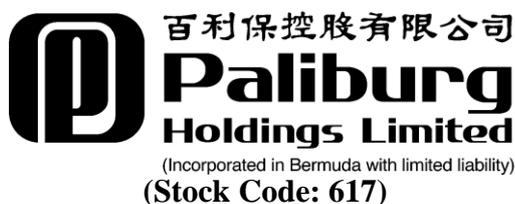


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## ANNOUNCEMENT OF 2010 GROUP FINAL RESULTS

### FINANCIAL AND BUSINESS HIGHLIGHTS

	Year 2010	Year 2009	% Change
	HK\$'M	HK\$'M	
		(Restated)	
<b>Operating profit</b>	<b>441.9</b>	312.8	<b>+41.3%</b>
<b>Profit for the year attributable to equity holders of the parent</b>	<b>2,150.5</b>	430.6	<b>+399.4%</b>
<b>Basic earnings per ordinary share attributable to equity holders of the parent</b>	<b>HK\$2.07</b>	HK\$0.42	<b>+392.9%</b>
<b>Net asset value per ordinary share</b>	<b>HK\$6.83</b>	HK\$5.13	<b>+33.1%</b>
<b>Proposed final dividend</b>	<b>HK7.5 cents</b>	HK3.3 cents	<b>+127.3%</b>

- **Achieved net profit attributable to shareholders of HK\$2,150.5 million, as compared to the comparative profit of HK\$430.6 million (as restated) attained in 2009.**
- **Final dividend and total dividends per ordinary share increased by 127.3% and 109.3%, respectively, for 2010.**
- **Very significant cash proceeds and profit are expected from the 30%-owned “Larvotto” residential development, which will be received and accounted for by the Group in 2011.**
- **Recently acquired two development sites in Hong Kong.**
- **Entered into a conditional agreement to join force with Regal group to form a sizeable joint venture, with maximum total capital commitment of HK\$3,800 million, to undertake development of real estate projects for sale and/or leasing.**
- **The Directors are optimistic that the rolling out of the business expansion plans will help to sustain continuing growth of the Group.**

## **FINANCIAL RESULTS**

For the year ended 31st December, 2010, the Group achieved a consolidated profit attributable to shareholders of HK\$2,150.5 million, as compared to the comparative profit of HK\$430.6 million (as restated) attained in 2009. The significant improvement in the profit achieved was mainly attributable to the increased share of profit from Regal Hotels International Holdings Limited, the listed associate of the Group, principally derived from the accounting profit recognised by Regal on the consolidation of Regal Real Estate Investment Trust as its subsidiary.

The background to the recognition by Regal of this accounting profit and its impact on the Group's results have been disclosed in the earlier joint announcement by the Company dated 2nd December, 2010. Nevertheless, before accounting for the net contribution from Regal and other associates and the finance costs, the operating profit achieved by the Group for 2010 amounted to HK\$441.9 million, including fair value gains on the changes in the fair values of the financial assets, as compared with the corresponding amount of HK\$312.8 million (as restated) attained last year.

During the year, substantially all of the 2010 Warrants of the Company have been exercised prior to their expiry date in November. Aggregate subscription proceeds of approximately HK\$226.1 million have been received and a total of approximately 107.7 million new shares of the Company have thus been issued.

## **BUSINESS OVERVIEW**

### **PROPERTIES**

The Group has a 30% interest in Larvotto, the luxury residential development project at Ap Lei Chau Inland Lot No.129. The development has a total gross floor area of approximately 913,000 square feet, comprising 9 residential towers with 715 residential apartments and certain commercial areas on the ground floor, complemented with club house and car parking

facilities. Up to date, over 95% of the residential apartment units and about 65% of the carparks have been presold for aggregate sale consideration exceeding HK\$15 billion. The Group's interest in Larvotto is still being carried at a very low investment amount. The occupation permit for the Larvotto development was issued late last year and according to the accounting policies adopted by the Group, the profit from the sale of the units in Larvotto will be recognised by the Group when the certificate of compliance for the development is issued, which is anticipated by the end of March or in early April 2011.

When the Group sold the 75% beneficial interests in the properties at the commercial building at No.211 Johnston Road to Regal REIT in October 2009, which properties are now being operated as the Regal iClub Hotel, the Group granted an option to Regal REIT to acquire the remaining 25% interests from the Group on predetermined terms. Regal REIT has exercised the option in December 2010 to acquire from the Group the remaining 25% interests based on the pre-agreed undiscounted valuation for the properties of HK\$479.0 million and the transaction has been duly completed on 31st December, 2010.

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

With a view to replenishing the Group's land bank, the Group has recently acquired two development sites in Hong Kong. After reviewing alternative development proposals and having regard to the prosperous outlook of the lodging business in Hong Kong, it is presently intended that both sites are to be developed as hotels.

The first development site is located at Nos.132-140 Bonham Strand in Sheung Wan on Hong Kong Island. It has a site area of approximately 5,070 square feet and plans have been approved for the construction of a hotel with 199 guestrooms and suites. The Group has submitted to the Building Authority for approval revised general building plans for the development of a hotel with 240 guestrooms and suites with gross floor area of approximately 77,450 square feet. The foundation works have recently commenced and the overall construction works are scheduled to be completed in the third quarter of 2013.

The other development site is constituted by two adjoining properties located at Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, also in Sheung Wan district, with an aggregate site area of approximately 3,720 square feet. The agreements for the sale and purchase of this development property have been signed and scheduled to be completed in April and May this year, respectively. The general building plans for the proposed development of a hotel with 140 guestrooms and suites with total gross floor area of approximately 56,590 square feet will be submitted to the Building Authority for approval shortly. The overall development is expected to be completed in the second quarter of 2014.

## **CONSTRUCTION AND BUILDING RELATED BUSINESSES**

The Group operates a comprehensive range of construction and other building related business, encompassing development consultancy comprising architectural, engineering and interior design services, project management, building services, estate management as well as technology-based building management and security system and services. These business units have on the whole maintained steady performance and generated satisfactory results during the year.

## **OTHER INVESTMENTS**

As part of its principal businesses activities, the Group maintains a significant investment portfolio comprising primarily of listed investments, including the substantial investments in the shares and bonds of the Cosmopolitan group which are held for long term strategic purposes. As the market price of the Cosmopolitan shares as at 31st December, 2010 has increased above the price prevailing as at the half year end date, the gains thus arising from

the changes in the fair values of such Cosmopolitan shares and bonds have been reflected in the consolidated financial statements of the Group presented for the year under review.

## **REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED**

For the year ended 31st December, 2010, Regal achieved a consolidated profit attributable to shareholders of HK\$6,928.8 million, which is significantly above the comparative amount of HK\$448.0 million (as restated) attained for the preceding financial year. The profit achieved by Regal for the year included an accounting profit of HK\$6,637.4 million derived from the consolidation of Regal REIT as its subsidiary with effect from 23rd July, 2010.

Further information on the principal business operations and outlook of Regal, including its management discussion and analysis, was contained in Regal's announcement released on 23rd March, 2011.

## **REGAL REAL ESTATE INVESTMENT TRUST**

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

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

Further information on the principal business operations and outlook of Regal REIT, including its management discussion and analysis, was contained in Regal REIT's announcement released on 23rd March, 2011.

## OUTLOOK

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

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

The Group is expecting to receive very significant proceeds from the Larvotto development in this current financial year, which will substantially strengthen the Group's financial position and cash resources. The Group is planning to further expand its property portfolio, which may be taken on either by the Group on its own or, as deemed appropriate, to be undertaken through the proposed joint venture.

The Directors are optimistic that the rolling out of the business expansion plans will help to sustain continuing growth of the Group in the future years, thereby bringing to shareholders increasing returns.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group's significant investments and principal business activities mainly comprise property development and investment, construction and building related businesses and other investments including, in particular, its interests in Regal. The significant investments and business interests of Regal comprise hotel operation and management businesses, hotel ownership through its investment in Regal REIT, the asset management of Regal REIT, property development and investment, including the interest in the retained houses in Regalia Bay in Stanley, and other investment businesses. The performance of the Group's property, construction and building related and other investment businesses, Regal'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 "Business Overview" and "Outlook" above and in Regal's announcement released on 23rd March, 2011.

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

protect the Group's interests in the project, due to the lack of progress in resolving various issues for a prolonged period and having taken into account the complications in the overall situation, the Group's management considers it appropriate to make a further provision at the associate's level in respect of its investment in the project in the amount of HK\$801.0 million and 50% of which is directly attributable to the Group.

Net cash flows used in operating activities during the year under review amounted to HK\$184.2 million (2009 – HK\$42.7 million). Net interest receipt for the year amounted to HK\$3.9 million (2009 – HK\$0.1 million).

As at 31st December, 2010, the Group had cash and bank balances and deposits of HK\$417.1 million and no borrowings (2009 – HK\$305.1 million and no borrowings).

As at 31st December, 2010, certain ordinary shares in the listed associate with a market value of HK\$293.9 million (2009 – HK\$309.2 million) were pledged to secure general banking facilities granted to the Group.

As the Group's banking facilities were all denominated in Hong Kong dollar currency, being the same currency in which the Group's major revenues are derived, and with interest primarily determined with reference to interbank offered rates, no hedging instruments for currency or interest rates purposes have been deployed during the year under review.

Information in relation to the contingent liabilities of the Group as of 31st December, 2010 is disclosed in the annual report of the Company for the year ended 31st December, 2010 (the "2010 Annual Report"), which will be despatched to shareholders on or before 30th April, 2011. During the year under review, the Company continued to adopt similar funding, treasury and remuneration policies as disclosed in the interim report of the Company for the six months ended 30th June, 2010. Detailed information in such aspects is contained in the Company's 2010 Annual Report.

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

## **DIVIDEND**

The Directors have resolved to recommend the payment of a final dividend of HK7.5 cents per ordinary share for the year ended 31st December, 2010, representing an increase of 127.3% over the final dividend of HK3.3 cents per ordinary share paid for the last financial year. This proposed final dividend will absorb an amount of approximately HK\$84.3 million (2009 – HK\$33.6 million) and will be payable to the holders of ordinary shares on the Register of Ordinary Shareholders on 31st May, 2011.

Together with the interim dividend of HK1.5 cents (2009 – HK1.0 cent) per ordinary share paid in October 2010, total dividends per ordinary share for the year ended 31st December, 2010 will amount to HK9.0 cents, representing an increase of 109.3% over the total dividends of HK4.3 cents paid for the last financial year.

## **CLOSURE OF REGISTER**

The Register of Ordinary Shareholders will be closed from Friday, 27th May, 2011 to Tuesday, 31st May, 2011, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the proposed final dividend and be entitled to attend and vote at the forthcoming 2011 Annual General Meeting of the Company, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Tricor Tengis Limited, no later than 4:30 p.m. on Thursday, 26th May, 2011. The relevant dividend warrants are expected to be despatched on or about 17th June, 2011.

## YEAR END RESULTS

### Consolidated Income Statement

	Year ended 31st December, 2010	Year ended 31st December, 2009
	HK\$'M	HK\$'M (Restated)
REVENUE (Notes 2 & 3)	120.0	162.6
Cost of sales	(116.0)	(147.4)
Gross profit	4.0	15.2
Other income and gains (Note 3)	4.3	19.3
Fair value gains on investment properties	0.1	46.1
Fair value gains, net, on financial assets at fair value through profit or loss	468.3	317.9
Administrative expenses	(32.6)	(35.9)
Other operating expenses, net (Note 4)	(2.2)	(49.8)
OPERATING PROFIT (Notes 2 & 5)	441.9	312.8
Finance costs (Note 6)	(0.1)	(1.5)
Share of profits and losses of associates	1,709.3	119.9
PROFIT BEFORE TAX	2,151.1	431.2
Income tax (Note 7)	(0.6)	(0.6)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	2,150.5	430.6
Attributable to:		
Equity holders of the parent	2,150.5	430.6
Non-controlling interests	–	–
	2,150.5	430.6
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 9)		
Basic	HK\$2.07	HK\$0.42
Diluted	HK\$2.00	HK\$0.42

## Consolidated Statement of Comprehensive Income

	Year ended 31st December, 2010	Year ended 31st December, 2009
	HK\$'M	HK\$'M (Restated)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	2,150.5	430.6
OTHER COMPREHENSIVE INCOME/(LOSS)		
Available-for-sale investments:		
Reclassification adjustment for losses included in the consolidated income statement	–	0.7
	–	0.7
Exchange differences on translating foreign operations	2.4	–
Share of other comprehensive income/(loss) of associates	130.7	(7.2)
Other comprehensive income/(loss) for the year	133.1	(6.5)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,283.6	424.1
Attributable to:		
Equity holders of the parent	2,283.6	424.1
Non-controlling interests	–	–
	2,283.6	424.1

## Consolidated Statement of Financial Position

	31st December, 2010	31st December, 2009	1st January, 2009
	HK\$'M	HK\$'M	HK\$'M
		(Restated)	(Restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	1.6	1.8	1.9
Investment properties	0.5	0.4	358.3
Investments in associates	6,075.0	4,390.2	4,135.2
Available-for-sale investments	–	–	3.2
Financial assets at fair value through profit or loss	957.1	583.9	211.3
Loans receivable	3.2	5.5	6.5
Deferred tax assets	–	–	7.6
Deposits for purchase of properties	42.6	–	–
	<hr/>	<hr/>	<hr/>
Total non-current assets	<b>7,080.0</b>	4,981.8	4,724.0
	<hr/>	<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	213.9	116.4	121.0
Properties held for sale	6.0	6.0	6.0
Inventories	4.1	7.2	10.0
Debtors, deposits and prepayments (Note 10)	82.9	52.4	79.7
Time deposits	219.9	184.0	186.0
Cash and bank balances	197.2	121.1	92.0
	<hr/>	<hr/>	<hr/>
	<b>724.0</b>	487.1	494.7
Asset of a disposal group classified as held for sale	249.4	249.4	249.4
	<hr/>	<hr/>	<hr/>
Total current assets	<b>973.4</b>	736.5	744.1
	<hr/>	<hr/>	<hr/>

## Consolidated Statement of Financial Position (Cont'd)

	31st December, 2010	31st December, 2009	1st January, 2009
	HK\$'M	HK\$'M	HK\$'M
		(Restated)	(Restated)
<b>CURRENT LIABILITIES</b>			
Creditors and accruals (Note 11)	(49.9)	(174.0)	(100.9)
Tax payable	(3.6)	(3.6)	(3.7)
Deposits received	(217.0)	(216.9)	(221.3)
	<u>(270.5)</u>	<u>(394.5)</u>	<u>(325.9)</u>
Liability directly associated with the asset of a disposal group classified as held for sale	(98.9)	(98.9)	(98.9)
Total current liabilities	<u>(369.4)</u>	<u>(493.4)</u>	<u>(424.8)</u>
<b>NET CURRENT ASSETS</b>	<b>604.0</b>	243.1	319.3
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>7,684.0</b>	5,224.9	5,043.3
<b>NON-CURRENT LIABILITY</b>			
Interest bearing bank borrowing	–	–	(214.6)
Net assets	<u>7,684.0</u>	<u>5,224.9</u>	<u>4,828.7</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	112.4	101.9	101.9
Reserves	7,487.1	5,089.2	4,706.2
Proposed final dividend	84.3	33.6	20.4
	<u>7,683.8</u>	<u>5,224.7</u>	<u>4,828.5</u>
<b>Non-controlling interests</b>	<b>0.2</b>	0.2	0.2
Total equity	<u>7,684.0</u>	<u>5,224.9</u>	<u>4,828.7</u>

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 12 Amendments	<i>Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets (early adopted)</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>

HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
HKFRS 5 Amendments included in <i>Improvements to HKFRSs</i> issued in October 2008	Amendments to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 <i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
HK Interpretation 5	<i>Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause</i>

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

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

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

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

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

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

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

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

A former subsidiary of the Group, which has become an associate following the disposal by the Group of its 75% interest in the company in 2009, and Regal REIT, a former associate of Regal, which has become a subsidiary of Regal since 23rd July, 2010 have previously provided deferred tax on the fair value gains on their investment

properties assuming that the carrying amounts of these properties will be recovered through use. Upon the adoption of the Amendments to HKAS 12, they now measure deferred tax on investment properties assuming that their carrying amounts will be recovered through sale. The effects of the above changes are summarised below:

	<b>2010</b>	<b>2009</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
<i>Consolidated income statement</i>		
<i>for the year ended 31st December</i>		
Decrease in other income and gains	–	(16.6)
Increase in other operating expenses, net	<b>(9.9)</b>	–
Increase/(Decrease) in share of profits and losses of associates	<b>(2.0)</b>	10.1
Decrease in income tax expense	–	7.6
	<hr/>	<hr/>
Increase/(Decrease) in profit for the year	<b>(11.9)</b>	1.1
	<hr/>	<hr/>
Increase/(Decrease) in basic earnings per share	<b>HK(1.2) cents</b>	HK0.1 cent
	<hr/>	<hr/>
Increase/(Decrease) in diluted earnings per share	<b>HK(1.1) cents</b>	HK0.1 cent
	<hr/>	<hr/>
<i>Consolidated statement of financial position</i>		
<i>at 31st December</i>		
Increase in investments in associates	<b>2.1</b>	14.0
	<hr/>	<hr/>
Increase in retained profits	<b>2.1</b>	14.0
	<hr/>	<hr/>
<i>Consolidated statement of financial position</i>		
<i>at 1st January</i>		
Decrease in investments in associates		(1.6)
Increase in deferred tax assets		7.6
Decrease in deferred tax liabilities		6.9
		<hr/>
Increase in retained profits		12.9
		<hr/>

Due to the retrospective application of the amendments which has resulted in the restatement of items in the consolidated statement of financial position, a consolidated statement of financial position as at 1st January, 2009, and the related notes affected by the amendments are presented in these financial statements.

## 2. OPERATING SEGMENT INFORMATION

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

- (a) the property development and investment segment comprises the development and sale of properties, the leasing of office and commercial premises and the provision of estate agency services;
- (b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;
- (c) the hotel operation and management segment engages in hotel operations and the provision of hotel management services;
- (d) the securities investment segment engages in securities trading and investment businesses; and
- (e) the others segment mainly comprises the provision of financing services.

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

Segment assets exclude 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 tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

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

## Group

	Property development and investment		Construction and building related businesses		Hotel operation and management		Securities investment		Others		Eliminations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
		(Restated)				(Restated)								(Restated)
Segment revenue:														
Sales to external customers	5.8	12.1	92.3	148.6	18.8	0.2	3.1	1.7	-	-	-	-	120.0	162.6
Intersegment sales	-	-	-	1.3	-	-	-	-	-	-	-	(1.3)	-	-
Total	<u>5.8</u>	<u>12.1</u>	<u>92.3</u>	<u>149.9</u>	<u>18.8</u>	<u>0.2</u>	<u>3.1</u>	<u>1.7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1.3)</u>	<u>120.0</u>	<u>162.6</u>
Segment results	<u>(15.2)</u>	<u>66.3</u>	<u>7.1</u>	<u>3.8</u>	<u>(2.3)</u>	<u>(0.1)</u>	<u>470.9</u>	<u>268.4</u>	<u>3.3</u>	<u>1.5</u>	<u>-</u>	<u>-</u>	<u>463.8</u>	<u>339.9</u>
Interest income and unallocated non-operating and corporate gains													3.8	1.1
Unallocated non-operating and corporate expenses													(25.7)	(28.2)
Operating profit													441.9	312.8
Finance costs													(0.1)	(1.5)
Share of profits and losses of associates	(413.5)	(113.2)	-	-	2,122.8 *	233.1 *	-	-	-	-	-	-	1,709.3	119.9
Profit before tax													2,151.1	431.2
Income tax													(0.6)	(0.6)
Profit for the year before allocation between equity holders of the parent and non-controlling interests													<u>2,150.5</u>	<u>430.6</u>
Attributable to:														
Equity holders of the parent													2,150.5	430.6
Non-controlling interests													-	-
													<u>2,150.5</u>	<u>430.6</u>

\*The amount represents contribution from Regal.

## Group

	Property development and investment		Construction and building related businesses		Hotel operation and management		Securities investment		Others		Eliminations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'M	HK\$'M (Restated)	HK\$'M	HK\$'M	HK\$'M	HK\$'M (Restated)	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M (Restated)
Segment assets	50.8	12.1	32.7	31.1	1.1	0.1	1,179.1	700.3	3.5	6.1	-	-	1,267.2	749.7
Investments in associates	146.9	658.4	-	-	5,928.1	3,731.8	-	-	-	-	-	-	6,075.0	4,390.2
Asset of a disposal group classified as held for sale	249.4	249.4	-	-	-	-	-	-	-	-	-	-	249.4	249.4
Cash and unallocated assets													461.8	329.0
Total assets													<u>8,053.4</u>	<u>5,718.3</u>
Segment liabilities	(5.6)	(9.8)	(36.4)	(57.1)	(1.7)	(0.1)	-	(99.3)	-	-	-	-	(43.7)	(166.3)
Liability directly associated with the asset of a disposal group classified as held for sale	(98.9)	(98.9)	-	-	-	-	-	-	-	-	-	-	(98.9)	(98.9)
Unallocated liabilities													<u>(226.8)</u>	<u>(228.2)</u>
Total liabilities													<u>(369.4)</u>	<u>(493.4)</u>
Other segment information:														
Depreciation	-	-	0.5	0.5	-	-	-	-	-	-	-	-	-	-
Capital expenditure	42.6	10.8	0.1	0.5	-	-	-	-	-	-	-	-	-	-
Other non-cash income	-	-	-	-	-	-	-	-	(2.3)	(0.6)				

## Geographical information

### (a) Revenue from external customers

	<b>2010</b>	<b>2009</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Hong Kong	<b>111.7</b>	162.0
Mainland China	<b>8.3</b>	0.6
	<hr/> <b>120.0</b> <hr/>	<hr/> 162.6 <hr/>

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

### (b) Non-current assets

	<b>2010</b>	<b>2009</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
		<b>(Restated)</b>
Hong Kong	<b>6,118.4</b>	3,964.8
Mainland China	<b>1.3</b>	427.6
	<hr/> <b>6,119.7</b> <hr/>	<hr/> 4,392.4 <hr/>

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

## Information about major customers

Revenue of approximately HK\$43.7 million (2009 – HK\$80.9 million) and HK\$14.0 million (2009 – HK\$38.0 million) was derived from sales to two major customers respectively, primarily in the construction and building related businesses segment.

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

	<b>2010</b>	<b>2009</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
		<b>(Restated)</b>
<u>Revenue</u>		
Rental income:		
Investment properties	<b>4.4</b>	10.7
Properties held for sale	<b>0.4</b>	0.4
Construction and construction-related income	<b>77.5</b>	140.1
Estate management fees	<b>3.2</b>	3.1
Property development consultancy and project management fees	<b>11.6</b>	5.4
Gain from sale of listed investments at fair value through profit or loss, net	<b>2.0</b>	0.7
Dividend income from listed investments	<b>1.1</b>	1.0
Hotel operation	<b>18.8</b>	0.2
Other operations including estate agency service	<b>1.0</b>	1.0
	<hr/> <b>120.0</b> <hr/>	<hr/> 162.6 <hr/>
<u>Other income and gains</u>		
Interest income from:		
Bank balances	<b>0.6</b>	0.4
Loans receivable	<b>3.7</b>	1.5
Gain on disposal of subsidiaries	<b>–</b>	17.4
	<hr/> <b>4.3</b> <hr/>	<hr/> 19.3 <hr/>

4. Other operating expenses, net, include the following major items:

	<b>2010</b>	<b>2009</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Loss on redemption of financial assets at fair value through profit or loss	–	49.1
Loss on disposal of an associate	<b>3.9</b>	–
Reversal of impairment of loans receivable	<b>(2.3)</b>	(0.6)
	<u>                    </u>	<u>                    </u>

5. An analysis of profit/(loss) on sale of investments of the Group is as follows:

	<b>2010</b>	<b>2009</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Profit on disposal of listed investments	<b>2.0</b>	0.7
Loss on disposal of available-for-sale investments	–	(0.8)
	<u>                    </u>	<u>                    </u>

6. Finance costs of the Group are as follows:

	<b>2010</b>	<b>2009</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Interest on bank loans wholly repayable within five years	–	1.3
Other loan costs	<b>0.1</b>	0.2
	<u>                    </u>	<u>                    </u>
Total finance costs	<b>0.1</b>	1.5
	<u>                    </u>	<u>                    </u>

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

	<b>2010</b>	<b>2009</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
		<b>(Restated)</b>
Group:		
Current – Hong Kong Charge for the year	<b>0.6</b>	0.7
Deferred tax	–	(0.1)
	<hr/>	<hr/>
Total tax charge for the year	<b>0.6</b>	0.6
	<hr/>	<hr/>

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

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

The share of tax charge attributable to associates amounting to HK\$37.2 million (2009 – HK\$6.1 million, as restated) is included in “Share of profits and losses of associates” in the consolidated income statement.

Deferred tax expense has been calculated by applying the rate that is expected to apply in the year when the asset is realised or the liability is settled.

8. Dividends:

	<b>2010</b>	<b>2009</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Interim – HK1.5 cents (2009 – HK1.0 cent) per ordinary share	<b>15.5</b>	10.2
Proposed final – HK7.5 cents (2009 – HK3.3 cents) per ordinary share	<b>84.3</b>	33.6
	<b>99.8</b>	43.8

9. The calculation of basic earnings per ordinary share is based on the profit for the year attributable to equity holders of the parent of HK\$2,150.5 million (2009 – HK\$430.6 million, as restated) and on the weighted average of 1,037.2 million (2009 – 1,019.4 million) ordinary shares of the Company in issue during the year.

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2010 is based on the profit for the year attributable to equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the aggregate of the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 36.1 million that would be issued at no consideration assuming all outstanding share options and the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of the year. The exercise price of the share options of Regal outstanding during the year is higher than the average market price of the ordinary shares of Regal and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

No adjustment had been made to the basic earnings per ordinary share amount presented for the year ended 31st December, 2009 in respect of a dilution as the exercise prices of the share options of the Company and Regal and the subscription price of the warrants of the Company outstanding during that year were higher than the average market prices of the respective ordinary shares of the Company and Regal and, accordingly, they had no dilutive effect on the basic earnings per ordinary share.

10. Included in debtors, deposits and prepayments is an amount of HK\$18.2 million (2009 – HK\$7.4 million) representing the trade debtors of the Group. The aged analysis of such debtors as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2010</b>	<b>2009</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Outstanding balances with ages:		
Within 3 months	<b>18.0</b>	7.0
Between 4 to 6 months	<b>0.1</b>	0.2
Between 7 to 12 months	–	0.2
Over 1 year	<b>0.1</b>	–
	<u><b>18.2</b></u>	<u>7.4</u>

#### **Credit terms**

Trade debtors generally have credit terms of 30 to 90 days. The Group seeks to maintain strict control over its outstanding debts and overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's exposures spread over a number of counter-parties and customers, the Group has no significant concentration of credit risk.

11. Included in creditors and accruals is an amount of HK\$4.2 million (2009 – HK\$3.4 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:

	<b>2010</b>	<b>2009</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Outstanding balances with ages:		
Within 3 months	<b>4.2</b>	3.4
	<u><b>4.2</b></u>	<u>3.4</u>

The trade creditors are non-interest bearing and are normally settled within 90 days.

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

During the year ended 31st December, 2010, the Company repurchased a total of 2,010,000 ordinary shares of the Company and the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$4,441,500 at aggregate purchase prices of HK\$5,979,476 and HK\$1,772,990, respectively on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the repurchases of such ordinary shares were as follows:

### Ordinary Shares

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
September 2010	2,010,000	3.070	2.900	5,979,476
Total	2,010,000			5,979,476
		Total expenses on shares repurchased		19,107
				5,998,583

### 2010 Warrants

Month of repurchase	Amount of 2010 Warrants repurchased (HK\$)	Price per unit		Aggregate purchase price (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
September 2010	3,790,500	0.088	0.082	1,546,290
October 2010	651,000	0.081	0.065	226,700
Total	4,441,500			1,772,990
		Total expenses on 2010 Warrants repurchased		6,270
				1,779,260

All the 2,010,000 repurchased ordinary shares 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. All the repurchased 2010 Warrants carrying subscription rights in the aggregate amount of HK\$4,441,500 were cancelled during the year. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

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

## **REVIEW OF RESULTS**

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31st December, 2010, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

## **CORPORATE GOVERNANCE**

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the year ended 31st December 2010, except that:

- (1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals, due to practical necessity to cater to the Group's corporate operating structure.
- (2) The Independent Non-Executive Directors of the Company were not appointed for specific terms, but, during the period under review, arrangements had been put in place such that the Independent Non-Executive Directors would retire, and were subject to re-election, either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years. Further, following the

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

## **ANNUAL GENERAL MEETING**

An Annual General Meeting of the Company will be convened to be held on Tuesday, 31st May, 2011. The Notice of the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and sent to the shareholders of the Company, together with the Company's 2010 Annual Report, in due course.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Board comprises the following members:

***Executive Directors:***

Mr. LO Yuk Sui  
*(Chairman and Chief Executive Officer)*  
Mr. Donald FAN Tung  
*(Chief Operating Officer)*  
Mr. Jimmy LO Chun To  
Miss LO Po Man  
Mr. Kenneth NG Kwai Kai  
Mr. Kenneth WONG Po Man

***Independent Non-Executive Directors:***

Mr. Bowen Joseph LEUNG Po Wing, GBS, JP  
Mr. NG Siu Chan  
Hon Abraham SHEK Lai Him, SBS, JP  
Mr. WONG Chi Keung

By Order of the Board

**LO YUK SUI**

Chairman

Hong Kong, 24th March, 2011