) which bears interest at a fixed rate of 1.23% per annum.

All interest bearing bank borrowings are denominated in Hong Kong dollars except for a bank loan of HK\$33.0 million which is in United States dollars.



28. DERIVATIVE FINANCIAL INSTRUMENTS

	Liabilities	
	2011 HK\$'million	2010 HK\$'million
Interest rate swaps - cash flow hedges	32.0	142.4
Portion classified as non-current	–	(142.4)
Current portion	<u>32.0</u>	<u>–</u>

The Regal REIT group uses interest rate swaps to hedge 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 27). As at 31st December, 2011, the full fair value of these cash flow hedges was classified as a current item as the remaining maturities of the hedged items extend for less 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 that would be 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 that would be 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.

29. 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
At 1st January, 2010	–	–	–
Acquisition of a listed subsidiary (note 32)	(1,120.3)	50.6	(1,069.7)
Deferred tax charged to the income statement during the year (note 10)	(12.7)	(20.0)	(32.7)
Gross deferred tax assets/(liabilities) at 31st December, 2010 and at 1st January, 2011	(1,133.0)	30.6	(1,102.4)
Deferred tax credited/(charged) to the income statement during the year (note 10)	29.0	(19.9)	9.1
Gross deferred tax assets/(liabilities) at 31st December, 2011	<u>(1,104.0)</u>	<u>10.7</u>	<u>(1,093.3)</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position.

The Group had tax losses arising in Hong Kong amounting to HK\$3,287.1 million (2010 - HK\$2,855.8 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\$542.4 million (2010 - HK\$471.2 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.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1st January, 2008 and applies to earnings after 31st December, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1st January, 2008.

At 31st December, 2011, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and jointly-controlled entities established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries and jointly-controlled entities will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and jointly-controlled entities in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$1.2 million at 31st December, 2011 (2010 - HK\$0.4 million).

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

30. SHARE CAPITAL AND SHARE PREMIUM

	COMPANY	
	2011 HK\$'million	2010 HK\$'million
Shares		
Authorised:		
2,000.0 million (2010 - 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
	<u>201.3</u>	<u>201.3</u>
Issued and fully paid:		
1,001.4 million (2010 - 1,002.0 million) ordinary shares of HK\$0.10 each	100.1	100.2
Share premium		
Ordinary shares	852.4	854.1

A summary of the movements of the Company's share capital and share premium during the period from 1st January, 2010 to 31st December, 2011 is as follows:

	Notes	Authorised		Issued and fully paid		Share premium
		Number of shares 'million	Amount HK\$'million	Number of shares 'million	Amount HK\$'million	Amount HK\$'million
Ordinary shares						
At 1st January, 2010		2,000.0	200.0	1,010.7	101.1	879.2
Repurchase and cancellation of shares	(i)	-	-	(8.7)	(0.9)	(25.1)
At 31st December, 2010 and at 1st January, 2011		2,000.0	200.0	1,002.0	100.2	854.1
Repurchase and cancellation of shares	(ii)	-	-	(0.6)	(0.1)	(1.7)
At 31st December, 2011		2,000.0	200.0	1,001.4	100.1	852.4
5¼% convertible cumulative redeemable preference shares of US\$10 each						
At 1st January, 2010, 31st December, 2010 and 2011		0.1	1.3	-	-	-
Total share capital						
At 31st December, 2011			201.3		100.1	852.4
At 31st December, 2010			201.3		100.2	854.1

Notes to Financial Statements (Cont'd)

Notes:

- (i) Except for 1.32 million repurchased ordinary shares of HK\$0.10 each, which were cancelled subsequent to the end of the prior year, all ordinary shares repurchased during the year ended 31st December, 2010 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\$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.
- (ii) 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\$1.7 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 (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2011	566,000	3.180	3.150	1,788,480
Total expenses on shares repurchased during the year				6,782
Total				1,795,262

Share options

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

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

Offer date**	Name or category of participant	Number of ordinary shares under share options*			Vesting/Exercise periods of share options	Adjusted exercise price of share options* HK\$
		At 1st January, 2011	Lapsed during the year	At 31st December, 2011		
Directors						
12th May, 2005	Mr. Lo Yuk Sui Vested:	20,000,000	(20,000,000)	–	Note	7.50
25th July, 2005	Ms. Belinda Yeung Bik Yiu Vested:	3,000,000	(3,000,000)	–	Note	7.50
25th July, 2005	Mr. Donald Fan Tung Vested:	2,000,000	(2,000,000)	–	Note	7.50
25th July, 2005	Mr. Jimmy Lo Chun To Vested:	1,500,000	(1,500,000)	–	Note	7.50
25th July, 2005	Miss Lo Po Man Vested:	3,000,000	(3,000,000)	–	Note	7.50
25th July, 2005	Mr. Kenneth Ng Kwai Kai Vested:	2,000,000	(2,000,000)	–	Note	7.50
25th July, 2005	Mr. Allen Wan Tze Wai Vested:	800,000	(800,000)	–	Note	7.50
Other employees						
25th July, 2005	Employees, in aggregate Vested:	1,800,000	(1,800,000)	–	Note	7.50
	Total Vested:	34,100,000	(34,100,000)	–		

* 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.

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, 2011 and at the date of this report: Nil

- | | |
|--|--|
| (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. |



31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements on pages 63 and 64.

(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, 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	30(i)	(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	12	-	-	-	(25.1)	(25.1)
Proposed final 2010 dividend	12	-	-	-	(85.1)	(85.1)
At 31st December, 2010 and at 1st January, 2011		854.1	7.4	45.6	6,143.4	7,050.5
Repurchase and cancellation of ordinary shares	30(ii)	(1.7)	0.1	-	(0.1)	(1.7)
Share option lapsed		-	-	(45.6)	45.6	-
Loss for the year		-	-	-	(4.5)	(4.5)
Interim 2011 dividend	12	-	-	-	(30.0)	(30.0)
Proposed final 2011 dividend	12	-	-	-	(90.1)	(90.1)
At 31st December, 2011		852.4	7.5	-	6,064.3	6,924.2

32. BUSINESS COMBINATION IN 2010

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 were reflected in the Group's consolidated income statement for the year ended 31st December, 2010.

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.



Notes to Financial Statements (Cont'd)

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 14)	13,950.0
Investment properties (note 15)	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 29)	(1,069.7)
Non-controlling interests	(1,583.5)
	<hr/>
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)
	<hr/>
Satisfied by interest in a listed associate	4,514.6
	<hr/> <hr/>

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
	<hr/> <hr/>

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 ended 31st December, 2010, the revenue of the Group and the profit for the year ended 31st December, 2010 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.

33. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2011 HK\$'million	2010 HK\$'million
Unlisted shares, at cost	5,552.2	5,552.2
Amount due from a subsidiary	1,565.4	1,690.6
	7,117.6	7,242.8
Provision for impairment	–	–
	7,117.6	7,242.8

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		Principal activities
			2011	2010	
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
Chest Gain Development Limited ⁽⁴⁾	Hong Kong	HK\$10,000	100	70	Property development and 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

Notes to Financial Statements (Cont'd)

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2011	2010	
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	Investment holding
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

Notes to Financial Statements (Cont'd)

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2011	2010	
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	Investment holding and 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\$11,611,937	100	100	Asset management
Regal Quality Foods Limited	Hong Kong	HK\$2	100	100	Sale of food products
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

Notes to Financial Statements (Cont'd)

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2011	2010	
Regal Real Estate Investment Trust ("Regal REIT") ⁽²⁾	Hong Kong	3,257,431,189 units	74.55	74.42	Property investment
Bauhinia Hotels Limited ⁽³⁾	Hong Kong	HK\$2	74.55	74.42	Hotel ownership
Cityability Limited ⁽³⁾	Hong Kong	HK\$10,000	74.55	74.42	Hotel ownership
Gala Hotels Limited ⁽³⁾	Hong Kong	HK\$2	74.55	74.42	Hotel ownership
Regal Asset Holdings Limited ⁽³⁾	Bermuda/ Hong Kong	US\$12,000	74.55	74.42	Investment holding
Regal Riverside Hotel Limited ⁽³⁾	Hong Kong	HK\$2	74.55	74.42	Hotel ownership
Rich Day Investments Limited ⁽³⁾	Hong Kong	HK\$1	74.55	74.42	Financing
Ricobem Limited ⁽³⁾	Hong Kong	HK\$100,000	74.55	74.42	Hotel ownership
Sonnix Limited ⁽³⁾	Hong Kong	HK\$2	74.55	74.42	Property ownership and hotel operations

Notes:

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

⁽²⁾ As at 31st December, 2009, 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 prior years) 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 32, following certain amendments made to the Trust Deed in compliance with the revisions made to the REIT Code during 2010, 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.

Following legal proceedings which commenced in prior years between a wholly-owned subsidiary of Regal REIT that owns the Regal Hongkong Hotel (the "Plaintiff") and the owner of a neighboring commercial building (the "Defendant"), the High Court dismissed the Plaintiff's claims and the Defendant's counterclaim in 2010, and made a cost order nisi that the Plaintiff pays the net bill of costs to the Defendant (the "Judgement"). A provision for such costs was recorded in the Group's consolidated financial statements as at 31st December, 2010, but an appeal was filed by the Plaintiff against the Judgement that was scheduled to take place in November 2011.

On 31st October, 2011, prior to the appeal hearing, the Defendant and the Plaintiff entered into a settlement agreement whereby (i) the Defendant agreed to pay the Plaintiff an amount that exceeded the bill of costs previously paid in July 2011 by the Plaintiff to the Defendant, and (ii) the Defendant and the Plaintiff entered into a lease agreement for the Plaintiff to rent certain premises in the building. Both the Defendant and the Plaintiff applied to the High Court to dismiss all prior legal proceedings and formal dismissals were issued by the High Court in November 2011. The proceeds from the settlement agreement are recorded by the Group as other income as set out in note 5.

- (3) These companies are subsidiaries of Regal REIT and therefore became subsidiaries of the Company with effect from 23rd July, 2010.
- (4) Despite the Group's holding of 70% interest in Chest Gain, it was accounted for as a jointly controlled entity in the prior year as explained in note 16 to the financial statements. Since 2007, the Group has consolidated certain items of the results, assets and liabilities of Chest Gain in accordance with the terms of a supplemental shareholders' agreement signed with the joint venture partner as explained in detail in note 16. On 8th July, 2011, Chest Gain ceased to be a jointly controlled entity and became a wholly owned subsidiary as the remaining 30% interest in Chest Gain was transferred to the Group by that other joint venture partner as also further explained in that note.

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

	HK\$'million
Bank balance	6.4
Creditors and accruals	(6.0)
	0.4
Total identifiable net assets at fair value	0.4
Satisfied by interest in a jointly controlled entity	(0.3)
	0.1
Cash consideration	0.1

An analysis of the cash flows in respect of the acquisition of Chest Gain is as follows:

Cash consideration	(0.1)
Bank balance acquired	6.4
	6.3
Net cash inflow of cash and cash equivalents in respect of the acquisition	6.3

Had the combination taken place at the beginning of the year, the profit of the Group for the year would have been HK\$130.5 million.

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 had reversed an impairment loss of HK\$2,882.2 million to reflect the increase in the net asset value of its subsidiaries during that year.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2011 HK\$'million	2010 HK\$'million
Profit before tax	147.0	7,064.8
Adjustments for:		
Finance costs	190.5	86.4
Share of profits and losses of jointly controlled entities and associates	(675.6)	161.1
Interest income	(13.6)	(7.8)
Depreciation	365.5	159.4
Dividend income from listed investments	(3.5)	(3.1)
Gain on disposal of investment properties	(16.1)	(16.4)
Gain on disposal of property, plant and equipment	–	(0.2)
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	822.8	(540.5)
Fair value changes on derivative financial instruments	(3.7)	(1.9)
Fair value gains on investment properties	(67.8)	(181.7)
Equity-settled share option expenses	–	1.2
Income from asset management service	–	(38.4)
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)
Reversal of impairment of other loan	(29.5)	–
Impairment of trade debtors, net	0.3	0.2
	716.3	45.7
Increase in hotel inventories	(3.1)	(1.7)
Increase in properties held for sale	(107.6)	(11.1)
Decrease/(increase) in debtors, deposits and prepayments	60.3	(0.3)
Decrease/(increase) in restricted cash	(0.1)	5.1
Increase in financial assets at fair value through profit or loss	(167.5)	(63.4)
Increase/(decrease) in creditors and accruals	37.0	(36.7)
Cash flows generated from/(used in) operations	535.3	(62.4)
Overseas taxes paid	(1.1)	(0.3)
Hong Kong tax paid	(45.2)	(42.1)
Net cash flows from/(used in) operating activities	489.0	(104.8)

(b) Major non-cash transaction

In 2010, REIT manager's fee in the amount of HK\$44.3 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\$57.4 million (2010 - HK\$110.6 million) were held by certain subsidiaries operating in the PRC where exchange controls apply.

35. 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	2011 HK\$'million	2010 HK\$'million
A substantial shareholder:			
Management fees expenses	(i)	18.0	17.0
Wholly owned subsidiaries of a substantial shareholder, PHL:			
Development consultancy fees expenses	(ii)	0.6	3.2
Service fees expenses in respect of security systems and products and other software	(iii)	2.2	3.8
Repairs and maintenance fees and construction fees expenses	(iv)	5.9	5.6
Rental income	(v)	-	10.6
Management and marketing fee income	(vi)	-	1.2
Associates:			
REIT manager's fees	(vii)	-	38.4
Lease rental expenses	(viii)	-	441.6
Furniture, fixtures and equipment reserve contribution expenses	(ix)	-	14.2
Other rental expenses	(x)	-	3.9
Advertising and promotion fees expenses (including cost reimbursements)	(xi)	10.0	9.7

Notes to Financial Statements (Cont'd)

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 wholly owned 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 were earned by the Group with respect to the Regal iClub Building which was 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 for the period from 24th December, 2009 to 31st December, 2010. 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 comprised 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 represented 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 was 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 represented 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 32, 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 on 23rd July, 2010, the following were also regarded as related and connected party transactions between the Group and Regal REIT:

- The Group had 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 had been paid by the Group up to 22nd July, 2010.
- 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 for a period up to 30th June, 2011, since which date such bank guarantee had been cancelled and replaced by a new bank guarantee in the amount of HK\$280.0 million as required under the market rental package for 2011. With effect from 1st January, 2012 to 31st December, 2012, the guarantee amount of the new bank guarantee is to be raised from HK\$280.0 million to HK\$322.5 million, as required under the market rental package for 2012.
- 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	2011 HK\$'million	2010 HK\$'million
Due from a jointly controlled entity	(i)	–	366.7
Due from related companies	(ii)	2.2	2.8
Due to an associate	(iii)	(3.0)	(4.2)
Due to related companies	(iii)	(3.4)	(2.7)
Loans to jointly controlled entities	(i)	1,065.9	1,091.9
Amounts due from associates	(iv)	284.3	265.8
		<u>284.3</u>	<u>265.8</u>

Notes to Financial Statements (Cont'd)

Notes:

- (i) Details of an amount due from and loans to jointly controlled entities are included in investments in jointly controlled entities in note 16 to the financial statements.
 - (ii) Details of an amount due from an associate and the amounts due from related companies are included in debtors, deposits and prepayments in note 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 26 to the financial statements.
 - (iv) Details of amounts due from associates are included in investments in associates in note 17 to the financial statements.
- (c) Compensation of key management personnel of the Group:

	2011 HK\$'million	2010 HK\$'million
Short term employee benefits	21.7	19.7
Staff retirement scheme contributions	1.2	1.1
Equity-settled share-based payments	–	1.1
	<hr/>	<hr/>
Total compensation paid to key management personnel	22.9	21.9
	<hr/> <hr/>	<hr/> <hr/>

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

The related party transactions set out in notes 35(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 35(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 35(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 35(a) had been made or met or otherwise exempted.

36. PLEDGE OF ASSETS

At 31st December, 2011, part of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss, available-for-sale investments and held-to-maturity investments in the amount of HK\$404.0 million (2010 - 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 35(a)), and the Group's investment properties and certain of the Group's property, plant and equipment, properties held for sale, held-to-maturity investments, bank deposits and bank balances in the total amount of HK\$15,219.6 million (2010 - HK\$15,670.5 million) were also pledged to secure other banking facilities granted to the Group.

37. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	GROUP		COMPANY	
	2011 HK\$'million	2010 HK\$'million	2011 HK\$'million	2010 HK\$'million
Corporate guarantees provided in respect of attributable share of banking facilities granted to:				
A subsidiary	–	–	706.0	833.0
A subsidiary of a jointly controlled entity	170.0	–	170.0	–
	<u>170.0</u>	<u>–</u>	<u>876.0</u>	<u>833.0</u>

As at 31st December, 2011, the banking facilities granted to a subsidiary subject to guarantees given to banks by the Company were utilised to the extent of HK\$554.0 million (2010 - HK\$406.0 million). The banking facilities granted to a subsidiary of a jointly controlled entity subject to a guarantee given to a bank by the Group and the Company were utilised to the extent of HK\$90.0 million (2010 - Nil).

In addition, the Company has also guaranteed the lessee's obligations under the Lease Agreements to Regal REIT as detailed in note 35(a).

38. 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 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.

At 31st December, 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	GROUP	
	2011	2010
	HK\$'million	HK\$'million
Within one year	32.6	23.2
In the second to fifth years, inclusive	16.8	17.9
	49.4	41.1

(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. Leases for office equipment in respect of the Group are negotiated for a term of 5 years.

At 31st December, 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	GROUP	
	2011 HK\$'million	2010 HK\$'million
Land and buildings:		
Within one year	10.0	9.3
In the second to fifth years, inclusive	28.2	28.0
After five years	31.8	38.0
	70.0	75.3
Other equipment:		
Within one year	0.3	0.3
In the second to fifth years, inclusive	0.7	1.0
	1.0	1.3
	71.0	76.6

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

39. COMMITMENTS

In addition to the Group's share of the jointly controlled entities' own capital commitments detailed in note 16 and the operating lease commitments detailed in note 38(b) above, the Group had the following capital commitments in respect of its hotel buildings at the end of the reporting period:

	2011 HK\$'million	2010 HK\$'million
Authorised and contracted for	–	3.0
Authorised, but not contracted for	37.3	30.3
	37.3	33.3
	37.3	33.3

At the end of the reporting period, the Company had no significant commitments.

40. 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:

2011

GROUP

Financial assets

	Financial assets at fair value through profit or loss - designated as such upon initial recognition					Total HK\$'million
	HK\$'million	- held for trading HK\$'million	Available-for-sale investments HK\$'million	Loans and receivables HK\$'million	Held-to-maturity investments HK\$'million	
Other loan (note 20)	-	-	-	32.1	-	32.1
Trade debtors (note 23)	-	-	-	131.5	-	131.5
Other financial assets included in debtors, deposits and prepayments	-	-	-	54.8	-	54.8
Financial assets at fair value through profit or loss (note 19)	509.1	240.0	-	-	-	749.1
Available-for-sale investments (note 18)	-	-	25.7	-	-	25.7
Held-to-maturity investments (note 24)	-	-	-	-	45.1	45.1
Restricted cash	-	-	-	69.2	-	69.2
Pledged time deposits	-	-	-	301.6	-	301.6
Time deposits	-	-	-	569.2	-	569.2
Cash and bank balances	-	-	-	286.0	-	286.0
	<u>509.1</u>	<u>240.0</u>	<u>25.7</u>	<u>1,444.4</u>	<u>45.1</u>	<u>2,264.3</u>

Financial liabilities

	Financial liabilities at fair value through profit or loss - designated as hedging instruments		Financial liabilities at amortised cost	Total HK\$'million
	HK\$'million	HK\$'million		
Trade creditors (note 26)	-	-	75.9	75.9
Other financial liabilities included in creditors and accruals	-	-	264.3	264.3
Derivative financial instruments	32.0	-	-	32.0
Interest bearing bank borrowings (note 27)	-	-	5,358.2	5,358.2
	<u>32.0</u>	<u>-</u>	<u>5,698.4</u>	<u>5,730.4</u>

2010

GROUP

Financial assets

	Financial assets at fair value through profit or loss - designated as such upon initial recognition			Total HK\$'million
	HK\$'million	- held for trading HK\$'million	Loans and receivables 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
	<u>1,226.5</u>	<u>184.7</u>	<u>2,073.8</u>	<u>3,485.0</u>

Financial liabilities

	Financial liabilities at fair value through profit or loss - designated as hedging instruments		Financial liabilities at amortised cost	Total HK\$'million
	HK\$'million	HK\$'million		
Trade creditors (note 26)	-	-	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 27)	-	-	5,095.9	5,095.9
	<u>142.4</u>	<u>-</u>	<u>5,385.4</u>	<u>5,527.8</u>

	COMPANY	
Financial assets	2011	2010
	Loans and receivables HK\$'million	Loans and receivables HK\$'million
Cash and bank balances	<u>0.7</u>	<u>0.7</u>
Financial liabilities	2011	2010
	Financial liabilities at amortised cost HK\$'million	Financial liabilities at amortised cost HK\$'million
Other financial liabilities included in creditors and accruals	<u>4.1</u>	<u>6.2</u>

41. FAIR VALUE AND FAIR VALUE HIERARCHY

As at the end of the reporting period, the carrying amounts of the Group's and the 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 values 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 any 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, 2011

	Level 1 HK\$'million	Level 2 HK\$'million	Level 3 HK\$'million	Total HK\$'million
Available-for-sale investments:				
Unlisted equity investments	–	–	3.5	3.5
Listed debt investments	7.7	14.5	–	22.2
Financial assets at fair value through profit or loss:				
Listed equity investments	263.7	–	–	263.7
Unlisted debt investments	–	485.4	–	485.4
	<u>271.4</u>	<u>499.9</u>	<u>3.5</u>	<u>774.8</u>

Assets measured at fair value at 31st December, 2010

	Level 1 HK\$'million	Level 2 HK\$'million	Level 3 HK\$'million	Total HK\$'million
Financial assets at fair value through profit or loss:				
Listed equity investments	247.4	–	–	247.4
Unlisted equity investment	–	5.8	–	5.8
Unlisted debt investments	–	1,158.0	–	1,158.0
	<u>247.4</u>	<u>1,163.8</u>	<u>–</u>	<u>1,411.2</u>

The movements in fair value measurements in Level 3 during the year are as follows:

	2011 HK\$'million
Available-for-sale investments – unlisted:	
At 1 January	–
Purchases	4.0
Total losses recognised in other comprehensive income	(0.5)
At 31 December	<u>3.5</u>

Liabilities measured at fair value as at 31st December, 2011

	Level 1 HK\$'million	Level 2 HK\$'million	Level 3 HK\$'million	Total HK\$'million
Derivative financial instruments	–	32.0	–	32.0

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

The Company did not have any financial assets or financial liabilities at fair value as at 31st December, 2011 and 2010.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010 – Nil).

42. 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 available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, and 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 27 to the financial statements. The Group's objective 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 fluctuations 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 28 to the financial statements. These swaps are designated to hedge underlying bank borrowing obligations. At 31st December, 2011, excluding the amount subject to the interest rate swaps, approximately 3% (2010 – Nil) of the Group's interest bearing bank borrowings bore interest at fixed rate.

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) and the Group's equity.

	Change in basis points	Group Change in profit before tax HK\$'million	Change in equity* HK\$'million
2011			
Hong Kong dollar	100	(9.8)	–
2010			
Hong Kong dollar	100	(7.6)	–

* 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, financial assets at fair value through profit or loss, available-for-sale investments and held-to-maturity investments, 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 banking 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 different sources, including through the financial market or realisation of its assets, if required.



Notes to Financial Statements (Cont'd)

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

Group

	2011		Total HK\$'million
	Within 1 year or on demand HK\$'million	1 to 5 years HK\$'million	
Interest bearing bank borrowings	4,759.2	638.9	5,398.1
Trade creditors	75.9	–	75.9
Corporate guarantee provided in respect of attributable share of banking facilities granted to a subsidiary of a jointly controlled entity	90.0	–	90.0
Other financial liabilities included in creditors and accruals	264.3	–	264.3
Derivative financial instruments	32.0	–	32.0
	<u>5,221.4</u>	<u>638.9</u>	<u>5,860.3</u>

Group

	2010		Total HK\$'million
	Within 1 year or on demand HK\$'million	1 to 5 years HK\$'million	
Interest bearing bank borrowings	195.0	5,002.8	5,197.8
Trade creditors	56.6	–	56.6
Other financial liabilities included in creditors and accruals	232.9	–	232.9
Derivative financial instruments	137.7	4.7	142.4
	<u>622.2</u>	<u>5,007.5</u>	<u>5,629.7</u>

Company

	2011	2010
	On demand HK\$'million	On demand HK\$'million
Corporate guarantees provided in respect of attributable share of banking facilities granted to:		
A subsidiary	554.0	406.0
A subsidiary of a jointly controlled entity	90.0	–
Other financial liabilities included in creditors and accruals	4.1	6.2
	<u>648.1</u>	<u>412.2</u>

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 listed equity investments and unlisted debt investment in convertible bonds classified as financial assets at fair value through profit or loss (note 19) and unlisted equity investment classified as available-for-sale investments (note 18) as at 31st December, 2011. 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 investments are either valued by an independent professional valuer using valuation techniques based on the quoted market price of the underlying listed securities or carried at the net asset value provided by a financial institution 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 equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the income statement.

	Carrying amount of equity investments HK\$'million	Change in profit before tax HK\$'million	Change in equity* HK\$'million
2011			
Hong Kong listed investments	263.7	13.2	–
Unlisted investment at fair value:			
Convertible bonds	484.9	21.1	–
Available-for-sale	3.5	–	0.2
2010			
Hong Kong listed investments	247.4	12.4	–
Unlisted investment at fair value:			
Convertible bonds	1,156.4	55.1	–

* Excluding retained profits

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 enhance 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. Capital represents equity attributable to equity holders of the parent. 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 35 and undertakings under corporate guarantees given by the Company for banking facilities granted to the Group and a subsidiary of a jointly controlled entity, to maintain a minimum consolidated tangible net worth, which has been complied with during the year. No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December, 2011 and 31st December, 2010.

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, bank balances and deposits. The debt to total assets ratios as at the end of the reporting periods were as follows:

Group

	2011 HK\$'million	2010 HK\$'million
Interest bearing bank borrowings	5,358.2	5,095.9
Less: Cash, bank balances and deposits	(1,226.0)	(1,761.6)
Net debt	<u>4,132.2</u>	<u>3,334.3</u>
Total assets	<u>19,860.8</u>	<u>19,791.2</u>
Debt to total assets ratio	<u>20.8%</u>	<u>16.8%</u>

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 20th March, 2012.

Independent Auditors' Report



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 59 to 152, which comprise the consolidated and company statements of financial position as at 31st December, 2011, 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, 2011, 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

22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
20th March, 2012

Schedule of Principal Properties

As at 31st December, 2011

PROPERTIES FOR DEVELOPMENT AND/OR SALE

Description	Use	Approx. Area	Stage of completion (completion date)	Percentage of 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 14 allocated houses held - approx. 69,732 sq. ft.	Completed in March 2004	100
(2) Nos.132-140 Bonham Strand, Sheung Wan, Hong Kong	Hotel	Site area - approx. 5,430 sq. ft. Gross floor area - approx. 79,800 sq. ft. (248 guestrooms and suites)	Superstructure works commenced (expected to be completed in 4th quarter of 2013)	50
(3) Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan, Hong Kong	Hotel	Site area - approx. 3,710 sq. ft. Gross floor area - approx. 56,350 sq. ft. (98 guestrooms and suites)	Foundation works commenced (anticipated to be completed in 4th quarter of 2014)	50
(4) Nos.14-20 Merlin Street, North Point, Hong Kong	Hotel	Site area - approx. 5,300 sq. ft. Gross floor area - approx. 75,490 sq. ft. (351 guestrooms and suites)	Foundation works in progress (scheduled for completion in 3rd quarter of 2014)	50

Schedule of Principal Properties

As at 31st December, 2011

Description	Use	Approx. Area	Stage of completion (completion date)	Percentage of interest attributable to the Company
(5) Lot No. 4309 in Demarcation District No. 124, Tan Kwai Tsuen Road, Yuen Long, New Territories, Hong Kong	Residential	Site area - approx. 120,470 sq. ft. Gross floor area - approx. 120,470 sq. ft. (36 houses and 134 apartments)	Building plans submitted for government approval	50
(6) 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. Total gross floor area - approx. 5,360,000 sq. ft.	First stage <u>Hotel</u> • Superstructural works in progress (Soft opening presently scheduled for 2nd quarter of 2013)	50
		First stage • a 300-room hotel • 340 residential apartment units with car parks with total gross floor area - approx. 489,000 sq. ft.	<u>Residential units</u> • Superstructural works commenced (Completion scheduled for 1st quarter of 2013)	
		Stage two • residential development with total gross floor area of approx. 1,900,000 sq. ft.		
		Stage three • commercial and office accommodations with total gross floor area of approx. 1,500,000 sq. ft.		

Schedule of Principal Properties (Cont'd)

As at 31st December, 2011

PROPERTIES FOR INVESTMENT

Description	Use	Lease	Percentage of interest attributable to the Company
(1) 7 luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Residential	Medium term	100
(2) Regal Airport Hotel 9 Cheong Tat Road, Hong Kong International Airport, Chek Lap Kok, New Territories, Hong Kong	Hotel	Medium term	74.5
(3) Regal Hongkong Hotel 88 Yee Wo Street, Causeway Bay, Hong Kong	Hotel	Long term	74.5
(4) Regal Kowloon Hotel 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong	Hotel	Long term	74.5
(5) 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	74.5

Schedule of Principal Properties (Cont'd)

As at 31st December, 2011

Description	Use	Lease	Percentage of interest attributable to the Company
(6) Regal Riverside Hotel 34-36 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong	Hotel	Medium term	74.5
(7) 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/ commercial	Long term	74.5

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,

	2011 HK\$'million	2010 HK\$'million	2009 HK\$'million	2008 HK\$'million	2007 HK\$'million
Revenue	2,037.2	1,502.7	1,381.2	1,511.8	1,722.9
Operating profit/(loss) before depreciation	27.4	7,471.7	113.2	(331.5)	2,504.7
Depreciation	(365.5)	(159.4)	(6.4)	(4.0)	(9.6)
Finance costs	(190.5)	(86.4)	(4.9)	(9.9)	(84.2)
Share of profits and losses of:					
Jointly controlled entities	623.4	(1.8)	(2.3)	(4.9)	41.6
Associates	52.2	(159.3)	361.1	(616.3)	685.4
Profit/(loss) before tax	147.0	7,064.8	460.7	(966.6)	3,137.9
Income tax expense	(16.3)	(74.0)	(12.7)	(0.6)	(22.2)
Profit/(loss) for the year	130.7	6,990.8	448.0	(967.2)	3,115.7
Attributable to:					
Equity holders of the parent	107.9	6,928.8	448.0	(967.2)	3,115.7
Non-controlling interests	22.8	62.0	-	-	-
	130.7	6,990.8	448.0	(967.2)	3,115.7

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

31st December,

	2011 HK\$'million	2010 HK\$'million	2009 HK\$'million	2008 HK\$'million	2007 HK\$'million
Property, plant and equipment	14,041.4	13,879.6	38.2	16.8	11.1
Investment properties	886.0	1,379.5	805.0	855.0	–
Investments in jointly controlled entities	1,689.6	182.5	176.6	203.8	112.1
Investments in associates	16.7	10.1	601.8	517.4	1,435.7
Financial assets at fair value through profit or loss	508.6	636.5	358.0	423.0	380.7
Available-for-sale investments	18.0	–	–	3.1	–
Other loan	17.6	13.3	13.3	36.1	36.1
Pledged bank deposits	–	–	1,000.0	1,000.0	970.0
Deposit for acquisition of land	–	–	–	–	134.4
Current assets	2,682.9	3,689.7	2,237.9	1,780.2	3,160.6
Total assets	19,860.8	19,791.2	5,230.8	4,835.4	6,240.7
Current liabilities	(5,137.3)	(520.5)	(490.0)	(430.7)	(800.6)
Interest bearing bank borrowings	(627.1)	(4,943.3)	(246.8)	(268.5)	–
Derivative financial instruments	–	(142.4)	–	–	–
Deferred tax liabilities	(1,093.3)	(1,102.4)	–	–	–
Total liabilities	(6,857.7)	(6,708.6)	(736.8)	(699.2)	(800.6)
Non-controlling interests	(1,460.3)	(1,546.6)	(1.3)	(1.3)	(1.3)

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