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ANNOUNCEMENT OF 2008 GROUP FINAL RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

- Total revenue of HK\$280 million and gross profit of HK\$22 million for 2008.
- Group's overall results adversely affected by losses arising from fair values changes of certain investment properties and financial assets held by the Group, Regal and Regal REIT, resulting in loss for the year attributable to equity holders of the parent of HK\$468.8 million.
- The fair value losses are non-cash items and have no immediate impact on the cash flow of the Group.
- The Group maintains a solid balance sheet with net cash position.
- The Group's strategic investments in Regal and Cosmopolitan as well as the joint venture interests in the residential project in Ap Lei Chau, Hong Kong and the composite project in the Central Business District in Beijing all pose significant growth potentials and expected to generate substantial benefits in the years ahead.

PER SHARE DATA

	Year 2008
Proposed final dividend	HK2.0 cents
#Total dividends for the year	HK3.8 cents
†Adjusted net asset value per ordinary share	HK\$6.22

#the interim dividend paid for the year has been adjusted for the effect of the 10-into-1 share consolidation in October 2008

†compiled on an adjusted basis, for the purpose of reference, to restate the Group's interest in Regal based on its adjusted net assets to reflect the share of the underlying net assets of Regal REIT attributable to Regal

FINANCIAL RESULTS

For the year ended 31st December, 2008, the Group recorded a consolidated loss attributable to shareholders of HK\$468.8 million, as compared to the profit of HK\$1,413.8 million attained in 2007. As explained before, a significant part of the profit attained last year was attributable to the profit contribution from Regal Hotels International Holdings Limited, the Group's listed associate, derived from the spin-off of Regal Real Estate Investment Trust implemented in March 2007.

The loss incurred by the Group for the year under review was mainly attributable to the losses arising from the changes in the fair values of certain investment properties and financial assets held by the Group, Regal and Regal REIT which is an associate of Regal.

The decrease in the fair values of the investment properties and financial assets largely reflected the significant downturn in the financial and property market conditions in Hong Kong which, in turn, was brought about by the recent global financial crisis. These fair value losses are however non-cash items and do not have an immediate impact on the cash flow of the Group.

For the purpose of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on an adjusted basis to reflect more fairly the share of net assets as attributable to the interests held by Regal in Regal REIT, is provided in the section headed "Management Discussion and Analysis" below.

SHARE CONSOLIDATION

To achieve savings for shareholders on the trading and transaction costs for dealing in the ordinary shares of the Company, which are charged on a per board lot basis, the Company implemented earlier in October 2008 a share consolidation scheme by consolidating every 10 ordinary shares of HK\$0.01 each into 1 ordinary share of HK\$0.10. Following the share

consolidation, the issued ordinary share capital of the Company as at 31st December, 2008 comprised approximately 1,019.3 million ordinary shares of HK\$0.10 each.

REVIEW OF OPERATIONS

PROPERTIES

HONG KONG

Ap Lei Chau Inland Lot No. 129, Ap Lei Chau East

The Group has a 30% interest in this joint venture project which entails primarily residential accommodation comprising luxury apartments together with ancillary retail areas having total gross floor area of about 913,000 square feet, and complemented with recreational and car parking facilities.

The site formation and foundation works of this project have all been completed. Superstructure works have recently been commenced and are scheduled to be completed by the end of 2010.

211 Johnston Road, Wanchai

The Group retains as investment properties certain of the ground floor shops and all the office floors in this commercial building, which have an aggregate gross area of about 63,000 square feet.

The Group has recently obtained approval of the building plans from the Buildings Department for the conversion of 9 office floors in this building into a hotel with about 50 rooms. Preparatory works are underway and actual conversion works are anticipated to start shortly. Although the market valuation of this investment property as at 31st December, 2008, based on existing use without the benefit of the planned conversion project, has dropped as compared with its market valuation as at the balance sheet date in 2007, it is expected that there will be substantial appreciation in the overall value of this property after the conversion project is completed.

THE PEOPLE'S REPUBLIC OF CHINA

Development Project in the Central Business District of Beijing

This development project is held through a Sino-foreign joint venture entity that is 59%-owned by an associate which, in turn, is 50% each owned by Regal group and the Group. Based on latest available information, it is anticipated that the joint venture entity will succeed in its application to secure the award by the Beijing Municipal Bureau of Land and Resources of the primary development rights for the Phase II land site. Pending further resolution of detailed terms of joint venture with the local partner, it is hopeful that the Sino-foreign joint venture entity will be able to solidly proceed with this prominent large scale project in Beijing in the not too distant future.

CONSTRUCTION AND BUILDING RELATED BUSINESSES

CONSTRUCTION BUSINESS

Chatwin Engineering Limited, the Group's 100%-owned construction arm, continues to operate steadily and profitably during the year under review. The original contract works for the addition of new floor areas and a new swimming pool on the top portion of Regal Hongkong Hotel have already been completed, while the contract works for the construction of three additional stories on top of the Regal Riverside Hotel in Shatin as well as the Redevelopment of Sau Mau Ping Estate Phases 13 & 16 awarded by the Housing Authority

are both expected to be completed in the second quarter of this year. Despite the continued contraction of new building developments in Hong Kong, Chatwin is actively seeking to secure new construction contracts, both in the public as well as in the private sectors.

BUILDING RELATED BUSINESSES

The Group operates a comprehensive range of building related businesses, including development consultancy comprising architectural, engineering and interior design services, project management, building services, estate management as well as technology-based building management and security systems and services operated through the Leading Technology group.

The Leading Technology group is presently providing its self-developed hotel property management software systems to all the 5 Regal Hotels in Hong Kong and is at the same time expanding its client base to other hotels in Mainland China, particularly for those to be managed by Regal group.

OTHER INVESTMENTS

In February 2008, the Group subscribed for HK\$100 million of zero coupon guaranteed convertible bonds due 2013 issued by a wholly-owned subsidiary of Cosmopolitan International Holdings Limited and was granted an option to subscribe on same terms for further such bonds up to an additional principal amount of HK\$100 million.

As consideration for the disposal of the properties at Rainbow Lodge in Yuen Long, New Territories in early 2007, Cosmopolitan group issued to the Group the convertible bonds due 2009 in an aggregate principal amount of HK\$56 million and, in conjunction therewith, the Group has granted to Cosmopolitan group certain placement rights over such convertible bonds with certain sharing provisions. In August 2008, the Group completed an agreement with Cosmopolitan group for the disposal by the Group of part of the convertible bonds due 2009 in a principal amount of HK\$11 million, to a third party investor procured by Cosmopolitan group at a consideration of approximately HK\$78.6 million, equivalent to an effective disposal price of HK\$0.50 per Cosmopolitan share. Under that agreement, the

Group also sought release from Cosmopolitan group of the placement rights over part of the remaining convertible bonds due 2009 in a principal amount of HK\$7 million at a consideration of approximately HK\$29.7 million, at the same effective price of HK\$0.50 per Cosmopolitan share.

To maintain the Group's strategic position in Cosmopolitan group, the Group further subscribed in January 2009 certain zero coupon guaranteed convertible bonds due 2011 issued by Cosmopolitan group for a principal amount of HK\$28 million. The convertible bonds due 2011 are convertible into new ordinary shares of Cosmopolitan at an initial conversion price of HK\$0.30 per Cosmopolitan share and carry a redemption yield of 5% per annum. In February this year, the Group converted part of its holding of the convertible bonds due 2009 in a principal amount of HK\$14 million into 200 million new ordinary shares of Cosmopolitan. Due to considerations under the Codes on Takeovers and Mergers, the Group did not exercise the conversion rights over its remaining holding of the convertible bonds due 2009 in a principal amount of HK\$31 million, which were redeemed by Cosmopolitan group in cash at an aggregate redemption amount of approximately HK\$33.2 million on their maturity in March 2009.

Presently, the Group holds approximately 16.9% of the issued ordinary shares of Cosmopolitan and assuming that all the outstanding convertible bonds and options on convertible bonds granted by the Cosmopolitan group, including those held by the Group, are fully converted and/or exercised, the Group can hold up to approximately 25.9% of the fully diluted shareholding of Cosmopolitan. At the same time, Regal group also holds substantial interests in the securities of Cosmopolitan and, on the same fully-diluted basis, it can also come to own up to approximately 32.8% of the enlarged share capital of Cosmopolitan.

Apart from its joint venture with Regal group on the development project in Xindu District in Chengdu, Cosmopolitan group has been working on a large scale development project involving re-forestation and landscaping works in Urumqi City in Xinjiang as well as certain proposed projects in other parts of China.

As also noted in the 2008 Interim Report, the strategic investments in Cosmopolitan group is expected to provide an opportunity to the Group to share in its growth potential, while creating a platform for further business collaborations that will benefit all the three groups in the future.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2008, Regal recorded a consolidated loss attributable to shareholders of HK\$808.8 million, as compared to the consolidated profit of HK\$2,957.3 million attained in 2007 which, as explained before, included a one-off gain of HK\$2,293.5 million derived from the spin-off of Regal REIT. The loss incurred by Regal was mainly attributable to the losses arising from the changes in the fair values of certain investment properties and financial assets held by Regal group and Regal REIT.

Further information on the principal business operations and outlook of Regal, including its management discussion and analysis, is contained in Regal's announcement separately released today.

REGAL REAL ESTATE INVESTMENT TRUST

For the year ended 31st December, 2008, Regal REIT recorded a consolidated net loss before distributions to its unitholders of approximately HK\$2,150.2 million. As already explained above, the loss incurred by Regal REIT was mainly attributable to the revaluation deficit arising from the changes in the fair values of its hotel portfolio based on the independent valuer's appraisal as at 31st December, 2008. Total distributable income for the year under review amounted to approximately HK\$501.9 million, as compared to HK\$421.5 million for the period ended 31st December, 2007.

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 26th March, 2009.

OUTLOOK

Due to the adverse economic climate that persisted globally during the past year, the Group has similarly been cautious in undertaking new investments. Overall business environment in 2009 will still be volatile and challenging, and the Group is also well-prepared and maintaining a solid balance sheet with net cash position. The Group will for the time being focus its resources principally on its existing investment portfolio, though remaining watchful over new investment opportunities. Nevertheless, the Group's strategic investments in Regal and Cosmopolitan as well as the joint venture interests held in the residential project in Ap Lei Chau, Hong Kong and the composite project in the Central Business District in Beijing all pose significant growth potentials and are expected to generate substantial benefits to the Group in the years ahead.

Accordingly, the Directors remain confident of the long term prospects of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash outflow from operating activities during the year under review amounted to HK\$17.1 million (2007 – inflow of HK\$32.3 million). Net interest receipt for the year amounted to HK\$1.1 million (2007 – net interest payment of HK\$10.4 million).

Based on the consolidated balance sheet as at 31st December, 2008, the book net asset value of the ordinary shares of the Company was HK\$4.72 per share. Such book net asset value has been significantly affected by the elimination in the books of Regal of its unrealised gain on the disposal of the subsidiaries owning the hotel properties to Regal REIT in 2007 against the interest held by Regal in Regal REIT as well as the sharing by Regal of the fair value loss on the hotel properties held by Regal REIT for the year under review, which resulted in the interest held by Regal in Regal REIT having been stated at zero value as at 31st December, 2008. In order to more fairly reflect the underlying net asset value of the Group, management of the Group considers it appropriate to also present, for the purposes of reference and ease of

comparison, supplementary information on the Group's net assets position, compiled on an adjusted basis to restate the Group's interest in Regal based on its adjusted net assets to reflect the share of the underlying net assets of Regal REIT attributable to Regal. Accordingly, on the basis that Regal's interest in Regal REIT were to be stated based on the published net asset value per unit of Regal REIT of HK\$2.596 as at 31st December, 2008, the adjusted net asset value of the ordinary shares of the Company would be HK\$6.22 per share.

As at 31st December, 2008	
Book net asset value per ordinary share	HK\$4.72
Adjusted net asset value per ordinary share	HK\$6.22

As at 31st December, 2008, the Group had cash and bank balances net of borrowings of HK\$63.4 million (2007 – HK\$154.9 million).

As at 31st December, 2008, certain of the Group's investment properties with a total carrying value of HK\$358.0 million (2007 – HK\$380.0 million) and certain ordinary shares in the listed associate were pledged to secure general banking facilities granted to the Group.

As the Group's borrowings 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 maturity profile of the borrowings and the contingent liabilities of the Group as of 31st December, 2008 is disclosed in the annual report of the Company for the year ended 31st December, 2008 (the "2008 Annual Report"), which will be despatched to shareholders on or before 30th April, 2009. 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, 2008. Detailed information in such aspects is contained in the Company's 2008 Annual Report.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the sections headed “Review of Operations” and “Outlook” above.

The Group’s significant investments principally constitute its interest in Regal. The significant investments of Regal comprise its interests in the operation and management of the five Regal Hotels in Hong Kong, the investment in Regal REIT, the asset management of Regal REIT, the interest in the remaining houses in Regalia Bay in Stanley and other investment businesses. The performance of Regal and its hotel operations during the year under review, their future prospects, the commentary on the local hotel industry and changes in general market conditions and their potential impact on the operating performance, the progress and prospects on the Regalia Bay properties as well as the performance of Regal REIT are contained in Regal’s announcement separately released today.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK2.0 cents per ordinary share for the year ended 31st December, 2008 (2007 – HK4.0 cents, as adjusted for the share consolidation implemented in October 2008), absorbing an amount of approximately HK\$20.4 million (2007 – HK\$40.8 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 9th June, 2009. The final dividend being recommended is comparatively lower than that in last year as it is considered prudent for the Company to conserve cash resources under the present economic climate.

Together with the interim dividend of HK1.8 cents (as adjusted for the share consolidation) per ordinary share paid in October 2008 (2007 – HK1.8 cents, as adjusted), total dividends per ordinary share for the year ended 31st December, 2008 will amount to HK3.8 cents (2007 – HK5.8 cents, as adjusted).

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Thursday, 4th June, 2009 to Tuesday, 9th June, 2009, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the proposed final dividend, all transfers of ordinary shares and/or subscriptions of the outstanding 2010 warrants, duly accompanied by the relevant certificates together with, where appropriate, the relevant subscription moneys, must be lodged with the Company's branch registrar in Hong Kong, Tricor Tengis Limited, no later than 4:00 p.m. on Wednesday, 3rd June, 2009. The relevant dividend warrants are expected to be despatched on or about 30th June, 2009.

YEAR END RESULTS

Consolidated Income Statement

	Year ended 31st December, 2008	Year ended 31st December, 2007
	HK\$'M	HK\$'M
REVENUE (Notes 2 & 3)	280.0	334.5
Cost of sales	(258.0)	(258.3)
Gross profit	22.0	76.2
Other income and gains (Note 3)	16.5	33.9
Fair value gains/(losses) on investment properties	(22.0)	30.0
Fair value gains/(losses) on financial assets at fair value through profit or loss	(76.9)	126.6
Administrative expenses	(31.8)	(30.7)
Other operating expenses (Note 4)	(3.5)	(78.4)
OPERATING PROFIT/(LOSS) (Notes 2 & 5)	(95.7)	157.6
Finance costs (Note 6)	(5.0)	(20.4)
Share of profits and losses of associates	(371.4)	1,280.0
PROFIT/(LOSS) BEFORE TAX	(472.1)	1,417.2
Tax (Note 7)	3.3	(3.4)
PROFIT/(LOSS) FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND MINORITY INTERESTS	(468.8)	1,413.8
Attributable to:		
Equity holders of the parent	(468.8)	1,413.8
Minority interests	–	–
	(468.8)	1,413.8

DIVIDENDS

Interim	18.3	13.6
Proposed final	20.4	40.8
	<hr/> 38.7 <hr/>	<hr/> 54.4 <hr/>

EARNINGS/(LOSS) PER ORDINARY SHARE
ATTRIBUTABLE TO EQUITY HOLDERS
OF THE PARENT (Note 8)

		(Restated)
Basic	HK\$(0.46)	HK\$1.67
	<hr/> N/A <hr/>	<hr/> HK\$1.55 <hr/>
Diluted		

Consolidated Balance Sheet

	31st December, 2008	31st December, 2007
	HK\$'M	HK\$'M
NON-CURRENT ASSETS		
Property, plant and equipment	1.9	3.0
Investment properties	358.3	380.3
Interests in associates	4,136.8	4,550.0
Available-for-sale investments	3.2	10.0
Financial assets at fair value through profit or loss	211.3	308.5
Loans receivable	6.5	9.7
Total non-current assets	<u>4,718.0</u>	<u>5,261.5</u>
CURRENT ASSETS		
Financial assets at fair value through profit or loss	121.0	0.3
Properties held for sale	6.0	6.0
Inventories	10.0	3.7
Debtors, deposits and prepayments (Note 9)	79.7	75.7
Time deposits	186.0	330.2
Cash and bank balances	92.0	71.7
	<u>494.7</u>	<u>487.6</u>
Asset of a disposal group classified as held for sale	249.4	249.4
Total current assets	<u>744.1</u>	<u>737.0</u>

Consolidated Balance Sheet (Cont'd)

	31st December, 2008	31st December, 2007
	HK\$'M	HK\$'M
CURRENT LIABILITIES		
Creditors and accruals (Note 10)	(100.9)	(93.5)
Tax payable	(3.7)	(4.0)
Interest bearing bank borrowings	–	(197.0)
Deposits received	(221.3)	(221.3)
	<u>(325.9)</u>	<u>(515.8)</u>
Liability directly associated with the asset of a disposal group classified as held for sale	(98.9)	(98.9)
Total current liabilities	<u>(424.8)</u>	<u>(614.7)</u>
NET CURRENT ASSETS	<u>319.3</u>	<u>122.3</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	5,037.3	5,383.8
NON-CURRENT LIABILITIES		
Interest bearing bank borrowings	(214.6)	(50.0)
Deferred tax liabilities	(6.9)	(11.0)
Total non-current liabilities	<u>(221.5)</u>	<u>(61.0)</u>
Net assets	<u>4,815.8</u>	<u>5,322.8</u>
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	101.9	101.9
Reserves	4,693.3	5,179.9
Proposed final dividend	20.4	40.8
	<u>4,815.6</u>	<u>5,322.6</u>
Minority interests	0.2	0.2
Total equity	<u>4,815.8</u>	<u>5,322.8</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 where otherwise indicated.

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

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> and HKFRS 7 <i>Financial Instruments: Disclosures – Reclassification of Financial Assets</i>
HK(IFRIC)-Int 11	<i>HKFRS 2 – Group and Treasury Share Transactions</i>
HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	<i>HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements.

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 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> ¹
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i> ¹
HKFRS 3 (Revised)	<i>Business Combinations</i> ²
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i> ¹
HKFRS 8	<i>Operating Segments</i> ¹
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> ¹
HKAS 23 (Revised)	<i>Borrowing Costs</i> ¹
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ²
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i> ¹
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> ²
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i> ⁵
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i> ³
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i> ¹
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i> ⁴

HK(IFRIC)-Int 17 *Distribution of Non-cash Assets to Owners*²

HK(IFRIC)-Int 18 *Transfer of Assets from Customers*²

Apart from the above, the HKICPA also issued *Improvements to HKFRSs*^{*} which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1st July, 2009, other amendments are effective for annual periods beginning on or after 1st January, 2009 although there are separate transitional provisions for each standard.

¹ Effective for annual periods beginning on or after 1st January, 2009

² Effective for annual periods beginning on or after 1st July, 2009

³ Effective for annual periods beginning on or after 1st July, 2008

⁴ Effective for annual periods beginning on or after 1st October, 2008

⁵ Effective for annual periods ending on or after 30th June, 2009

^{*} Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and presentation of financial statements and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have significant impact on the Group's results of operations and financial position.

2. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No geographical segment information

is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

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

- (a) the 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 ownership/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.

[†] The listed associate of the Group, Regal, owned and operated its hotels in Hong Kong until the disposal of the hotel properties to Regal REIT for a separate listing on 30th March, 2007 and thereafter the Regal group leased the hotel properties from Regal REIT for hotel operations. Regal REIT has since then become an associate of Regal.

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

Business segments

The following table presents revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31st December, 2008 and 2007.

Group

	Property development and investment		Construction and building related businesses		Hotel ownership/ operation and management		Securities investment		Others		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	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	17.1	85.5	263.0	249.5	-	-	(0.1)	(0.5)	-	-	-	-	280.0	334.5
Intersegment sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	<u>17.1</u>	<u>85.5</u>	<u>263.0</u>	<u>249.5</u>	<u>-</u>	<u>-</u>	<u>(0.1)</u>	<u>(0.5)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280.0</u>	<u>334.5</u>
Segment results	<u>(9.6)</u>	<u>100.9</u>	<u>6.1</u>	<u>25.9</u>	<u>-</u>	<u>-</u>	<u>(67.6)</u>	<u>126.1</u>	<u>1.5</u>	<u>1.5</u>	<u>-</u>	<u>-</u>	<u>(69.6)</u>	<u>254.4</u>
Interest income and unallocated non-operating and corporate gains													3.3	9.2
Unallocated non-operating and corporate expenses													<u>(29.4)</u>	<u>(106.0)</u>
Operating profit/(loss)													<u>(95.7)</u>	<u>157.6</u>
Finance costs													<u>(5.0)</u>	<u>(20.4)</u>
Share of profits and losses of associates	(11.9)	(56.0)	-	(0.3)	(359.5)	1,336.3	-	-	-	-	-	-	<u>(371.4)</u>	<u>1,280.0</u>
Profit/(Loss) before tax													<u>(472.1)</u>	<u>1,417.2</u>
Tax													<u>3.3</u>	<u>(3.4)</u>
Profit/(Loss) for the year before allocation between equity holders of the parent and minority interests													<u>(468.8)</u>	<u>1,413.8</u>
Attributable to:														
Equity holders of the parent													<u>(468.8)</u>	<u>1,413.8</u>
Minority interests													<u>-</u>	<u>-</u>
													<u>(468.8)</u>	<u>1,413.8</u>

Business segments (continued)

Group

	Property development and investment		Construction and building related businesses		Hotel ownership/ operation and management		Securities investment		Others		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	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	366.8	389.4	83.3	68.8	-	-	335.5	310.3	7.1	10.6	-	-	792.7	779.1
Interests in associates	643.1	613.6	-	-	3,493.7	3,936.4	-	-	-	-	-	-	4,136.8	4,550.0
Asset of a disposal group classified as held for sale	249.4	249.4	-	-	-	-	-	-	-	-	-	-	249.4	249.4
Cash and unallocated assets													283.2	420.0
Total assets													<u>5,462.1</u>	<u>5,998.5</u>
Segment liabilities	(7.0)	(4.9)	(91.7)	(85.1)	-	-	-	-	-	-	-	-	(98.7)	(90.0)
Liability directly associated with the asset of a disposal group classified as held for sale	(98.9)	(98.9)	-	-	-	-	-	-	-	-	-	-	(98.9)	(98.9)
Bank borrowings and unallocated liabilities													<u>(448.7)</u>	<u>(486.8)</u>
Total liabilities													<u>(646.3)</u>	<u>(675.7)</u>
Other segment information:														
Depreciation	-	-	0.5	0.5	-	-	-	-	-	-	-	-	-	-
Capital expenditure	-	-	0.3	0.9	-	-	-	-	-	-	-	-	-	-
Other non-cash expenses	-	0.2	-	-	-	-	-	-	-	-	-	-	-	-

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

	2008 HK\$'M	2007 HK\$'M
<u>Revenue</u>		
Rental income:		
Investment properties	15.6	14.1
Properties held for sale	0.4	0.4
Construction and construction-related income	253.8	237.2
Proceeds from sale of properties	–	70.0
Estate management fees	3.4	3.4
Property development consultancy and project management fees	5.8	8.9
Loss from sale of listed investments at fair value through profit or loss, net*	(0.1)	(0.5)
Other operations including estate agency service	1.1	1.0
	<hr/> 280.0 <hr/>	<hr/> 334.5 <hr/>
<u>Other income and gains</u>		
Interest income from:		
Bank balances	2.8	5.1
Loans receivable	1.7	3.0
Others	1.0	–
Dividend income from:		
Listed investments	1.8	1.3
Unlisted investments	–	0.2
Gain on redemption of available-for-sale investments	9.0	–
Gain on disposal of subsidiaries	–	23.2
Others	0.2	1.1
	<hr/> 16.5 <hr/>	<hr/> 33.9 <hr/>

*In prior years, the Group's proceeds from sale of listed investments at fair value through profit or loss was presented under "Revenue" with the corresponding cost of sales included under "Cost of sales". During the current year, the Group has changed the presentation, as in the opinion of the Directors, it is more appropriate to include the gain/loss from sale of listed investments at fair value through profit or loss in the "Revenue" only. To conform with the current year's presentation, the revenue and cost of sales in the prior year were decreased by the same amount of HK\$19.2 million with the gross profit remaining the same.

4. Other operating expenses include the following items:

	2008 HK\$'M	2007 HK\$'M
Loss on deemed disposal of interests in the listed associate	–	76.8
Loss on disposal of financial assets at fair value through profit or loss	2.2	–
	<hr/>	<hr/>

5. An analysis of profit/(loss) on sale of investments or properties of the Group included in the operating profit/(loss) is as follows:

	2008 HK\$'M	2007 HK\$'M
Loss on disposal of listed investments	(0.1)	(0.5)
Profit on sale of properties	–	37.1
	<hr/>	<hr/>

6. Finance costs of the Group are as follows:

	2008 HK\$'M	2007 HK\$'M
Interest in respect of:		
Bank loans wholly repayable within five years	4.8	11.6
Other loans and promissory notes, wholly repayable within five years	–	8.8
	<hr/> 4.8	<hr/> 20.4
Other loan costs	0.2	–
	<hr/> 5.0	<hr/> 20.4
Total finance costs	<hr/> 5.0	<hr/> 20.4

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

	2008 HK\$'M	2007 HK\$'M
Group:		
Current – Hong Kong Charge for the year	0.8	1.1
Deferred tax expenses/(income)	(4.1)	2.3
Total tax charge/(credit) for the year	(3.3)	3.4

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2007 – 17.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31st December, 2008.

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

The share of tax charge attributable to associates amounting to HK\$0.3 million (2007 – HK\$7.7 million) is included in “Share of profits and losses of associates” on the face of the consolidated income statement.

Deferred tax expenses have 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. The calculation of basic earnings/(loss) per ordinary share is based on the loss for the year attributable to equity holders of the parent of HK\$468.8 million (2007 – profit of HK\$1,413.8 million) and on the weighted average of 1,019.2 million ordinary shares of the Company in issue during the year, as adjusted for the effect of the consolidation of ordinary shares of the Company on the basis that every ten then existing issued and

unissued ordinary shares of HK\$0.01 each were consolidated into one ordinary share of HK\$0.10 effective from 23rd October, 2008 (the “Share Consolidation”) (2007 – 849.0 million ordinary shares, as adjusted for the Share Consolidation).

No diluted loss per ordinary share is presented for the year ended 31st December, 2008 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 the year are higher than the average market prices of the respective ordinary shares of the Company and Regal and, accordingly, they have no dilutive effect on the basic loss per ordinary share. In addition, the conversion of the outstanding convertible preference shares of Regal is anti-dilutive for the year and is not included in the calculation of diluted loss per ordinary share.

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2007 was based on the profit for that year attributable to equity holders of the parent, adjusted for (i) the decrease in the Group’s proportionate interest in the earnings of the Regal group of HK\$75.4 million; and (ii) the dividend income from the convertible preference shares of Regal of HK\$1.4 million assuming all outstanding convertible bonds (including optional convertible bonds) of the Regal group and all outstanding convertible preference shares of Regal were converted into, and the subscription rights attaching to all outstanding warrants of Regal were exercised to subscribe for, ordinary shares of Regal at the beginning of that year. The weighted average number of ordinary shares used in the calculation was the aggregate of the weighted average number of ordinary shares in issue (as adjusted for the Share Consolidation) during that year, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 13.5 million (as adjusted for the Share Consolidation) that would be issued at no consideration assuming (i) all outstanding share options of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of that year; and (ii) the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for ordinary shares of the Company at the date of issue. The exercise price of the share options of Regal outstanding during that year was higher than the average market price of the ordinary shares of Regal and, accordingly, they had no dilutive effect on the basic earnings per ordinary share.

9. Included in debtors, deposits and prepayments is an amount of HK\$46.1 million (2007 – HK\$34.9 million) representing the trade debtors of the Group. The aged analysis of such debtors, based on the invoice date, is as follows:

	2008 HK\$'M	2007 HK\$'M
Outstanding balances with ages:		
Within 3 months	45.5	34.2
Between 4 to 6 months	0.6	0.8
Between 7 to 12 months	–	0.1
	<hr/> 46.1	<hr/> 35.1
Impairment	–	(0.2)
	<hr/> 46.1 <hr/>	<hr/> 34.9 <hr/>

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.

10. Included in creditors and accruals is an amount of HK\$25.6 million (2007 – HK\$14.4 million) representing the trade creditors of the Group. The aged analysis of such creditors, based on the invoice date, is as follows:

	2008 HK\$'M	2007 HK\$'M
Outstanding balances with ages:		
Within 3 months	25.6	14.4
	<hr/> 25.6 <hr/>	<hr/> 14.4 <hr/>

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31st December, 2008.

REVIEW OF RESULTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31st December, 2008, 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 of Hong Kong Limited (the "Stock Exchange") during the year ended 31st December, 2008, 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 arrangements have been put in place such that the Independent Non-Executive Directors would retire, and are subject to re-election, either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years.

ANNUAL GENERAL MEETING

An Annual General Meeting of the Company will be convened to be held on Tuesday, 9th June, 2009. 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 2008 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, 31st March, 2009