

# 2014 ANNUAL REPORT



富豪酒店國際控股有限公司

**Regal Hotels**  
International Holdings Limited

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

# Contents

2	Corporate Information
3	Directors' Profile
6	Chairman's Statement
37	Management Discussion and Analysis
46	Report of the Directors
62	Corporate Governance Report
71	Financial Statements
71	Consolidated Statement of Profit or Loss
72	Consolidated Statement of Comprehensive Income
73	Consolidated Statement of Financial Position
75	Consolidated Statement of Changes in Equity
77	Consolidated Statement of Cash Flows
79	Statement of Financial Position
80	Notes to Financial Statements
171	Independent Auditors' Report
173	Schedule of Principal Properties
179	Published Five Year Financial Summary

# Corporate Information

## DIRECTORS

### *Executive Directors*

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Lo Po Man

(Vice Chairman and Managing Director)

Belinda Yeung Bik Yiu

(Chief Operating Officer)

Donald Fan Tung

Jimmy Lo Chun To

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

Japhet Sebastian Law

Ng Siu Chan

Wong Chi Keung

## AUDIT COMMITTEE

Wong Chi Keung (Chairman)

Francis Choi Chee Ming, GBS, JP

Alice Kan Lai Kuen

Japhet Sebastian Law

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

Australia and New Zealand Banking Group Limited

United Overseas Bank Limited, Hong Kong Branch

## PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited

The Belvedere Building, 69 Pitts Bay 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

The Belvedere Building, 69 Pitts Bay Road

Pembroke HM08, Bermuda

## HEAD OFFICE AND PRINCIPAL

### PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street

Causeway Bay, Hong Kong

Tel: 2894 7888

Fax: 2890 1697

Website: [www.regal.com.hk](http://www.regal.com.hk)

# Directors' Profile

**Mr. Lo Yuk Sui**, aged 70; *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 an executive director, the chairman and the chief executive officer of Century City International Holdings Limited (“CCIHL”) (the ultimate listed holding company of the Company), Paliburg Holdings Limited (“PHL”) (the immediate listed holding company of the Company) and Cosmopolitan International Holdings Limited (“Cosmopolitan”) (the listed fellow subsidiary of the Company), and a non-executive director and the 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 Miss Lo Po Man and Mr. Jimmy Lo Chun To.

**Miss Lo Po Man**, aged 35; *Vice Chairman and Managing Director* — Joined the Group in 2000 and appointed to the Board in 2004. Miss Lo has been a Vice Chairman and the Managing Director of the Company since 2013. She is also an executive director and a vice chairman of CCIHL, an executive director of PHL, an executive director and a vice chairman of Cosmopolitan, and a non-executive director and the vice chairman of RPML. Miss Lo graduated from Duke University, North Carolina, the United States, with a Bachelor’s Degree in Psychology. Miss Lo is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing function of the Group and also undertakes responsibilities in the business development of the Century City Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

**Dr. Francis Choi Chee Ming**, *GBS, JP*, aged 69; *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’s 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. Dr. Choi is also the vice chairman and non-executive director of Town Health International Medical Group Limited, a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

**Ms. Belinda Yeung Bik Yiu**, aged 56; *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, Board Member of the Hong Kong Tourism Board, First Vice Chairman of the Federation of Hong Kong Hotel Owners, Fellow of The Hong Kong Polytechnic University (“PolyU”), Chairman of the Industry Advisory Committee of PolyU’s School of Hotel & Tourism Management and Honorary Fellow of the Vocational Training Council.

## Directors' Profile (Cont'd)

**Mr. Donald Fan Tung**, aged 58; *Executive Director* — Appointed to the Board in 2002. Mr. Fan is a qualified architect. He has been with the Group since 1987 and is primarily in charge of the property investment and development businesses and the hotel project works of the Group. Mr. Fan is also an executive director of CCIHL, an executive director and the chief operating officer of PHL and a non-executive director of RPML. Mr. Fan is involved in the property development, architectural design and project management functions as well as overseeing the building construction business of the PHL group.

**Ms. Alice Kan Lai Kuen**, aged 60; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. She is also an independent non-executive director of Cosmopolitan. 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 Asia Investment Management Limited, Asia Investment Research Limited and Lotus Asset Management Limited. She will cease to be a responsible officer of Lotus Asset Management Limited with effect from 1st April, 2015. 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 also an independent non-executive director of China Engene International (Holdings) Limited, Shimao Property Holdings Limited and Shougang Concord International Enterprises Company Limited, all of which are companies listed on the Stock Exchange, and an independent director of AVIC International Maritime Holdings Limited, a company listed on Singapore Exchange Securities Trading Limited.

**Professor Japhet Sebastian Law**, aged 63; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2012. Professor Law obtained his Ph.D. in Mechanical/Industrial Engineering from The University of Texas at Austin in 1976. He joined The Chinese University of Hong Kong in 1986 and was a professor in the Department of Decision Sciences and Managerial Economics and the director of the Aviation Policy and Research Center until his retirement since August 2012. He was also the associate dean and subsequently the dean of the Faculty of Business Administration of The Chinese University of Hong Kong from 1993 to 2002. Prior to returning to Hong Kong, Professor Law was the director of operations research at the Cullen College of Engineering and director of graduate studies in Industrial Engineering at the University of Houston, and he was also involved with the United States Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. Professor Law has acted as a consultant for various corporations in Hong Kong and overseas. He is active in public services, having served as a member of the Provisional Regional Council of the Government of the Hong Kong Special Administrative Region and various other government advisory committees, and he is also active in serving on the boards of for-profit, non-profit, public and charitable organisations in Hong Kong and overseas. Professor Law is currently an independent non-executive director of Beijing Capital International Airport Company Limited, Binhai Investment Company Limited, Global Digital Creations Holdings Limited, Shanghai La Chapelle Fashion Co., Ltd., Shougang Fushan Resources Group Limited, Tianjin Binhai Teda Logistics (Group) Corporation Limited and Tianjin Port Development Holdings Limited, all of which are companies listed on the Stock Exchange. Professor Law has also served on various committees and boards of international organisations, including The Association to Advance Collegiate Schools of Business, Graduate Management Admission Council and Oxfam International.

**Mr. Jimmy Lo Chun To, aged 41; Executive Director** — Appointed to the Board in 1999. Mr. Jimmy Lo is also an executive director and a vice chairman of CCIHL, an executive director, the vice chairman and the managing director of PHL, an executive director and a vice chairman and the managing director of Cosmopolitan, and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. He joined the Century City Group in 1998. Mr. Jimmy Lo is primarily involved in overseeing the Group's property projects in the People's Republic of China (the "PRC") and, in addition, undertakes responsibilities in the business development of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

**Mr. Kenneth Ng Kwai Kai, aged 60; 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 Cosmopolitan, and a non-executive director of RPML.

**Mr. Ng Siu Chan, aged 84; 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 a company listed on the Stock Exchange.

**Mr. Allen Wan Tze Wai, aged 56; 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's 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 over 30 years of experience in finance and accounting field.

**Mr. Wong Chi Keung, aged 60; 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, Golden Eagle Retail Group Limited, TPV Technology Limited, Yuan Heng Gas Holdings Limited and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 31 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, 2014.

## FINANCIAL RESULTS

For the year ended 31st December, 2014, the Group achieved a consolidated profit attributable to shareholders of HK\$410.3 million, an increase of approximately 60% as compared to the profit of HK\$256.9 million attained in 2013.

During the year under review, the core hotel operations of the Group continued to attain satisfactory performance, despite some adverse effects on the business operations of certain of the Group's hotels during the "Occupy Central" activity in the last quarter of 2014, which was traditionally the high season for the hotel sector. The operating profit before depreciation, finance costs and tax for the year amounted to HK\$1,160.4 million, as compared to HK\$1,058.3 million for the preceding year. Depreciation charges on the Group's hotel properties amounted to HK\$420.7 million in 2014 which, though not of a cash nature, have nonetheless adversely affected the reported profit.

Having regard to the material difference between the carrying values of the Group's hotel property portfolio, which are subject to accumulated depreciation charges, and their fair values as at 31st December, 2014, shareholders could refer to the Adjusted Net Asset Value Statement presented in the section headed "Management Discussion and Analysis" below, which showed for the purpose of reference that, if all such hotel properties were to be stated at their independent professional market valuations as at 31st December, 2014, the underlying adjusted net asset value of the Company would amount to HK\$20.17 per share.

### BUSINESS OVERVIEW

#### HOTELS

##### MARKET OVERVIEW

During the year under review, the worldwide economy showed signs of divergence. In late October 2014, the US Federal Reserve officially ended the "QE3", in the light of a gradual recovery in the US economy; while the economies in the Eurozone and Japan remained stagnant. In the People's Republic of China, Gross Domestic Product (GDP) increased by 7.4% year-on-year, representing a drop of 0.3% as compared to the preceding year. Meanwhile, the GDP of Hong Kong increased moderately by 2.3%, but reflecting a negative growth of about 0.6% as compared to 2013.

In 2014, visitor arrivals to Hong Kong surged by 12.0% year-on-year to a total of over 60.8 million, with visitors from the Mainland China accounting for more than 77% of the total count. More than half of the visitor arrivals were same day visitors, which have no direct impact on the local hotel sector. Based on a hotel survey published by the Hong Kong Tourism Board, the average hotel occupancy rate for all the surveyed hotels in different categories for 2014 was 90%, a year-on-year increase of 1% over 2013, while the industry-wide achieved average room rate recorded a slight upward adjustment of 1.8%.

##### HOTEL OWNERSHIP

##### REGAL REAL ESTATE INVESTMENT TRUST

As at 31st December, 2014, the Group held approximately 74.6% of the total outstanding issued units of Regal REIT while Regal Portfolio Management Limited, a wholly owned subsidiary of the Group, acts as the REIT Manager.

For the year ended 31st December, 2014, Regal REIT achieved a consolidated net profit before distributions to unitholders of HK\$238.5 million, as compared to HK\$342.6 million recorded for the year 2013. The decrease in the consolidated net profit reported for 2014 was attributable to an accounting loss of HK\$266.9 million arising mainly from the fair value changes in the appraised values of the initial Regal Hotels portfolio between the two year end dates, having taken into account the amount of capital expenditure incurred. If the effects of these fair value changes are excluded, the core profit before distributions to unitholders for the year under review would amount to HK\$505.4 million, representing an increase of 16.6% over the corresponding amount of HK\$433.3 million for the year 2013. Benefitting from the increased rental income, including the new rental receipts from the two latest iclub Hotels in Sheung Wan and Fortress Hill acquired in 2014, the total distributable income for the year under review amounted to HK\$532.9 million, which was an increase of 7.2% over the HK\$497.1 million reported last year.



The five initial Regal Hotels in Hong Kong, as well as the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel both acquired in 2014, are leased to a wholly owned subsidiary of the Group. The iclub Wan Chai Hotel – which is owned and self-operated by Regal REIT, continued to enjoy strong demand and maintained virtually full occupancy for the second consecutive year, although its average room rate was modestly down by 2.6% due to keen competition within the Wan Chai area.

The latest acquisitions by Regal REIT have increased the coverage of its hotel property portfolio on select-service hotels in strategic locations, enabling it to capture a wider range of business and leisure visitors. Regal REIT now owns a total of eight operating hotels in Hong Kong, boosting an aggregate of 4,569 guestrooms and suites.

The amendments to the Code on Real Estate Investment Trusts proposed by the Securities and Futures Commission, which will allow REITs in Hong Kong to undertake property development activities and to invest in certain financial instruments subject to prescribed thresholds and control measures, became effective from 29th August, 2014. Accordingly, the REIT Manager has proposed corresponding changes to the Trust Deed constituting Regal REIT which, if approved by the unitholders of Regal REIT at its extraordinary general meeting to be held on 14th April, 2015, will provide flexibility to Regal REIT with an expanded investment scope in line with the amendments to the REIT Code. Details of the proposed changes are contained in a circular to the unitholders of Regal REIT dated 13th March, 2015.

### HOTEL OPERATIONS

The Group's hotel operations enjoyed positive growth during the first nine months of 2014, but the hotel business was unfortunately affected by the "Occupy Central" activity from late September to mid-December 2014, which was traditionally the high season. Nevertheless, the combined average occupancy rate for the five initial Regal Hotels for the year 2014 as a whole was maintained at 92.4% as compared to 90.2% in 2013, while the average room rate enhanced by 2.6% year-on-year, both outperforming the industry average. The total net property income generated by these hotels for the year amounted to HK\$918.1 million, which represented an excess of HK\$175.1 million over the aggregate annual base rent of HK\$743.0 million, 50% of which was attributable to Regal REIT as variable rent.

As mentioned above, the wholly owned lessee of the five initial Regal Hotels has also leased the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel from Regal REIT for hotel operations. These two hotels commenced business operations in June and September 2014, and maintained for the period to 31st December, 2014 an occupancy level of about 90.0% and 82.3%, respectively, which could be considered as satisfactory for new starters, taking into consideration the impact of the "Occupy Central" activity. Under the agreed arrangements with P&R Holdings Limited, a 50:50 joint venture established by the Company with Paliburg Holdings Limited and which is the vendor of the hotels, any shortfall in the income from the operation of the two hotels below the lease payments payable by the lessee during the first three years of the lease term will be fully reimbursed by P&R Holdings.

The rental review for the leasing of the five initial Regal Hotels for 2015 was completed in August 2014. The aggregate annual base rent for 2015 has been determined at HK\$763.0 million, reflecting a moderate increase of 2.7% over the annual base rent of HK\$743.0 million for 2014, with variable rent continuing to be based on 50% sharing of the excess of the aggregate net property income of the initial hotels over the aggregate base rent.

The existing leases of these five hotels are due to expire on 31st December, 2015. The Group has recently entered into various conditional supplemental agreements with Regal REIT, essentially to extend the lease term to 31st December, 2020, with the Market Rental Packages for the extended term continuing to be determined annually by a jointly appointed independent professional property valuer. The lease extensions are subject to approval by the independent unitholders of Regal REIT at its EGM on 14th April, 2015. Detailed information regarding these lease extensions is also contained in the circular to the unitholders of Regal REIT dated 13th March, 2015.

Hotel ownership business within the Group is, and will continue to be, principally conducted through Regal REIT, but under its current investment strategy, Regal REIT would normally acquire only those hotel and property assets that are income producing and yield accretive. In October 2014, the Group acquired, through a wholly owned subsidiary, the La Mola Hotel & Conference Centre located in Barcelona, Spain, a property that was incurring operating loss and in a distressed financial situation. The property is a 4-star luxury hotel completed in 2008 with about 186 rooms situated on the outskirts of Barcelona neighbouring a major category golf course. The property is now operating under the management of the Group and a revamping programme for this property is being planned. As the hotel was acquired by the Group at a price significantly below its replacement cost and the independent market valuation, a gain on bargain purchase of approximately HK\$35.0 million arising from this acquisition has been accounted for in the financial results for the year under review.

The Group will continue to invest resources in the enhancement of the marketing network and internet connectivity of its hotels, with the aim to increasing the share of the online bookings through our own reservation platform, which could further improve profit margins.

### **HOTEL MANAGEMENT**

All the five full-service Regal Hotels as well as the three select-service iclub hotels operating in Hong Kong are managed by Regal Hotels International Limited, the wholly owned management arm of the Group in Hong Kong.

The Group is managing six operating hotels in the PRC, four in Shanghai, one in Dezhou and the latest one, the Regal Airport Hotel, Xi'an, which was soft opened in February 2015. Three more hotels to be managed by the Group are scheduled to be opened later within this year, respectively, the Regal Kangbo Hotel and Residence in Dezhou, the Regal Financial Center Hotel in Foshan and the iclub Yuhong Hotel in Zhengzhou, while six other hotels will be in the pipeline for opening in 2016 and 2017.

As mentioned above, the Group is also directly managing the La Mola Hotel & Conference Centre in Barcelona.

### PROPERTIES

During the year under review, newly built smaller-sized residential apartment units in Hong Kong continued to be in strong demand, while the property market for the other sectors as a whole has been affected by the hefty stamp duty levied by the Government, particularly for non-local residents. The Government of Hong Kong plans to maintain a steady supply of development lands, in an attempt to balance the supply and demand, through government land tenders. Like in the past, the Group will continue to actively participate in these government tenders, primarily through P&R Holdings.

The residential project at Tan Kwai Tsuen Road in Yuen Long under development by P&R Holdings is expected to be completed in the second quarter of this year. The project provides a total of 170 residential units, comprising 36 luxurious garden houses and 134 studio apartment units. The application for the presale consent has been submitted, which is anticipated to be issued in the near future. The presale programme for the apartment units is planned to be launched shortly after the presale consent is obtained, to be followed by the garden houses. The other development projects of P&R Holdings, covering residential, commercial/residential, shopping mall and hotel developments, are on the whole also progressing steadily.

Further details on the development projects and properties of P&R Holdings are contained in the section headed "Management Discussion and Analysis" in this Annual Report.

The Group still owns 19 luxury garden houses in Regalia Bay, Stanley, which command substantial values. Due to the hefty transaction duties imposed by the Government, the property market for the high end residential sector in Hong Kong was relatively weak as compared to the lower end sector. Given the scarcity of supply of garden houses on the Hong Kong Island, the Group is hopeful that the values of the retained houses in Regalia Bay will gradually appreciate. In the meantime, 4 of these retained houses are under leases to external parties for rental income.

### OTHER INVESTMENTS

The Group maintains a sizable portfolio of listed securities and other investments, including the investment in approximately 10% of the issued shares of Asia Standard Hotel Group Limited, a company listed in Hong Kong principally engaged in hotel and investment businesses.

The Group has over the past two years been actively working to expand its investments in the aircraft leasing business, with a view to supplementing the Group's earnings base with an additional recurrent income stream. The Group first acquired in December 2012 an Airbus A321-211 and then in July 2013, through an 85% owned subsidiary, another Airbus A321-200. The two aircraft have been leased to two separate airline operators yielding satisfactory lease income.

More recently, in September 2014, the Group entered into a Proposal Letter with a third party seller that is a wholly owned subsidiary of Embraer S.A., an aircraft manufacturer, for the proposed acquisition of a fleet of eighteen passenger aircraft manufactured by Embraer S.A.. After further negotiations with the seller based on the terms of the Proposal Letter and the subsequent Purchase Agreement, the Group has completed in February 2015 the acquisition of twelve Embraer aircraft, out of the original fleet of eighteen aircraft, at an adjusted aggregate purchase price of US\$34.5 million. All these twelve aircraft are under leases to different airline operators operating in South Africa, the United States of America, Lithuania, Australia and Mexico, with lease rentals fixed at satisfactory levels. Detailed information regarding this acquisition is contained in the various joint announcements on this subject matter recently published by the Company.

The Group may consider investing further in the aircraft leasing business if and when there are appropriate investment opportunities.

### OUTLOOK

In order for the tourism industry in Hong Kong to continue to flourish, the support from the Hong Kong Government and its continuing commitment to invest in infrastructural developments are most crucial. In addition to the projects under construction, such as the Hongkong-Zhuhai-Macao Bridge and the 26-km long Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link which promote expedient connections with Macao and the Mainland, the Government is expanding the local mass transportation railway network by building the West Island line, the South Island line and the Shatin to Central Link and has just approved the construction of a third runway at the Hong Kong International Airport. The Government is also carrying out infrastructure work at the former Kaitak airport area to tie in with the development of the "hotel belt" adjacent to the Kai Tak Cruise Terminal. At the same time, both theme parks in Hong Kong, Disneyland and Ocean Park, are pressing ahead with expansion plans. All these infrastructural and tourism developments will have significant and positive contributions to the tourism and hospitality sectors in Hong Kong.

Regal REIT is hopeful that the Hong Kong Government will continue to commit sufficient resources to enhance and upgrade its infrastructural facilities, to ensure that Hong Kong will have sufficient capacities to accommodate and serve the demands of an increasing number of global and regional visitors to Hong Kong, maintaining its long-held reputation as a much favoured shopping, sightseeing and entertainment destination. The REIT Manager is optimistic that the tourism and hotel markets in Hong Kong will continue to prosper, albeit there could be some short term ripples. Being the only listed hospitality REIT with market concentration in Hong Kong, the REIT Manager is committed to maintaining Regal REIT's leading position as one of the pre-eminent hotel owners in Hong Kong. The REIT Manager will actively search for new business opportunities that will generate good investment returns and long term capital appreciation.

The recent incidents in Hong Kong directed against visitors from Mainland have aroused some negative publicity and widespread concerns. As one of the indicators on the level of economic activities, the volume of retail sales in Hong Kong has shrunk by about 14.6% year-on-year in January 2015, based on the statistics released by the Hong Kong Government. However, with the Group's hotels distributed in different strategic locations, catering to a wide spectrum of business and tourist clientele, the business operations of the Group's hotels have on the whole attained steady performance during the first two months of 2015. The Group is confident that Hong Kong will be able to maintain its position as an international financial centre and a favoured tourist destination and remains positive on the outlook of the hotel business in Hong Kong.

The Group has a very solid asset base with a strong recurring income stream and is well placed to meet any potential challenges. The Group will continue to pursue, with prudence, suitable business expansion opportunities that will be beneficial to the Group in sustaining further growth.

## Chairman's Statement (Cont'd)

### DIRECTORS AND STAFF

Finally, I would like to express my gratitude to my fellow colleagues on the Board for their valuable contribution and to all management and staff members for their persistent efforts.

### LO YUK SUI

Chairman

Hong Kong  
24th March, 2015



# REGAL AIRPORT HOTEL

CHEK LAP KOK • HONG KONG



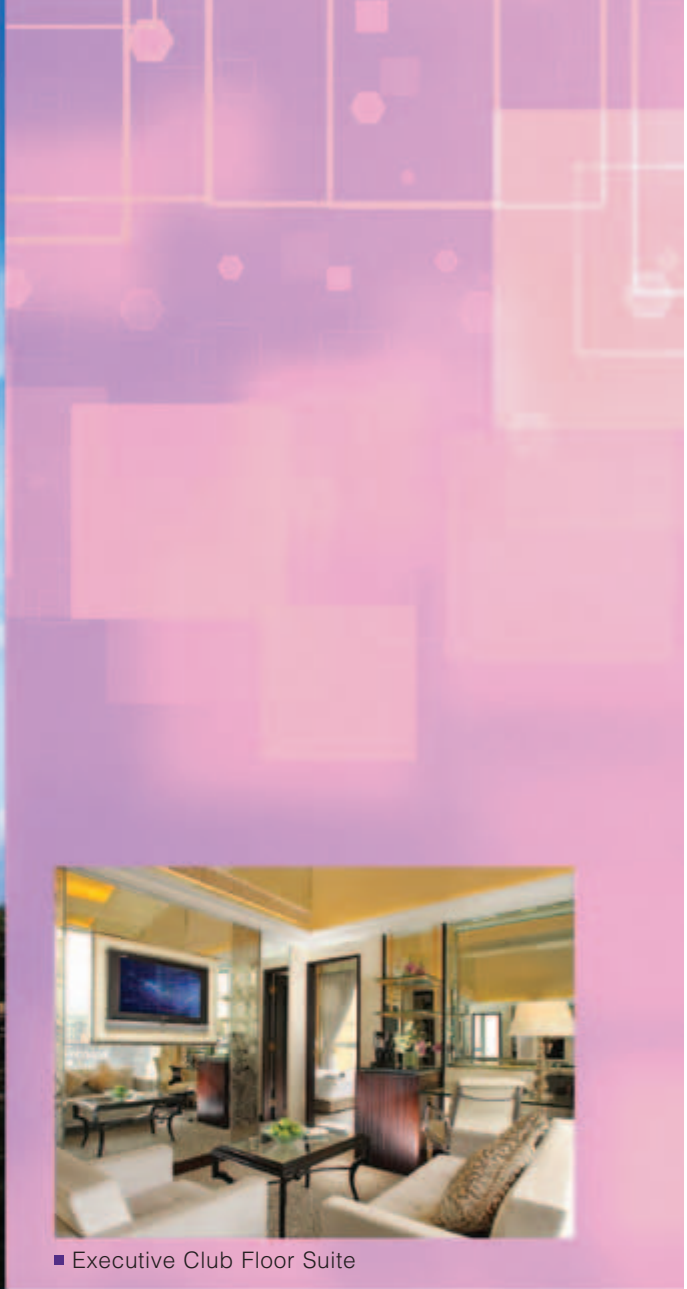
■ Hotel Lobby



■ Rouge



■ Grand Ballroom



■ Executive Club Floor Suite

# REGAL HONGKONG HOTEL

CAUSEWAY BAY • HONG KONG



■ Regal Ballroom



■ Alto 88



# REGAL KOWLOON HOTEL

TSIMSHATSUI • HONG KONG



■ Hotel Lobby



■ Versailles Ballroom



■ Presidential Suite





■ Presidential Suite

## REGAL ORIENTAL HOTEL

KOWLOON CITY • HONG KONG



■ Oriental Ballroom



■ The China Coast Pub + Restaurant



# REGAL RIVERSIDE HOTEL

SHA TIN • HONG KONG



■ Deluxe Suite



■ Riverside Ballroom



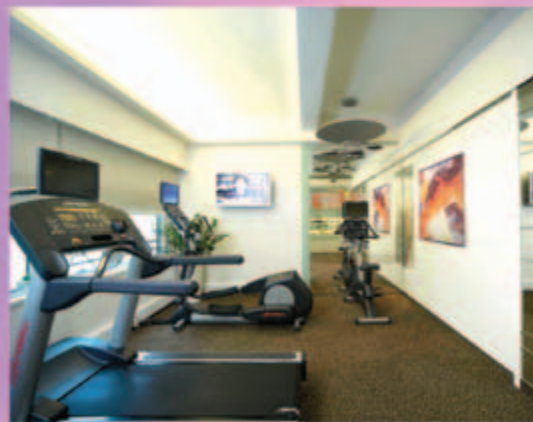
■ Aji Bou Izakaya



■ iResidence



■ iLounge



■ Sweat Zone

# iclub WAN CHAI HOTEL

WAN CHAI • HONG KONG





■ Hotel Lobby



■ iPlus Premier



■ Sweat Zone

## iclub SHEUNG WAN HOTEL

SHEUNG WAN • HONG KONG



■ Hotel Lobby



■ iSelect



■ iLounge

# iclub FORTRESS HILL HOTEL

FORTRESS HILL • HONG KONG



# LA MOLA HOTEL & CONFERENCE CENTRE

BARCELONA • SPAIN



■ Conference Room



■ Lounge



■ Deluxe Room with Balcony



■ Emerald Ballroom

# REGAL INTERNATIONAL EAST ASIA HOTEL

SHANGHAI • MAINLAND CHINA



■ Premier Room



■ Bowling Alley



# REGAL SHANGHAI EAST ASIA HOTEL

SHANGHAI • MAINLAND CHINA



■ Regal Club Suite

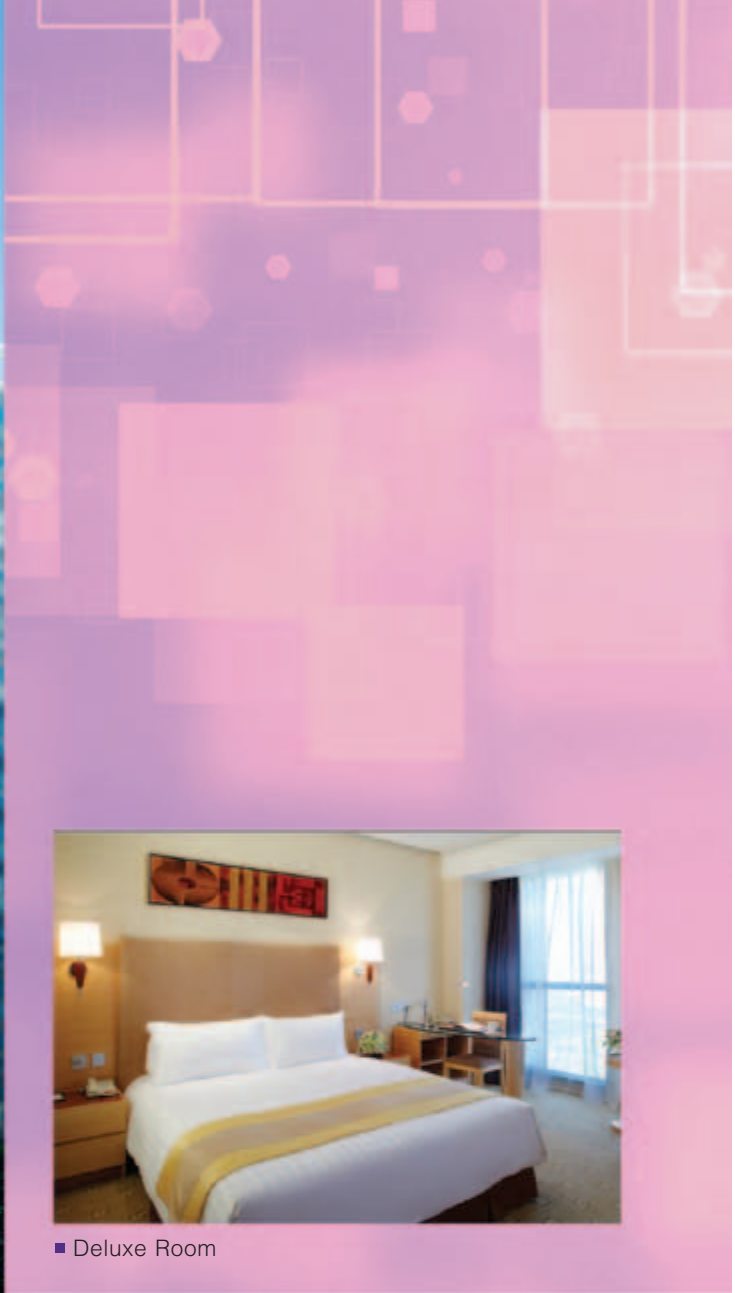


■ Tiffany Lounge



■ South Hall





■ Deluxe Room

# REGAL JINFENG HOTEL

SHANGHAI • MAINLAND CHINA



■ Regal Court



■ Rivoli Café





■ Deluxe Suite

# REGAL PLAZA HOTEL & RESIDENCE

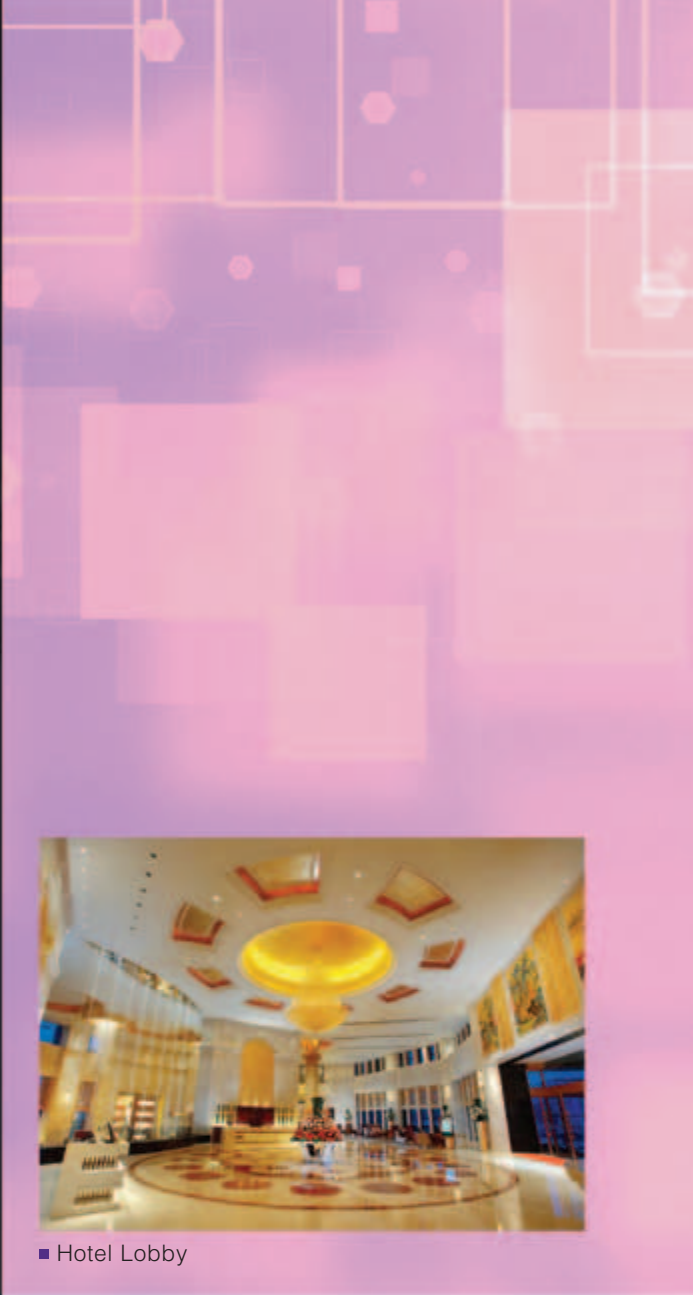
SHANGHAI • MAINLAND CHINA



■ iLounge



■ Forum



■ Hotel Lobby

# REGAL KANGBO HOTEL

DEZHOU • MAINLAND CHINA



■ Business Centre



■ Asian Delights



# REGAL AIRPORT HOTEL, XI'AN

XI'AN • MAINLAND CHINA



■ Regal Ballroom



■ Tiffany Lounge



■ Deluxe Room



# REGALIA BAY

STANLEY • HONG KONG



■ Dining Room



■ Study Room



■ Living Room in a garden house

# JOINT VENTURE DEVELOPMENTS



- Residential development at Lot No. 4309 in Demarcation District No. 124, Tan Kwai Tsuen Road, Yuen Long, New Territories - nearing completion

## RESIDENTIAL / COMMERCIAL DEVELOPMENTS

HONG KONG

\* Artist impression



- Domus, the apartment units in the residential development at Tan Kwai Tsuen Road, Yuen Long (\*)



- Swimming pool in the clubhouse of the residential development at Tan Kwai Tsuen Road, Yuen Long (\*)



■ Luxurious residential development at Sha Tin Town Lot No. 578, Area 56A, Kau To, Sha Tin, New Territories - foundation works in progress (\*)

## RESIDENTIAL / COMMERCIAL DEVELOPMENTS HONG KONG

\* Artist impression



■ The shopping mall at Sha Tin Town Lot No. 482 at Po Tai Street, Ma On Shan, Sha Tin, New Territories - foundation works in progress (\*)

■ Commercial/residential development at Nos. 69-83 Shun Ning Road, Sham Shui Po, Kowloon - foundation works in progress (\*)

## HOTEL DEVELOPMENTS HONG KONG



- Hotel development at Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon - superstructure works in progress (\*)



- Hotel development at Nos. 5 - 7 Bonham Strand West and Nos. 169 - 171 Wing Lok Street, Sheung Wan - foundation works completed (\*)

\* Artist impression



## COMPOSITE DEVELOPMENT CHENGDU • MAINLAND CHINA



■ Commercial towers in the first stage of the composite development in Xindu District, Chengdu, Sichuan (\*)

\* Artist impression



■ Three residential towers in the first stage of the composite development - superstructure works in progress



■ Regal Xindu Hotel, a five-star hotel in the first stage of the composite development - superstructure works in progress



■ Lobby of Regal Xindu Hotel (\*)

## COMPOSITE DEVELOPMENT TIANJIN • MAINLAND CHINA



■ Lobby of the residential block in the composite development (\*)



■ The interior of a residential apartment in the composite development (\*)



■ A composite commercial / office / residential development in a prime district in Tianjin (\*)



■ Piling works for the composite development in Tianjin already completed

\* Artist impression

# OTHER INVESTMENTS

## AIRCRAFT OWNERSHIP AND LEASING



■ Airbus A321-211



■ Airbus A321-200



■ E175 Embraer Aircraft



■ ERJ 145 Embraer Aircraft



■ ERJ 135 Embraer Aircraft

# COMING ADDITIONS



■ Regal Kangbo Hotel & Residence (2015)  
- Dezhou, Mainland China (\*)



\* Artist impression

■ Regal Financial Center Hotel (2015)  
- Foshan, Mainland China (\*)



■ Regal Yuhong Hotel (2016)  
- Zhengzhou, Mainland China (\*)



■ Regal Royale Hotel (2016)  
- Kunshan, Mainland China (\*)

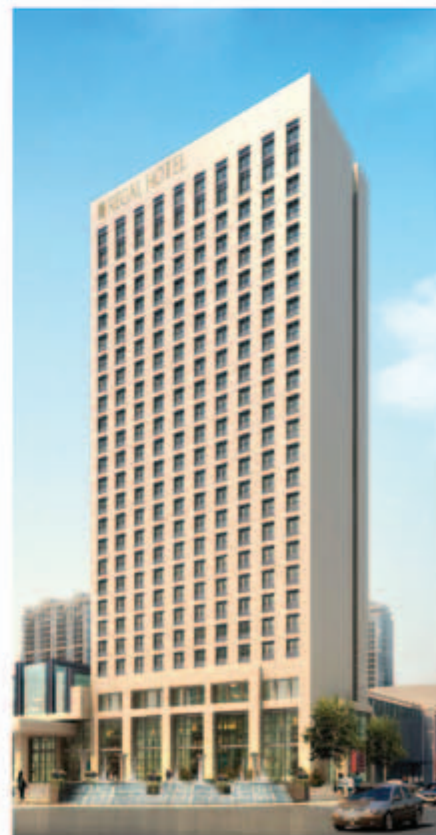
\* Artist impression



■ Regal Times Hotel, Yantai (2016)  
- Yantai, Mainland China (\*)



■ Regal World Trade Center Hotel (2016)  
- Anyang, Mainland China (\*)



■ Regal Weinan Hotel (2017)  
- Weinan, Mainland China (\*)

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise hotel ownership business undertaken through Regal Real Estate Investment Trust ("Regal REIT"), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken 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 investments including financial assets investments, and aircraft ownership and leasing business.

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 hotel and property sectors and the 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, and in this section.

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 section.

## JOINT VENTURE – P&R HOLDINGS LIMITED

P&R Holdings is a 50:50 owned joint venture established with Paliburg Holdings Limited ("PHL"), with capital contributions to be provided by the Company and PHL on a pro-rata basis in accordance with their respective shareholdings in P&R Holdings. The business scope of P&R Holdings is the development of real estate projects for sale and/or leasing, the undertaking of related investment and financial activities, and the acquisition or making of any investments (directly or indirectly) in the financial assets of or interests in, or extending loans to, any private, public or listed corporations or undertakings that have interests in real estate projects or other financial activities where the underlying assets or security comprise real estate properties.

Further information relating to the property development projects being undertaken and properties owned by the P&R Holdings group is set out below:

### Hong Kong

Apart from the Shun Ning Road development project in Sham Shui Po, Kowloon, which is being undertaken pursuant to a joint venture contract awarded by the Urban Renewal Authority of Hong Kong, all of the following ongoing development projects and properties are wholly owned by P&R Holdings group.

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

This residential project has a site area of approximately 11,192 square metres (120,470 square feet) and will provide a total of 170 units, comprising 36 luxurious garden houses and a low-rise apartment block with 134 studio units, having aggregate gross floor area of approximately 11,192 square metres (120,470 square feet). The superstructure works have been completed and the occupation permit is expected to be issued in the second quarter of 2015. The application for presale consent has been submitted. The presale programme for the apartment units will first be launched when the presale consent is obtained, to be followed by the garden houses.

## Management Discussion and Analysis (Cont'd)

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

The properties have an aggregate site area of approximately 345 square metres (3,710 square feet) and are planned for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet). The foundation works have been completed but due to some technical difficulties encountered in relation to the adjoining party wall, the progress of the construction works has been delayed.

### *Nos.8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon*

The properties have an aggregate site area of approximately 700 square metres (7,535 square feet) and is being developed into a hotel with 340 guestrooms, having total gross floor area of approximately 6,298 square metres (67,790 square feet) and covered floor area of approximately 9,490 square metres (102,160 square feet). The foundation works have been completed and the superstructure works are progressing smoothly. This hotel development project is scheduled to be completed in the first half of 2016.

### *Sha Tin Town Lot No.482 at Po Tai Street, Ma On Shan, Sha Tin, New Territories*

This development site has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site is planned to be developed into a shopping mall and the general building plans have been approved. The foundation works have already commenced and are expected to be completed before the end of 2015. The project is scheduled to be completed in 2017 and is intended to be retained for rental income.

### *Sha Tin Town Lot No.578, Area 56A, Kau To, Sha Tin, New Territories*

The project has a site area of 17,476 square metres (188,100 square feet) and is planned for a luxurious residential development comprising 7 mid-rise apartment blocks with about 134 units, 24 detached garden houses and 198 carparking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The general building plans for the development have been approved and the site formation works and foundation works have commenced in the first quarter of 2015. This development is scheduled to be completed in 2017.

### *Nos.69-83 Shun Ning Road, Sham Shui Po, Kowloon*

This is a joint venture project awarded by the Urban Renewal Authority of Hong Kong through a tender process in March 2014. The land has a site area of 824.9 square metres (8,879 square feet) and is planned for a commercial/residential development with total gross floor area of 7,159 square metres (77,059 square feet), providing 155 residential units, 2 storeys of shops and 1 storey of basement carpark. The general building plans have been approved and foundation works commenced. The development is scheduled to be completed in 2017.

### *Rainbow Lodge, 9 Ping Shan Lane, Tong Yan San Tsuen, Yuen Long, New Territories*

These properties comprise ten residential duplex units with gross area of approximately 1,832 square metres (19,720 square feet) and 14 car parks in a completed residential development. Presently, five duplex units are under leases to third parties for rental income.

### Mainland China

#### *Regal (Chongqing) Equity Investment Fund, L.P.*

P&R Holdings group also holds limited partnership interest of approximately RMB250 million in a cross-border Renminbi fund, named as Regal (Chongqing) Equity Investment Fund, L.P., which was established principally to support the businesses undertaken by P&R Holdings group in China. A wholly owned subsidiary of Century City International Holdings Limited (“CCIHL”), the ultimate listed holding company of the Company, acts as the general partner of the fund and holds a very minor interest in the partnership.

### COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Cosmopolitan International Holdings Limited (“Cosmopolitan”) is a listed subsidiary of P&R Holdings. Further information relating to the property projects currently undertaken by the Cosmopolitan group in the PRC, all of which are wholly owned, is set out below:

### Property Development

#### *Chengdu Project*

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, service apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres. The first stage of the development includes a hotel with 306 hotel rooms and extensive facilities and three residential towers with about 340 residential units with car parking spaces and ancillary commercial accommodation. The construction works for these three residential towers are expected to be completed in the third quarter of 2016 and units presale is anticipated to be launched in the third quarter of 2015. Having considered the local market environment, the hotel portion included in the first stage is now planned to be completed in phases from 2016. The other components comprised within the overall development will continue to be developed in stages.

#### *Tianjin Project*

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres. The development plans have been revised to include only commercial, office and residential components with total gross floor area of about 145,000 square metres and such plans have been approved by the local government authority. The piling works for the project have already been completed and the entire development is now anticipated to be completed in stages within 2018.



### *Xinjiang Project*

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Cosmopolitan group has re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site will be available for commercial development after the requisite inspection, land grant listing and tender procedures are completed. The inspection and measurement of the reforested area by the relevant government authorities is still ongoing and some remedial re-forestation works will be undertaken soon to meet the requirements of the government authorities. In the meantime, the Cosmopolitan group is working on the design of the master plan to prepare for the land grant procedures. It is hoped that the final procedures leading to the land grant listing and tender of the development land would be concluded as soon as practicable. Should the Cosmopolitan group successfully secure the development land and depending on the permitted land use, the Cosmopolitan group preliminarily plans to develop on the land, in stages, a large scale mixed use development comprising residential, hotel, recreational and commercial properties.

### *Wuxi Project*

The Cosmopolitan group entered into in October 2013 a Co-operation Agreement for Business and Investment Encouragement with Wuxi Huishan District People's Government and Wuxi Metro Xizhang Area Commission for a parcel of land of about 937 mu (equivalent to approximately 624,700 square metres) located in Huishan District, Wuxi, Jiangsu Province, which was subject to certain terms to be agreed by the parties within six months of the date of the agreement. The Cosmopolitan group has not been able to reach agreement with the relevant parties in respect of those certain terms and further negotiations with respect to the Co-operation Agreement have been discontinued for the time being.

## **Property Investment**

### *Beijing Tongzhou Project*

A wholly owned subsidiary of Cosmopolitan established in Beijing has entered into a co-operation agreement with a PRC independent third party in February 2014 to subscribe for 82.5% equity interest in a company which is involved in a primary development project located in Tongzhou District, Beijing, subject to the fulfilment of certain prescribed conditions. The principal purpose of the project is to develop buildings for the purposes of housing resettlement under PRC government policies. As certain conditions have not been fulfilled by the independent third party, the co-operation agreement has lapsed. The relevant third party is considering various remedial proposals for the Cosmopolitan group's Beijing subsidiary to participate in the investment project as previously contemplated. The Beijing subsidiary has recently obtained the approval from the relevant PRC authority for (1) an increase of its registered capital from RMB298 million to RMB500 million and (2) a change of its business nature to an investment company, which will strengthen its capital base and facilitate potential investments in other property development and investment projects in the PRC.

## ASSOCIATE – HANG FOK PROPERTIES LIMITED

Hang Fok Properties Limited (“Hang Fok”) is an associate that is 50% owned by each of the Group and the PHL group. Hang Fok holds equity interests in a joint venture project company involved in a development project in the Central Business District in Beijing, the PRC. As previously reported, Hang Fok was engaged in a series of legal actions in the PRC with the other joint venture parties in the Beijing project, some of which were initiated by Hang Fok to protect its equity interests in the Beijing project. Appropriate provisions had been made by Hang Fok in the prior years and the interest held by the Group in the project was carried in the consolidated financial statements at an insignificant amount as at 31st December, 2013. In the process of the legal actions taken, the other joint venture parties have funded the joint venture project company and procured the latter to deposit an amount of approximately RMB195 million into the court in the PRC in August 2014, as repayment proceeds of certain of the shareholder’s loans, plus accrued interest thereon, made by Hang Fok to the joint venture project company, which is pending collection by Hang Fok. Accordingly, Hang Fok has recorded a recovery of loans receivable and related interest income of approximately HK\$159.0 million and HK\$84.2 million respectively, and the share attributable to the Group has been reflected in the results of the Group for the year under review. The Group will continue to exercise strenuous efforts with a view to salvaging the value of the Group’s interest in this development project.

## FINANCIAL REVIEW

### ASSETS VALUE

The Group’s hotel properties in Hong Kong are owned by Regal REIT and, with the exception of iclub Wan Chai Hotel, iclub Sheung Wan Hotel and iclub Fortress Hill Hotel, were stated in the 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 deducting accumulated depreciation. The market valuations of these hotel properties have since appreciated substantially but have not been reflected in the Group’s financial statements. Moreover, the iclub Sheung Wan Hotel and iclub Fortress Hill Hotel were stated in the Group’s financial statements at their fair values at the time of acquisition net of the unrealised gain attributable to the Group and are also subject to depreciation. For the purpose of providing supplementary information, if the Group’s entire hotel property portfolio is restated in the consolidated financial statements at its market value as at 31st December, 2014, the unaudited adjusted net asset value of the ordinary shares of the Company would increase to HK\$20.17 per share, as follows:

	<b>As at 31st December, 2014</b>	
	<b>HK\$’M</b>	<b>HK\$ per ordinary share</b>
Book net assets attributable to equity holders of the parent	<b>11,945.2</b>	<b>12.93</b>
Adjustment to restate the Group’s hotel property portfolio at its market value and add back the relevant deferred tax liabilities	<b>6,693.0</b>	<b>7.24</b>
Unaudited adjusted net assets attributable to equity holders of the parent	<b>18,638.2</b>	<b>20.17</b>

## CAPITAL RESOURCES 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 treasury and yield enhancement products are deployed when circumstances are considered to be appropriate.

The Group's banking facilities are mostly denominated in Hong Kong dollar with interest primarily determined with reference to interbank offered rates, while its senior unsecured notes were denominated in US dollar and Hong Kong dollar with fixed coupon interest rates. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Group's management from time to time. As the US dollars are pegged to the Hong Kong dollars, the exchange risks are considered to be insignificant and no currency hedging has been deployed. As regards the Group's overseas investments which are based in currencies other than US dollar and Hong Kong dollar, the Group will consider hedging part or all of the investment amounts into US dollars or Hong Kong dollars to contain the Group's exposure to currency fluctuation.

### Cash Flow

During the year under review, there were net cash flows generated from operating activities of HK\$767.7 million (2013 – net cash flows used in operating activities of HK\$1,647.0 million). Net interest payment for the year amounted to HK\$116.2 million (2013 – HK\$204.1 million).

### Borrowings and Gearing

As at 31st December, 2014, the Group's borrowings net of cash and bank balances and deposits amounted to HK\$9,289.3 million (2013 – HK\$7,942.4 million).

As at 31st December, 2014, the gearing ratio of the Group was 35.9% (2013 – 32.6%), representing the Group's borrowings net of cash and bank balances and deposits of HK\$9,289.3 million (2013 – HK\$7,942.4 million) as compared to the total assets of the Group of HK\$25,849.9 million (2013 – HK\$24,333.8 million).

On the basis of the adjusted total assets as at 31st December, 2014 of HK\$34,209.2 million (2013 – HK\$31,719.5 million) with the Group's hotel portfolio restated at its market value, the gearing ratio would be 27.2% (2013 – 25.0%).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2014 are shown in notes 27 and 28 to the financial statements.

### Pledge of Assets

As at 31st December, 2014, certain of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$454.6 million (2013 – HK\$428.5 million) were pledged to secure bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT, and certain of the Group's property, plant and equipment, investment properties, properties held for sale, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, time deposits and bank balances in the total amount of HK\$11,780.0 million (2013 – HK\$9,500.6 million) were also pledged to secure other banking facilities granted to the Group.

The above details of the pledge of assets of the Group are also shown in note 37 to the financial statements.

### Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2014 are shown in note 40 to the financial statements.

### Contingent Liabilities

As at 31st December, 2014, the Group had contingent liabilities not provided for in the financial statements for corporate guarantees provided in respect of attributable share of banking facilities granted to subsidiaries of a joint venture in the amount of HK\$2,363.0 million (2013 – HK\$1,224.0 million), of which HK\$1,100.2 million (2013 – HK\$807.0 million) was utilised.

Details of the contingent liabilities of the Group are also shown in note 38 to the financial statements.

### Share Capital

During the year under review, the Company repurchased a total of 19,926,000 ordinary shares of the Company at an aggregate purchase price of HK\$95,734,660 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.

## MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

### Acquisition of P&R Holdings' interests in two hotels in Sheung Wan and North Point, Hong Kong by Regal REIT

As previously reported, on 28th June, 2013, a conditional sale and purchase agreement was entered into between, among others, P&R Holdings as the vendor and DB Trustees (Hong Kong) Limited (the "Trustee"), acting in its capacity as trustee of Regal REIT and on behalf of Regal REIT, as the purchaser relating to the disposal by P&R Holdings to Regal REIT of all the shareholding interest in Plentiful Investments Limited ("Plentiful"), a wholly owned subsidiary of P&R Holdings, and all the shareholder's loans owed by the wholly owned subsidiary of Plentiful, Tristan Limited ("Tristan", together with Plentiful, the "Plentiful Group"), to P&R Holdings (the "SW Shareholder Loans") (the "SW Hotel Agreement") (the "SW Hotel Transaction"). Tristan directly owns the hotel development project located at Nos. 132-140 Bonham Strand, Sheung Wan, Hong Kong (the "Sheung Wan Hotel").

The consideration for the SW Hotel Transaction was HK\$1,580.0 million (the "SW Hotel Purchase Price"), plus a customary adjustment on a dollar-for-dollar basis for the current assets of the Plentiful Group as at the date of completion of the SW Hotel Transaction. The consideration for the SW Hotel Transaction was determined based on the valuation of the Sheung Wan Hotel of HK\$1,580.0 million on an as-completed basis as of 25th June, 2013 as appraised by the independent valuer jointly appointed by P&R Holdings and Regal REIT, and taking into account completion of the interior fit-out programme of the Sheung Wan Hotel, the SW Shareholder Loans to be acquired by Regal REIT pursuant to the SW Hotel Transaction and that the Plentiful Group would not have any liabilities other than the SW Shareholder Loans at the completion of the SW Hotel Transaction.

## Management Discussion and Analysis (Cont'd)

The SW Hotel Transaction was completed on 10th February, 2014 after the fulfilment of the conditions precedent as set out in the SW Hotel Agreement (the "SW Hotel Completion").

The Sheung Wan Hotel is named as "iclub Sheung Wan Hotel" and has 248 guestrooms and suites. The iclub Sheung Wan Hotel was leased to a wholly owned subsidiary of the Group (the "Hotel Operator") for use in hotel operations upon the SW Hotel Completion. The hotel manager of the initial Regal Hotels and iclub Hotels (the "Hotel Manager"), which is also a wholly owned subsidiary of the Group, was also appointed as the new hotel manager for the iclub Sheung Wan Hotel.

As also previously reported, on 28th June, 2013, an option agreement was entered into between, among others, P&R Holdings as the grantor and the Trustee, acting in its capacity as trustee of Regal REIT and on behalf of Regal REIT, as the grantee relating to the grant of a call option by P&R Holdings to Regal REIT (the "Option") entitling Regal REIT in its sole discretion to acquire all the shareholding interest in Fortune Mine Limited ("Fortune Mine"), a wholly owned subsidiary of P&R Holdings, and all the shareholder's loans owed by the wholly owned subsidiary of Fortune Mine, Wise Decade Investments Limited ("Wise Decade", together with Fortune Mine, the "Fortune Mine Group"), to P&R Holdings (the "NP Shareholder Loans") (the "Option Agreement") (the "NP Hotel Transaction"). Wise Decade directly owns the hotel development project located at Nos. 14-20 Merlin Street, North Point, Hong Kong (the "North Point Hotel"). The Option might only be exercised during the period commencing from the date that the occupation permit for the North Point Hotel was granted (as notified by P&R Holdings to the Trustee) and ending 30 days from such date.

The initial exercise price for the Option was HK\$1,650.0 million, subject to the adjustments as provided in the Option Agreement, which was determined with reference to the valuation of the North Point Hotel on an as-completed basis of HK\$1,650.0 million as of 25th June, 2013 as appraised by the independent valuer jointly appointed by P&R Holdings and Regal REIT, and completion of the interior fit-out programme of the North Point Hotel and taking into account that the NP Shareholder Loans were to be acquired by Regal REIT pursuant to the NP Hotel Transaction (upon exercise of the Option) and that the Fortune Mine Group should not have any liabilities other than the NP Shareholder Loans at completion of the NP Hotel Transaction.

Following obtaining the occupation permit of the North Point Hotel in May 2014, the Option was conditionally exercised by Regal REIT in May 2014. Relevant details of the exercise of the Option to acquire the North Point Hotel were disclosed in the announcement and the circular of the Company dated 15th May, 2014 and 25th June, 2014, respectively. The exercise of the Option was subsequently approved by the independent shareholders of the Company at its special general meeting held on 14th July, 2014.

On 28th July, 2014, Regal REIT completed the acquisition of the North Point Hotel at a final total consideration of approximately HK\$1,651.4 million, comprising the purchase price of HK\$1,650.0 million, based on the valuation of the North Point Hotel on an as-completed basis as of 30th April, 2014 as appraised by the independent valuer and a current asset adjustment of HK\$1.4 million.

The North Point Hotel is named as "iclub Fortress Hill Hotel" and has 338 guestrooms. Upon completion of the NP Hotel Transaction, the iclub Fortress Hill Hotel was leased to the Hotel Operator, and the Hotel Manager was also appointed as the hotel manager for the iclub Fortress Hill Hotel.

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

### STAFF AND REMUNERATION POLICY

The Group employs approximately 2,120 staff in Hong Kong. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

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

With a view to providing long term incentives, the Company maintains a share option scheme named as "The Regal Hotels International Holdings Limited Share Option Scheme", under which share options 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, 2014.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiaries are hotel ownership business undertaken through Regal Real Estate Investment Trust ("Regal REIT"), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken 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 investments including financial assets investments, and aircraft ownership and leasing business. There have been no significant changes in the above 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, 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 71 to 170.

## DIVIDENDS

An interim dividend of HK4.0 cents (2013 – HK3.6 cents) per ordinary share, absorbing an amount of approximately HK\$37.0 million (2013 – HK\$34.7 million), was paid to holders of ordinary shares during the year.

The Directors now recommend the payment of a final dividend of HK12.0 cents (2013 – HK10.8 cents) per ordinary share for the year ended 31st December, 2014, absorbing an amount of approximately HK\$110.9 million (2013 – HK\$100.8 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 11th June, 2015. This recommendation has been incorporated in the financial statements.

## ANNUAL GENERAL MEETING

The 2015 Annual General Meeting of the Company will be convened to be held on Wednesday, 3rd June, 2015. 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 this Annual Report.

### CLOSURE OF REGISTER

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

- (i) from Monday, 1st June, 2015 to Wednesday, 3rd June, 2015, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2015 Annual General Meeting. In order to be entitled to attend and vote at the 2015 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, 29th May, 2015; and
- (ii) from Tuesday, 9th June, 2015 to Thursday, 11th June, 2015, 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 Monday, 8th June, 2015.

The relevant dividend warrants for the aforesaid final dividend are expected to be despatched on or about 23rd June, 2015.

### DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui  
Miss Lo Po Man  
Dr. Francis Choi Chee Ming, GBS, JP  
Ms. Belinda Yeung Bik Yiu  
Mr. Donald Fan Tung  
Ms. Alice Kan Lai Kuen  
Professor Japhet Sebastian Law  
Mr. Jimmy Lo Chun To  
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, a Vice Chairman and Non-Executive Director, Ms. Belinda Yeung Bik Yiu, an Executive Director and the Chief Operating Officer, Ms. Alice Kan Lai Kuen, an Independent Non-Executive Director, and Mr. Jimmy Lo Chun To, an Executive Director, will retire from office by rotation at the 2015 Annual General Meeting.



## Report of the Directors (Cont'd)

All the above retiring Directors, being eligible, have offered themselves for re-election at the 2015 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 four 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 holding companies, subsidiaries or fellow 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 holding companies, subsidiaries or fellow 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 the share option scheme of the Company named as "The Regal Hotels International Holdings Limited Share Option Scheme" (the "Regal Share Option Scheme"), the share option scheme of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, named as "The Century City International Holdings Limited Share Option Scheme" and the share option scheme of Paliburg Holdings Limited ("PHL"), the immediate listed holding company of the Company, named as "The Paliburg Holdings Limited Share Option Scheme" (collectively, the "Schemes").

There were no options granted or exercised under any of the Schemes during the year.

**DIRECTORS' INTERESTS IN SHARE CAPITAL**

As at 31st December, 2014, 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	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2014)
				Personal interests	Corporate interests	Family/Other interests	
1.	The Company	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	600,141,261 (Note c)	260,700	600,426,161 (64.98%)
		Miss Lo Po Man	Ordinary (issued)	300,000	–	269,169 (Note d)	569,169 (0.06%)
		Dr. Francis Choi Chee Ming	Ordinary (issued)	50,240,000	–	–	50,240,000 (5.44%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	10,200	–	–	10,200 (0.001%)
2.	CCIHL	Mr. Lo Yuk Sui	Ordinary (issued)	102,587,396	1,769,164,691 (Note a)	380,683	1,872,132,770 (58.43%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
		Ms. Belinda Yeung Bik Yiu	Ordinary (issued)	200	–	–	200 (0.000%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Mr. Ng Siu Chan	Ordinary (issued)	–	–	3,521,973	3,521,973 (0.11%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	24,000	–	–	24,000 (0.001%)

## Report of the Directors (Cont'd)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2014)
				Personal interests	Corporate interests	Family/Other interests	
3.	PHL	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,376,803 (Note b)	15,000	830,469,817 (74.51%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Donald Fan Tung	Ordinary (issued)	556	–	–	556 (0.000%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
		Mr. Ng Siu Chan	Ordinary (issued)	–	–	80,474	80,474 (0.007%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	200	–	–	200 (0.000%)
4.	Cosmopolitan International Holdings Limited ("Cosmopolitan")	Mr. Lo Yuk Sui	Ordinary (i) (issued)	–	2,731,316,716 (Note e)	–	2,731,316,716
			(ii) (unissued)	–	4,683,461,057 (Note f)	–	4,683,461,057
						Total:	7,414,777,773 (174.45%)
			Preference (issued)	–	2,004,889,629 (Note f)	–	2,004,889,629 (85.45%)
		Miss Lo Po Man	Ordinary (issued)	1,380,000	–	–	1,380,000 (0.03%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.05%)

The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2014)
			Personal interests	Corporate interests	Family/Other interests	
5. Regal REIT	Mr. Lo Yuk Sui	Units (issued)	-	2,443,033,102 (Note g)	-	2,443,033,102 (75%)
6. 8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	1,000 (Note h)	-	1,000 (100%)

**Notes:**

- (a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo") and a company, namely Master City Limited, 99.9% owned by Mr. Lo.
- (b) The interests in 693,640,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.42% shareholding interests.

The interests in 16,271,685 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 30,464,571 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

- (c) The interests in 421,400 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.42% shareholding interests. The interests in 588,173,861 issued ordinary shares of the Company were held through companies wholly owned by PHL, in which CCIHL held 62.23% shareholding interests. The other interests in 11,546,000 issued ordinary shares of the Company were held through a wholly owned subsidiary of Cosmopolitan, in which P&R Holdings Limited ("P&R Holdings") (which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries) held 64.26% shareholding interests. PHL held 64.90% shareholding interests in the Company.
- (d) The interests in 269,169 issued ordinary shares of the Company were held by Miss Lo Po Man as the beneficiary of a trust.
- (e) The interests in 2,731,316,716 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.23% shareholding interests, held 64.90% shareholding interests in the Company. Mr. Lo held 58.42% shareholding interests in CCIHL.

- (f) The interests in 4,683,461,057 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.23% shareholding interests, held 64.90% shareholding interests in the Company. Mr. Lo held 58.42% shareholding interests in CCIHL.

The interests in 2,004,889,629 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 2,004,889,629 convertible preference shares of Cosmopolitan, convertible into new ordinary shares of Cosmopolitan on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 1,428,571,428 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in the convertible bonds in the principal amount of HK\$500,000,000 issued by a wholly owned subsidiary of Cosmopolitan. The convertible bonds are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.35 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

The interests in 1,250,000,000 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in the possible subscription for the optional convertible bonds in a principal amount of HK\$500,000,000 to be issued by a wholly owned subsidiary of Cosmopolitan pursuant to the subscription agreement dated 30th April, 2014 (as supplemented by a supplemental agreement dated 19th June, 2014) entered into between Cosmopolitan and P&R Holdings. The optional convertible bonds, if subscribed for and issued, will be convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.40 per ordinary share (subject to adjustments in accordance with the terms of the optional convertible bonds).

- (g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly owned subsidiary of Cosmopolitan. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly owned subsidiaries of the Company. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of PHL. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. Cosmopolitan was held as to 64.26% shareholding interests by P&R Holdings, which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.23% shareholding interests, held 64.90% shareholding interests in the Company. Mr. Lo held 58.42% shareholding interests in CCIHL.
- (h) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 58.42% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 31st December, 2014, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

During the year, no right has been granted to, or exercised by, the following persons to subscribe for shares in or debentures of the Company under the Regal Share Option Scheme, and there were no options held by such persons under the Regal Share Option Scheme:

- (i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) any participant under the Regal 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 Regal Share Option Scheme.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2014, 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 held	Total number of ordinary shares (issued and underlying) held	Approximate percentage of issued ordinary shares as at 31st December, 2014
CCIHL (Note i)	600,141,261	–	600,141,261	64.95%
Century City BVI Holdings Limited (“CCBVI”) (Note ii)	600,141,261	–	600,141,261	64.95%
PHL (Note iii)	599,719,861	–	599,719,861	64.90%
Paliburg Development BVI Holdings Limited (Note iv)	599,719,861	–	599,719,861	64.90%
Guo Yui Investments Limited (Note iv)	271,140,466	–	271,140,466	29.34%
Paliburg BVI Holdings Limited (Note iv)	230,870,324	–	230,870,324	24.98%
Taylor Investments Ltd. (Note iv)	154,232,305	–	154,232,305	16.69%
Glaser Holdings Limited (Note iv)	58,682,832	–	58,682,832	6.35%

#### 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) CCBVI is a wholly owned subsidiary of CCIHL and its 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 62.23% 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, 2014, 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, Miss Lo Po Man, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, 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, Miss Lo Po Man, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To 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, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the interim report of the Company for the six months ended 30th June, 2014 is set out below:

Name of Director	Details of changes
<i>Executive Directors:</i>	
Mr. Lo Yuk Sui	<ul style="list-style-type: none"><li>Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$361,500 commencing from January 2015. (Notes)</li></ul>
Miss Lo Po Man	<ul style="list-style-type: none"><li>Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$122,850 commencing from January 2015. (Note (i))</li></ul>
Ms. Belinda Yeung Bik Yiu	<ul style="list-style-type: none"><li>Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$198,000 commencing from January 2015. (Note (i))</li></ul>
Mr. Donald Fan Tung	<ul style="list-style-type: none"><li>Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$76,000 commencing from January 2015. (Note (i))</li></ul>
Mr. Jimmy Lo Chun To	<ul style="list-style-type: none"><li>Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$37,800 commencing from January 2015. (Note (i))</li></ul>
Mr. Kenneth Ng Kwai Kai	<ul style="list-style-type: none"><li>Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$130,800 commencing from January 2015. (Note (i))</li></ul>
Mr. Allen Wan Tze Wai	<ul style="list-style-type: none"><li>Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$82,200 commencing from January 2015. (Note (i))</li></ul>
<i>Independent Non-Executive Director:</i>	
Professor Japhet Sebastian Law	<ul style="list-style-type: none"><li>Appointed as an independent non-executive director of Shanghai La Chapelle Fashion Co., Ltd., a company listed on the Stock Exchange, with effect from 9th October, 2014.</li></ul>

**Notes:**

- (i) Each Executive Director is also entitled to a 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. Details of the remuneration of the Executive Directors for the year ended 31st December, 2014 are disclosed in note 8 to the financial statements.
- (ii) Mr. Lo Yuk Sui and certain Independent Non-Executive Directors, who are also the chairman or members of the Nomination Committee and/or the Remuneration Committee of the Company, are entitled to normal fee of HK\$30,000 per annum in acting as the chairman or a member of each of such board committees. Details of the remuneration of all Directors for the year ended 31st December, 2014 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, 2014 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)	6.5	–	Nil	Nil
8D Matrix Limited (B)	33.5	–	Nil	Nil
Bright Future (HK) Limited (C)	5.6	–	Nil	Nil
Yieldtop Holdings Limited (D)	0.6	–	Nil	Nil
P&R Holdings Limited (E)	1,894.2	(F) 13.4	(G)(i) 2,363.0	(G)(ii) 1,100.2
			Total: (A) to (G)(i)	4,316.8
			(A) to (F) & (G)(ii)	3,054.0



8D International (BVI) Limited ("8D-BVI") is a 30% owned associate of the Company, which was 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 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 terms of repayment.

8D Matrix Limited ("8D Matrix") is a 30% owned associate of the Company, which owns a wholly owned subsidiary involved in advertising and promotion businesses. 8D Matrix also owns two wholly owned subsidiaries, Century Innovative Technology Limited and 深圳市世紀創意科技有限公司 (collectively, "Century Innovative Technology"), which are principally engaged in the online education, entertainment and technology business based on the "Bodhi and Friends" characters. 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 and Century Innovative Technology. The advances are unsecured, interest-free and have no fixed terms 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") which was disposed of during the year. 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 terms of repayment.

Yieldtop Holdings Limited ("Yieldtop"), 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, the PRC. The remaining 50% shareholding interest in Yieldtop is indirectly held by PHL. The advances to Yieldtop were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in Yieldtop, for the purpose of funding the working capital requirements of Yieldtop and its investment in the Investee Companies. The advances to Yieldtop are unsecured, interest-free and have no fixed terms of repayment.

P&R Holdings principally engages in the development of real estate projects for sale and/or leasing and the undertaking of related investment and financing activities. P&R Holdings group holds, through its wholly owned subsidiaries, interests in a number of property development projects in Hong Kong and also holds, through Cosmopolitan (the listed subsidiary of P&R Holdings), interests in certain property development projects in Mainland China. Information relating to the investment of P&R Holdings group in such property development projects are disclosed in the preceding Management Discussion and Analysis. 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 terms of repayment except for an aggregate amount of HK\$1,410.8 million, which bears interest at a fixed rate of 4% to 5% per annum. The guarantees were provided by the Company on a several basis in proportion to its shareholding interests in P&R Holdings and were given in respect of the respective bank loan facilities of, in aggregate, HK\$2,363.0 million made available to five wholly owned subsidiaries of P&R Holdings for financing their development projects in Hong Kong. Further information relating to the Group's share of the maximum capital commitment to P&R Holdings as agreed upon its establishment, the shareholder's loans provided by the Group under such commitment and the several guarantees provided by the Company for securing banking facilities granted to certain wholly owned subsidiaries of P&R Holdings is set out in note 16 to the consolidated financial statements.

Calculated on the basis shown above, as at 31st December, 2014, 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\$4,316.8 million (based on the total available amount of the banking facilities) and (b) HK\$3,054.0 million (based on the total amount of banking facilities drawdown) represented (a) 16.7% and (b) 11.8% of the consolidated total assets of the Group of HK\$25,849.9 million, calculated by reference to its latest audited consolidated financial statements for the year ended 31st December, 2014.

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, 2014, 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:

	<b>Combined statement of financial position (HK\$'million)</b>	<b>The Group's attributable interest (HK\$'million)</b>
Non-current assets	4,686.4	2,336.4
Current assets	8,163.7	4,078.1
Current liabilities	(1,150.5)	(574.4)
Non-current liabilities	(8,327.2)	(4,136.9)
	<u>3,372.4</u>	<u>1,703.2</u>
Non-controlling interests	(396.5)	(198.2)
Net assets attributable to equity holders of the parent	<u><u>2,975.9</u></u>	<u><u>1,505.0</u></u>

## CONNECTED TRANSACTIONS

### Exercise of Option to acquire North Point Hotel

Relevant details of the Exercise of the Option, which constituted a major transaction and a connected transaction for the Company subject to the independent shareholders' approval of the Company under the Listing Rules, are disclosed under the section headed "Material Acquisitions or Disposals of Subsidiaries or Associates" in the preceding "Management Discussion and Analysis".

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

During the year ended 31st December, 2014, the Company repurchased a total of 19,926,000 ordinary shares of the Company at aggregate purchase prices of HK\$95,734,660 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 2014	10,656,000	4.890	4.740	51,258,540
June 2014	4,782,000	4.840	4.640	22,756,080
July 2014	4,488,000	4.900	4.810	21,720,040
Total	<u>19,926,000</u>			95,734,660
		Total expenses on shares repurchased		<u>284,275</u>
			Total	<u>96,018,935</u>

All the above 19,926,000 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 benefiting 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 purchases from the Group's five largest suppliers and the percentage of turnover or sales attributable to the Group's five 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 the Group's 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 notes 27 and 28 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 31 to the financial statements.

### SHARE PREMIUM ACCOUNT

The details of movements in the Company's share premium account during the year are set out in note 31 to 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.

### HEDGE RESERVE

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

### CAPITAL RESERVE

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

### 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.

### EXCHANGE EQUALISATION RESERVE

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

### SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 34 to the financial statements.

### JOINT VENTURES AND ASSOCIATES

Particulars of the Group's investments in its joint ventures and associates are set out in notes 16 and 17 to the financial statements, respectively.

### CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$3.4 million.

### RESERVES

The details of movements in the reserves of the Company and the Group during the year are set out in note 32(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

### DISTRIBUTABLE RESERVES

As at 31st December, 2014, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$5,738.9 million, of which HK\$110.9 million has been proposed as final dividend for the year.

In addition, the Company's share premium account, in the amount of HK\$554.0 million, may be distributed in the form of fully paid bonus shares.

### EVENT AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in note 44 to the financial statements.

### AUDITORS

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

On behalf of the Board

**LO YUK SUI**

Chairman

Hong Kong  
24th March, 2015

# 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, 2014.

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 Corporate Governance Code (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, 2014, 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 the 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*)  
Miss Lo Po Man (*Vice Chairman and Managing Director*)  
Ms. Belinda Yeung Bik Yiu (*Chief Operating Officer*)  
Mr. Donald Fan Tung  
Mr. Jimmy Lo Chun To  
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  
Professor Japhet Sebastian Law  
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' Profile" contained in this Annual Report.

During the year ended 31st December, 2014, the Company has fully complied with Rules 3.10 and 3.10A 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.

All material policies and decisions remain within the authority of the Board as a whole. The Board only delegates authorities to management to an extent that would not significantly hinder or reduce the ability of the Board to discharge its proper functions as a whole. The functions of the Board and those delegated to management of the Company are properly distinguished and clarified. Review of the formalised arrangements will be carried out on a periodic basis to ensure that they remain appropriate to the needs of the Company. The Board is also responsible for developing, reviewing and/or monitoring the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements.

In year 2014, the attendance rates of individual Board members of the Company were as follows:

<b>Name of Directors</b>	<b>Attendance</b>	
	<i>Board Meetings</i>	<i>General Meetings</i>
<i>Executive Directors</i>		
Mr. Lo Yuk Sui ( <i>Chairman and Chief Executive Officer</i> )	17/17	3/3
Miss Lo Po Man ( <i>Vice Chairman and Managing Director</i> )	17/17	3/3
Ms. Belinda Yeung Bik Yiu ( <i>Chief Operating Officer</i> )	15/17	3/3
Mr. Donald Fan Tung	16/17	3/3
Mr. Jimmy Lo Chun To	15/17	3/3
Mr. Kenneth Ng Kwai Kai	17/17	3/3
Mr. Allen Wan Tze Wai	15/17	1/3
<i>Non-Executive Director</i>		
Dr. Francis Choi Chee Ming, GBS, JP ( <i>Vice Chairman</i> )	16/17	3/3
<i>Independent Non-Executive Directors</i>		
Ms. Alice Kan Lai Kuen	15/17	3/3
Professor Japhet Sebastian Law	14/17	3/3
Mr. Ng Siu Chan	17/17	3/3
Mr. Wong Chi Keung	16/17	3/3



The Chairman or an Executive Director so delegated is responsible for providing every newly appointed Director with an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the operations and business of the Group. With respect to compliance matters, the Company Secretary is responsible for providing any new Director with information and materials relating to his/her responsibilities under applicable statutory and regulatory requirements. Subsequent updating about the latest changes and development of such requirements will be sent to the Directors by the Company Secretary. In addition, the Directors have participated in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. In the year 2014, the Company arranged for Directors a seminar in relation to "Environmental, Social and Governance Reporting" in accordance with the requirements under the Listing Rules. The training received by the Directors during the year 2014 is summarised below:

Name of Directors	Types of training
<i>Executive Directors</i>	
Mr. Lo Yuk Sui ( <i>Chairman and Chief Executive Officer</i> )	A, B
Miss Lo Po Man ( <i>Vice Chairman and Managing Director</i> )	B
Ms. Belinda Yeung Bik Yiu ( <i>Chief Operating Officer</i> )	B
Mr. Donald Fan Tung	A, B
Mr. Jimmy Lo Chun To	A, B
Mr. Kenneth Ng Kwai Kai	A, B
Mr. Allen Wan Tze Wai	A, B
<i>Non-Executive Director</i>	
Dr. Francis Choi Chee Ming, GBS, JP ( <i>Vice Chairman</i> )	B
<i>Independent Non-Executive Directors</i>	
Ms. Alice Kan Lai Kuen	A, B
Professor Japhet Sebastian Law	A, B
Mr. Ng Siu Chan	B
Mr. Wong Chi Keung	A, B

A - Attending briefings/seminars/conferences/forums  
 B - Reading/studying training or other materials

## (III) BOARD COMMITTEES

There are three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination 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 terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

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*)

Professor Japhet Sebastian Law (*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 2014, 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
Professor Japhet Sebastian Law	2/2
Mr. Ng Siu Chan	2/2

## (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 websites of the Company and the Stock Exchange. 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.

The Remuneration Committee currently comprises the following members:

*Executive Director:*

Mr. Lo Yuk Sui (*Member*)

*Independent Non-Executive Directors:*

Mr. Wong Chi Keung (*Chairman of the Committee*)

Ms. Alice Kan Lai Kuen (*Member*)

Mr. Ng Siu Chan (*Member*)

Mr. Kenneth Ng Kwai Kai, an Executive Director of the Company, has acted as the Secretary of the Committee.

In year 2014, 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:

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

Pursuant to the terms of reference of the Remuneration Committee, the Remuneration Committee is delegated to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment).

The remuneration of the senior management (comprising Executive Directors) of the Company for the year ended 31st December, 2014 by band is set out below:

Remuneration band	Number of individuals
HK\$1,000,001 – 1,500,000	2
HK\$1,500,001 – 2,000,000	0
HK\$2,000,001 – 2,500,000	2
HK\$2,500,001 – 3,000,000	0
HK\$3,000,001 – 3,500,000	1
HK\$3,500,001 – 4,000,000	0
HK\$4,000,001 – 4,500,000	1
Within bands from HK\$4,500,001 – 10,000,000	0
HK\$10,000,001 – 15,000,000	1

Further details of the Executive Directors' remuneration for the year ended 31st December, 2014 are disclosed in note 8 to the financial statements contained in this Annual Report.

## (c) Nomination Committee

The Nomination Committee was established with specific written 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 are available on the websites of the Company and the Stock Exchange.

The Nomination Committee currently comprises the following members:

*Executive Director:*

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

*Independent Non-Executive Directors:*

Ms. Alice Kan Lai Kuen (*Member*)

Mr. Ng Siu Chan (*Member*)

Mr. Wong Chi Keung (*Member*)

The Company views diversity at the Board level essential for attaining the Group's strategic and business objectives as well as ensuring its sustainable development. A Board Diversity Policy has been adopted to set out policy for designing the composition of the Board with diversity in Board members having balanced skills and expertise. The diversity of the Board members should be assessed on a diversity of perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional knowledge, industry experience, skills and other individual qualities. The Nomination Committee will discuss and review annually the structure, size and composition of the Board and agree on measurable objectives for achieving diversity on the Board and make relevant recommendation to the Board for adoption.

In year 2014, the Nomination Committee met once to review and assess the overall diversity of the composition of the Board with reference to the various aspects as set out in the Board Diversity Policy. The attendance rates of individual Nomination Committee members of the Company were as follows:

Name of Nomination 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

#### (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. As a manpower policy of the Group, which is subject to regular review by the Directors and senior management, adequate resources have been allocated to the accounting and financial reporting function with staff members possessing appropriate qualifications and experience engaged in the discharge of the relevant functions. The relevant staff members attend seminars and workshops organised by the professional accounting bodies on a regular basis, and a reasonable budget has been allocated for continuous professional development purposes.

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, 2014.

## (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 2014 Annual General Meeting until the conclusion of the forthcoming 2015 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, 2014 were HK\$6.2 million (2013 - HK\$5.6 million) and HK\$2.1 million (2013 - HK\$3.2 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, 2014	0.8
(2) Compliance and other services to the Group	1.3

### (VIII) SHAREHOLDERS' RIGHT

Special general meetings may be convened upon receipt of written request submitted by any shareholder(s) of the Company holding not less than one-tenth of the share capital of the Company carrying the right of voting at general meetings of the Company. Such written requisition must state the purposes of the meeting, and be signed by the requisitioner(s) and deposited at the Head Office of the Company at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong (for the attention of the Company Secretary).

Shareholders may also send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company at the abovementioned address (for the attention of the Company Secretary).

During the year ended 31st December, 2014, the Company has not made any changes to its Bye-laws. A consolidated version of the Memorandum of Association and New Bye-laws of the Company is available on the website of the Company.

# Consolidated Statement of Profit or Loss

For the year ended 31st December, 2014

	Notes	2014 HK\$'million	2013 HK\$'million
REVENUE	5	2,298.6	3,570.0
Cost of sales		(1,200.0)	(2,387.7)
Gross profit		1,098.6	1,182.3
Other income	5	169.5	122.3
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		42.3	(48.8)
Fair value gains/(losses) on investment properties, net	15	7.0	(1.0)
Fair value gain upon reclassification of a property held for sale to an investment property		58.0	–
Gain on bargain purchase	33	35.0	–
Administrative expenses		(250.0)	(196.5)
OPERATING PROFIT BEFORE DEPRECIATION		1,160.4	1,058.3
Depreciation		(453.5)	(401.2)
OPERATING PROFIT		706.9	657.1
Finance costs	7	(332.6)	(300.2)
Share of profits and losses of:			
Joint ventures		(20.9)	(5.4)
Associates		96.7	(5.7)
PROFIT BEFORE TAX	6	450.1	345.8
Income tax	10	6.6	(55.3)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		456.7	290.5
Attributable to:			
Equity holders of the parent	11	410.3	256.9
Non-controlling interests		46.4	33.6
		456.7	290.5
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted		HK\$0.44	HK\$0.27

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, 2014

	2014 HK\$'million	2013 HK\$'million
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	456.7	290.5
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	13.6	–
Cash flow hedges:		
Changes in fair value of cash flow hedges	(4.0)	(7.4)
Transfer from hedge reserve to the statement of profit or loss	6.0	6.1
	<u>2.0</u>	<u>(1.3)</u>
Exchange differences on translating foreign operations	(11.4)	36.9
Reclassification adjustment on disposal of a foreign operation	–	(32.8)
Share of other comprehensive income/(loss) of:		
Joint ventures	(6.8)	4.6
Associates	(3.1)	0.5
Other comprehensive income/(loss) for the year	<u>(5.7)</u>	<u>7.9</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>451.0</u></u>	<u><u>298.4</u></u>
Attributable to:		
Equity holders of the parent	404.1	265.1
Non-controlling interests	46.9	33.3
	<u><u>451.0</u></u>	<u><u>298.4</u></u>

# Consolidated Statement of Financial Position

As at 31st December, 2014

	Notes	2014 HK\$'million	2013 HK\$'million
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	16,052.8	13,704.2
Investment properties	15	1,074.0	947.0
Investments in joint ventures	16	3,258.5	2,664.5
Investments in associates	17	131.1	21.1
Available-for-sale investments	18	106.8	9.1
Financial asset at fair value through profit or loss	19	1.9	–
Other loan	20	–	5.9
Debtors and deposits	23	1,390.0	2,344.0
Deferred tax assets	30	62.4	–
Total non-current assets		22,077.5	19,695.8
<b>CURRENT ASSETS</b>			
Properties held for sale	22	533.5	790.6
Inventories	21	35.7	33.6
Debtors, deposits and prepayments	23	266.8	1,237.4
Held-to-maturity investments	24	378.1	188.4
Financial assets at fair value through profit or loss	19	727.1	580.9
Other loan	20	13.2	6.4
Derivative financial instruments	29	–	14.2
Restricted cash	25	47.2	51.9
Pledged time deposits and bank balances		327.4	431.5
Time deposits		435.4	857.3
Cash and bank balances		1,008.0	445.8
Total current assets		3,772.4	4,638.0
<b>CURRENT LIABILITIES</b>			
Creditors, deposits received and accruals	26	(426.6)	(391.0)
Interest bearing bank borrowings	27	(510.9)	(333.5)
Derivative financial instruments	29	(3.4)	–
Tax payable		(53.1)	(43.0)
Total current liabilities		(994.0)	(767.5)
NET CURRENT ASSETS		2,778.4	3,870.5
TOTAL ASSETS LESS CURRENT LIABILITIES		24,855.9	23,566.3

# Consolidated Statement of Financial Position (Cont'd)

As at 31st December, 2014

	Notes	2014 HK\$'million	2013 HK\$'million
<b>NON-CURRENT LIABILITIES</b>			
Creditors and deposits received	26	(27.8)	(13.9)
Interest bearing bank borrowings	27	(6,362.1)	(5,171.9)
Other borrowings	28	(4,234.3)	(4,223.5)
Derivative financial instruments	29	–	(4.1)
Deferred tax liabilities	30	(1,034.7)	(1,041.1)
Total non-current liabilities		<u>(11,658.9)</u>	<u>(10,454.5)</u>
Net assets		<u>13,197.0</u>	<u>13,111.8</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	31	92.4	94.4
Reserves	32(a)	11,741.9	11,579.7
Proposed final dividend	12	110.9	100.8
		<u>11,945.2</u>	<u>11,774.9</u>
<b>Non-controlling interests</b>		<u>1,251.8</u>	<u>1,336.9</u>
Total equity		<u>13,197.0</u>	<u>13,111.8</u>

**KENNETH NG KWAI KAI**  
Director

**LO YUK SUI**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31st December, 2014

		Attributable to equity holders of the parent										Total equity HK\$'m	
		Issued capital HK\$'m	Share premium account 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, 2013		96.4	740.8	11.2	(1.1)	17.1	(0.6)	70.1	10,704.9	96.4	11,735.2	1,412.4	13,147.6
Profit for the year		-	-	-	-	-	-	-	256.9	-	256.9	33.6	290.5
Other comprehensive income/(loss) for the year:													
Cash flow hedges		-	-	-	(1.0)	-	-	-	-	-	(1.0)	(0.3)	(1.3)
Exchange differences on translating foreign operations		-	-	-	-	-	-	36.9	-	-	36.9	-	36.9
Reclassification adjustment on disposal of a foreign operation		-	-	-	-	-	-	(32.8)	-	-	(32.8)	-	(32.8)
Share of other comprehensive income of:													
Joint ventures		-	-	-	-	-	-	4.6	-	-	4.6	-	4.6
Associates		-	-	-	-	-	-	0.5	-	-	0.5	-	0.5
Total comprehensive income/(loss) for the year		-	-	-	(1.0)	-	-	9.2	256.9	-	265.1	33.3	298.4
Repurchase and cancellation of ordinary shares		(2.0)	(92.8)	2.0	-	-	-	-	(2.0)	-	(94.8)	-	(94.8)
Acquisition of non-controlling interest in a listed subsidiary		-	-	-	-	0.5	-	-	-	-	0.5	(3.1)	(2.6)
Contribution from a non-controlling shareholder		-	-	-	-	-	-	-	-	-	-	13.6	13.6
Final 2012 dividend declared		-	-	-	-	-	-	-	(96.4)	-	(96.4)	(63.8)	(160.2)
Interim 2013 dividend		-	-	-	-	-	-	-	(34.7)	-	(34.7)	(55.5)	(90.2)
Proposed final dividend		-	-	-	-	-	-	-	(100.8)	100.8	-	-	-
At 31st December, 2013		94.4	648.0	13.2	(2.1)	17.6	(0.6)	79.3	10,824.3	100.8	11,774.9	1,336.9	13,111.8

# Consolidated Statement of Changes in Equity (Cont'd)

For the year ended 31st December, 2014

	Attributable to equity holders of the parent											
	Issued capital	Share premium account	Capital redemption reserve	Hedge reserve	Capital reserve	Available-for-sale investment revaluation reserve	Exchange equalisation reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
Notes	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
At 1st January, 2014	94.4	648.0	13.2	(2.1)	17.6	(0.6)	79.3	10,824.3	100.8	11,774.9	1,336.9	13,111.8
Profit for the year	-	-	-	-	-	-	-	410.3	-	410.3	46.4	456.7
Other comprehensive income/(loss) for the year:												
Changes in fair value of available-for-sale investments	-	-	-	-	-	13.6	-	-	-	13.6	-	13.6
Cash flow hedges	-	-	-	1.5	-	-	-	-	-	1.5	0.5	2.0
Exchange differences on translating foreign operations	-	-	-	-	-	-	(11.4)	-	-	(11.4)	-	(11.4)
Share of other comprehensive income/(loss) of:												
Joint ventures	-	-	-	-	15.9	-	(22.7)	-	-	(6.8)	-	(6.8)
Associates	-	-	-	-	-	-	(3.1)	-	-	(3.1)	-	(3.1)
Total comprehensive income/(loss) for the year	-	-	-	1.5	15.9	13.6	(37.2)	410.3	-	404.1	46.9	451.0
Repurchase and cancellation of ordinary shares	(2.0)	(94.0)	2.0	-	-	-	-	(2.0)	-	(96.0)	-	(96.0)
Distribution to a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	(2.0)	(2.0)
Final 2013 dividend declared	-	-	-	-	-	-	-	-	(100.8)	(100.8)	(68.7)	(169.5)
Interim 2014 dividend	-	-	-	-	-	-	-	(37.0)	-	(37.0)	(61.3)	(98.3)
Proposed final dividend	-	-	-	-	-	-	-	(110.9)	110.9	-	-	-
At 31st December, 2014	92.4	554.0	15.2	(0.6)	33.5	13.0	42.1	11,084.7	110.9	11,945.2	1,251.8	13,197.0

# Consolidated Statement of Cash Flows

For the year ended 31st December, 2014

	Notes	2014 HK\$'million	2013 HK\$'million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>450.1</b>	345.8
Adjustments for:			
Finance costs	7	<b>332.6</b>	300.2
Share of profits and losses of joint ventures and associates		<b>(75.8)</b>	11.1
Interest income		<b>(146.1)</b>	(97.2)
Depreciation	6	<b>453.5</b>	401.2
Dividend income from listed investments	5	<b>(11.7)</b>	(8.3)
Fair value losses/(gains) on financial assets at fair value through profit or loss, net		<b>(42.3)</b>	48.8
Fair value losses/(gains) on investment properties, net		<b>(7.0)</b>	1.0
Fair value gain on reclassification of a property held for sale to an investment property		<b>(58.0)</b>	–
Unrealised interest income from a joint venture		<b>16.3</b>	8.6
Gain on bargain purchase		<b>(35.0)</b>	–
Impairment of trade debtors		<b>0.1</b>	–
Write-off of property, plant and equipment		<b>0.1</b>	–
		<b>876.8</b>	1,011.2
Increase in inventories		<b>(1.5)</b>	(8.3)
Increase in properties held for sale		<b>(2.2)</b>	(2.6)
Increase in debtors, deposits and prepayments		<b>(6.3)</b>	(2,661.1)
Increase in restricted cash		<b>(0.1)</b>	–
Decrease/(increase) in financial assets at fair value through profit or loss		<b>(119.3)</b>	96.5
Decrease/(increase) in derivative financial instruments		<b>14.2</b>	(4.2)
Increase/(decrease) in creditors, deposits received and accruals		<b>51.9</b>	(0.4)
Cash flows generated from/(used in) operations		<b>813.5</b>	(1,568.9)
Interest received		<b>9.1</b>	–
Dividend received from listed investments		<b>11.7</b>	–
Overseas taxes paid		<b>(0.5)</b>	(3.4)
Hong Kong profits tax paid		<b>(66.1)</b>	(74.7)
Net cash flows from/(used in) operating activities		<b>767.7</b>	(1,647.0)

# Consolidated Statement of Cash Flows (Cont'd)

For the year ended 31st December, 2014

	Notes	2014 HK\$'million	2013 HK\$'million
Net cash flows from/(used in) operating activities		<u>767.7</u>	<u>(1,647.0)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(1,388.4)	(255.7)
Deposits paid for purchases of items of property, plant and equipment		(14.0)	–
Proceeds from disposal of items of property, plant and equipment		–	0.5
Purchases of available-for-sale investments		(84.1)	(4.4)
Proceeds from disposal of financial assets at fair value through profit or loss		–	23.4
Purchases of held-to-maturity investments		(963.6)	(532.7)
Proceeds from redemption of held-to-maturity investments		773.9	555.1
Acquisition of a business	33	(68.9)	–
Advances to joint ventures		(1,568.3)	(1,080.8)
Repayment from joint ventures		1,728.7	2.0
Advances to associates		(18.6)	(36.8)
Repayment from an associate		2.2	38.1
Interest received		174.1	58.0
Dividends received from listed and unlisted investments		15.8	8.3
Decrease/(increase) in pledged time deposits and bank balances		104.1	(109.6)
Decrease/(increase) in restricted cash		4.7	(7.1)
Decrease in other loan		–	10.1
Net cash flows used in investing activities		<u>(1,302.4)</u>	<u>(1,331.6)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repurchase and cancellation of ordinary shares		(96.0)	(94.8)
Increase in other borrowings		–	1,930.0
Drawdown of new bank loans		2,518.4	5,743.6
Repayments of bank loans		(1,148.3)	(5,086.9)
Interest paid		(299.4)	(262.1)
Payment of loan and other costs		(23.3)	(76.2)
Dividends paid		(137.7)	(131.0)
Dividends paid to non-controlling shareholders		(130.0)	(119.3)
Acquisition of non-controlling interest in a listed subsidiary		–	(2.6)
Contribution from/(distribution to) a non-controlling shareholder		(2.0)	13.6
Decrease/(increase) in restricted cash		0.1	(0.6)
Net cash flows from financing activities		<u>681.8</u>	<u>1,913.7</u>
Net increase/(decrease) in cash and cash equivalents		147.1	(1,064.9)
Cash and cash equivalents at beginning of year		1,303.1	2,364.8
Effect of foreign exchange rate changes, net		(6.8)	3.2
Cash and cash equivalents at end of year		<u>1,443.4</u>	<u>1,303.1</u>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and bank balances		1,008.0	445.8
Non-pledged time deposits with original maturity of less than three months when acquired		435.4	857.3
		<u>1,443.4</u>	<u>1,303.1</u>

# Statement of Financial Position

As at 31st December, 2014

	Notes	2014 HK\$'million	2013 HK\$'million
NON-CURRENT ASSETS			
Investments in subsidiaries	34	<u>6,403.8</u>	<u>6,653.5</u>
CURRENT ASSETS			
Prepayments		0.3	0.2
Cash and bank balances		<u>1.0</u>	<u>0.9</u>
Total current assets		<u>1.3</u>	<u>1.1</u>
CURRENT LIABILITIES			
Creditors and accruals		<u>(4.6)</u>	<u>(13.4)</u>
NET CURRENT LIABILITIES		<u>(3.3)</u>	<u>(12.3)</u>
Net assets		<u>6,400.5</u>	<u>6,641.2</u>
EQUITY			
Issued capital	31	92.4	94.4
Reserves	32(b)	6,197.2	6,446.0
Proposed final dividend	12	<u>110.9</u>	<u>100.8</u>
Total equity		<u>6,400.5</u>	<u>6,641.2</u>

**KENNETH NG KWAI KAI**  
Director

**LO YUK SUI**  
Director



# Notes to Financial Statements

31st December, 2014

## 1. CORPORATE INFORMATION

Regal Hotels International Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The head office and principal place of business 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") were 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 including financial assets investments, and aircraft ownership and leasing business.

In the opinion of the Directors, the parent and the ultimate holding company of the Group is Century City International Holdings Limited ("CCIHL"), which was incorporated in Bermuda and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## 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 ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements 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, 2014. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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 interest 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	<i>Investment Entities</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>
Amendment to HKFRS 2 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Definition of Vesting Condition<sup>1</sup></i>
Amendment to HKFRS 3 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Accounting for Contingent Consideration in a Business Combination<sup>1</sup></i>
Amendment to HKFRS 13 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendment to HKFRS 1 included in <i>Annual Improvements 2011-2013 Cycle</i>	<i>Meaning of Effective HKFRSs</i>

<sup>1</sup> Effective from 1st July, 2014

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

- (a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

- (b) The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.
- (c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.
- (d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies (if any) incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.
- (e) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.
- (f) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.
- (g) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

### 2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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 9	<i>Financial Instruments</i> <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>2</sup>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>2</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>5</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>3</sup>
Amendments to HKAS 1	<i>Disclosure Initiative</i> <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> <sup>2</sup>
Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i> <sup>1</sup>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> <sup>2</sup>
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs <sup>1</sup>
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs <sup>1</sup>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2014

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2016

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2017

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2018

<sup>5</sup> Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1st January, 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31st December, 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1st January, 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1st January, 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1st January, 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1st January, 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1st January, 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2 to the financial statements, the Group expects to adopt the amendments from 1st January, 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

**HKFRS 8 *Operating Segments*:** Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* 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 statement of profit or loss.

### (b) Investments in associates and joint ventures

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures 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.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5.

### (c) 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 to measure 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 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-related 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 of the acquiree.

If the business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with change in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the 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 acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. 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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

### (d) Fair value measurement

The Group measures its investment properties, derivative financial instruments and investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



### (e) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties held for sales, 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 of disposal, 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 statement of profit or loss 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 an 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 statement of profit or loss in the period in which it arises.

### (f) Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. 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 statement of profit or loss 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:

Freehold land	Not depreciated
Hotel land (excluding freehold 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	10% to 20%
Furniture, fixtures and equipment	10% to 25%
Motor vehicles	25%
Aircraft	Over the lease terms ranging from 60 to 72 months

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 financial year end.

An item of property, plant and equipment including 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 statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

### **(g) 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 statement of profit or loss in the year in which they arise.

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

For a transfer from properties held for sale to investment properties, any difference between the fair value of the property at the date of change in use and its previous carrying amount is recognised in the statement of profit or loss.

### **(h) Investments and other financial assets**

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, 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. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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 as a separate line item in the statement of profit or loss. 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 as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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 as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

#### *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 and the loss arising from impairment are recognised in the statement of profit or loss.

#### *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 and the loss arising from impairment are recognised in the statement of profit or loss.

#### *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 as at fair value through profit or loss.

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

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, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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 statement of profit or loss.

### (i) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. 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 and all collateral has been realised or has been transferred to the Group.

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 write-off is later recovered, the recovery is credited to the statement of profit or loss.

### *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 statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

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. "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 statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

## **(j) 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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 flows 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

### **(k) Financial liabilities**

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, 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.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of 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 repurchasing 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 statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in 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 statement of profit or loss 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 statement of profit or loss.

### (l) 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 statement of profit or loss.

### (m) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

### (n) Derivative financial instruments and hedge accounting

#### *Initial recognition and subsequent measurement*

The Group uses derivative financial instruments such as foreign currency option/forward contracts and interest rate swaps to hedge its foreign currency risk and 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 statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

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 as other comprehensive income in the hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss 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 hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

### *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 current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to 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.

## **(o) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the 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.

## **(p) 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.



### (q) 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) income on the sale of completed properties and outright sale of an entire development prior to completion, on the exchange of legally binding unconditional sales contracts;
- (iii) rental income, in the period in which the properties/aircraft 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 over 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) gain or loss from sale of investments at fair value through profit or loss, 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.

### (r) 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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. 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, joint ventures 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 prevailing at the end of the reporting period and their statements of profit or loss 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 statement of profit or loss.

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.

### (s) 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 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.

### (t) 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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss 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.

### (u) Employee benefits

#### *Share-based payments*

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 payments, 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 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 in employee benefit expense. 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 statement of profit or loss 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 payments, 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 statement of profit or loss 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 statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

### (v) 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; or
  - (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).

### (w) Cash and cash equivalents

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

### (x) 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.

### (y) 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 statement of profit or loss.

### (z) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 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 their accompanying disclosures, and the disclosure of contingent liabilities. 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 statement of profit or loss.

The fair values 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 judgements 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*

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31st December, 2014 was HK\$1,074.0 million (2013 - HK\$947.0 million). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

#### *Deferred tax assets*

Deferred tax assets are recognised for 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. 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 portions 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 carrying value of gross deferred tax assets relating to recognised tax losses at 31st December, 2014 was HK\$72.1 million (2013 - HK\$6.1 million). The amount of unrecognised deferred tax assets at 31st December, 2014 was HK\$474.0 million (2013 - HK\$521.4 million). Further details are contained in note 30 to the financial statements.



### *Impairment of property, plant and equipment – aircraft*

Impairment is recognised when events and circumstances indicate that aircraft may be impaired and the carrying amount of aircraft exceeds the recoverable amount. Recoverable amount is defined as the higher of an aircraft's fair value less costs of disposal and its value-in-use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the assets. When value-in-use calculations are undertaken, the Group uses discounted cash flow projections based on financial budgets approved by the management covering a specified period.

### *Depreciation of property, plant and equipment – aircraft*

Aircraft are depreciated on the straight-line basis at rates which are calculated to write down the costs to their estimated residual values at the end of their operational lives. Certain estimates regarding the operational lives and residual values of the aircraft are made by the Group based on industry practice and internal technical valuation. The operational life and residual value are reviewed at least on an annual basis. The carrying amount of the Group's aircraft as at 31st December, 2014 was HK\$157.3 million (2013 - HK\$174.6 million).

### 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 financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments; and
- (e) the others segment mainly comprises aircraft ownership and leasing business, travel agency services, sale of food products and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

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 deferred tax assets, restricted cash, pledged time deposits and bank balances, 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, other borrowings, derivative financial instruments in relation to interest rate swaps, 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.

# Notes to Financial Statements (Cont'd)

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, 2014 and 2013:

## GROUP

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Others		Eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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	2,200.9	2,003.4	-	-	14.2	1,470.2	21.9	55.0	61.6	41.4	-	-	2,298.6	3,570.0
Intersegment sales	-	-	134.7	95.3	5.8	3.3	-	-	3.2	-	(143.7)	(98.6)	-	-
<b>Total</b>	<b>2,200.9</b>	<b>2,003.4</b>	<b>134.7</b>	<b>95.3</b>	<b>20.0</b>	<b>1,473.5</b>	<b>21.9</b>	<b>55.0</b>	<b>64.8</b>	<b>41.4</b>	<b>(143.7)</b>	<b>(98.6)</b>	<b>2,298.6</b>	<b>3,570.0</b>
Segment results before depreciation	1,034.1	942.7	(16.2)	(14.3)	126.5	168.4	70.3	7.5	20.1	3.2	-	-	1,234.8	1,107.5
Depreciation	(428.8)	(394.2)	(0.3)	-	(6.1)	(0.2)	-	-	(18.3)	(6.7)	-	-	(453.5)	(401.1)
Segment operating results	605.3	548.5	(16.5)	(14.3)	120.4	168.2	70.3	7.5	1.8	(3.5)	-	-	781.3	706.4
Unallocated interest, income and unallocated non-operating and corporate gains													16.6	20.3
Unallocated non-operating and corporate expenses, net													(91.0)	(69.6)
Operating profit													706.9	657.1
Finance costs													(332.6)	(300.2)
Share of profits and losses of:														
Joint ventures	-	-	-	-	(20.9)	(5.4)	-	-	-	-	-	-	(20.9)	(5.4)
Associates	3.8	(1.0)	-	-	112.6	-	-	-	(19.7)	(4.7)	-	-	96.7	(5.7)
Profit before tax													450.1	345.8
Income tax													6.6	(55.3)
Profit for the year before allocation between equity holders of the parent and non-controlling interests													456.7	290.5
Attributable to:														
Equity holders of the parent													410.3	256.9
Non-controlling interests													46.4	33.6
													456.7	290.5

## GROUP

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Others		Eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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	16,116.4	15,878.3	46.7	42.7	2,999.0	2,955.0	1,244.9	826.2	218.4	200.8	(46.2)	(42.3)	20,579.2	19,860.7
Investments in joint ventures	-	-	-	-	3,258.5	2,664.5	-	-	-	-	-	-	3,258.5	2,664.5
Investments in associates	7.1	6.1	-	-	111.5	(0.7)	-	-	12.5	15.7	-	-	131.1	21.1
Cash and unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	1,881.1	1,787.5
<b>Total assets</b>	<b>(411.4)</b>	<b>(359.4)</b>	<b>(3.4)</b>	<b>(1.7)</b>	<b>(6.0)</b>	<b>(5.7)</b>	<b>(8.1)</b>	<b>(10.7)</b>	<b>(34.4)</b>	<b>(22.6)</b>	<b>46.2</b>	<b>42.3</b>	<b>25,849.9</b>	<b>24,333.8</b>
Segment liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank borrowings and unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	(12,235.8)	(10,864.2)
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,652.9)</b>	<b>(11,222.0)</b>
Other segment information:														
Interest income	(29.7)	(40.7)	-	-	(76.3)	(29.2)	(24.2)	(8.9)	-	-	-	-	-	-
Impairment of trade debtors	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	-	-	-	-	-	-	(42.3)	48.8	-	-	-	-	-	-
Fair value losses/(gains) on investment properties, net	(18.0)	(18.0)	-	-	11.0	19.0	-	-	-	-	-	-	-	-
Fair value gain upon reclassification of a property held for sale to an investment property	-	-	-	-	(58.0)	-	-	-	-	-	-	-	-	-
Gain on bargain purchase	(35.0)	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditure	2,607.2	157.2	1.8	0.1	0.9	0.7	-	-	0.8	102.7	-	-	-	-

## Notes to Financial Statements (Cont'd)

### Geographical information

(a) Revenue from external customers

	<b>2014</b> <b>HK\$'million</b>	<b>2013</b> <b>HK\$'million</b>
Hong Kong	2,220.0	2,050.5
Mainland China	33.3	1,506.3
Other	45.3	13.2
	<b>2,298.6</b>	<b>3,570.0</b>

The revenue information above is based on the locations of the customers, except for the property development and investment segment which is based on the locations of the properties.

(b) Non-current assets

	<b>2014</b> <b>HK\$'million</b>	<b>2013</b> <b>HK\$'million</b>
Hong Kong	18,462.2	15,878.8
Mainland China	1,779.7	2,231.4
Other	288.5	174.6
	<b>20,530.4</b>	<b>18,284.8</b>

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

### 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. For the year ended 31st December, 2013, revenue of HK\$1,460.7 million was derived from sales to a major customer in the property development and investment segment.

## 5. REVENUE AND OTHER INCOME

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

	GROUP	
	2014 HK\$'million	2013 HK\$'million
<u>Revenue</u>		
Hotel operations and management services	2,148.9	1,959.8
Other operations, including estate management, estate agency, travel agency and sale of food products	29.0	29.2
Rental income:		
Hotel properties	46.2	38.5
Investment properties	16.1	13.6
Aircraft	33.8	13.2
Others	2.7	–
Net gain from sale of financial assets at fair value through profit or loss	9.3	8.6
Net gain/(loss) on settlement of derivative financial instruments	(12.8)	32.8
Interest income from financial assets at fair value through profit or loss	13.7	5.3
Dividend income from listed investments	11.7	8.3
Sale of properties under development	–	1,460.7
	<u>2,298.6</u>	<u>3,570.0</u>
<u>Other income</u>		
Bank interest income	15.7	18.2
Other interest income	116.7	73.7
Forfeiture of deposits	–	27.1
Others	37.1	3.3
	<u>169.5</u>	<u>122.3</u>

## Notes to Financial Statements (Cont'd)

### 6. PROFIT BEFORE TAX

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

	<b>GROUP</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Cost of sales <sup>#</sup>	<b>1,200.0</b>	2,387.7
Cost of inventories sold and services provided	<b>804.1</b>	717.1
Depreciation	<b>453.5</b>	401.2
Foreign exchange differences, net	<b>20.0</b>	(4.0)
Impairment of trade debtors	<b>0.1</b>	–
Employee benefit expense (exclusive of directors' remuneration disclosed in note 8):		
Salaries, wages and allowances*	<b>602.8</b>	537.4
Staff retirement scheme contributions	<b>26.9</b>	24.9
Less: Forfeited contributions	<b>(0.8)</b>	(1.1)
Net staff retirement scheme contributions	<b>26.1</b>	23.8
	<b>628.9</b>	561.2
Fair value losses/(gains) on financial assets at fair value through profit or loss, net		
- held for trading	<b>(43.6)</b>	45.8
- designated as such upon initial recognition	<b>–</b>	15.1
- derivative instruments – transactions not qualifying as hedges	<b>1.3</b>	(12.1)
	<b>(42.3)</b>	48.8
Minimum lease payments under operating leases:		
Land and buildings	<b>18.4</b>	16.8
Other equipment	<b>0.3</b>	0.3
	<b>18.7</b>	17.1
Gross rental income	<b>(98.8)</b>	(65.3)
Less: Outgoings	<b>13.7</b>	9.8
Net rental income	<b>(85.1)</b>	(55.5)
Auditors' remuneration	<b>6.2</b>	5.6

<sup>#</sup> Cost of sales does not include depreciation, which is separately shown on the face of the consolidated statement of profit or loss. Cost of sales also includes cost of inventories sold and services provided.

\* Inclusive of an amount of HK\$540.2 million (2013 - HK\$482.8 million) classified under cost of inventories sold and services provided.

**7. FINANCE COSTS**

	<b>GROUP</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Interest on bank loans wholly repayable within five years	<b>115.0</b>	110.3
Interest on other borrowings wholly repayable within five years	<b>182.9</b>	156.8
Amortisation of debt establishment costs	<b>24.8</b>	60.8
	<hr/>	<hr/>
Total interest expenses on financial liabilities not at fair value through profit or loss	<b>322.7</b>	327.9
Fair value changes on derivative financial instruments		
– cash flow hedge (transfer from hedge reserve)	<b>6.0</b>	6.1
Other loan costs	<b>3.9</b>	3.1
	<hr/>	<hr/>
	<b>332.6</b>	337.1
Less: Finance costs capitalised	<b>–</b>	(36.9)
	<hr/>	<hr/>
	<b>332.6</b>	300.2
	<hr/> <hr/>	<hr/> <hr/>

**8. DIRECTORS' REMUNERATION**

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	<b>GROUP</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Fees	<b>2.3</b>	2.3
Other emoluments:		
Salaries, allowances and benefits in kind	<b>20.0</b>	15.8
Performance related/discretionary bonuses	<b>2.5</b>	2.4
Staff retirement scheme contributions	<b>1.1</b>	1.1
	<hr/>	<hr/>
	<b>25.9</b>	21.6
	<hr/> <hr/>	<hr/> <hr/>



## Notes to Financial Statements (Cont'd)

(a) Non-executive directors

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

	<b>2014</b> <b>HK\$'million</b>	<b>2013</b> <b>HK\$'million</b>
Non-executive director:		
Dr. Francis Choi Chee Ming	<b>0.15</b>	0.15
Independent non-executive directors:		
Ms. Alice Kan Lai Kuen	<b>0.21</b>	0.21
Professor Japhet Sebastian Law	<b>0.15</b>	0.15
Mr. Ng Siu Chan	<b>0.21</b>	0.21
Mr. Wong Chi Keung	<b>0.26</b>	0.26
	<b>0.98</b>	0.98

For the year ended 31st December, 2014, Directors' fees entitled by the non-executive director and the independent non-executive directors of the Company also included a fee for serving as members of the Audit Committee (HK\$0.1 million per annum and HK\$0.05 million per annum as its chairman and a member, respectively), the Nomination Committee (HK\$0.03 million per annum) and the Remuneration Committee (HK\$0.03 million per annum) of the Company, where applicable, amounted to HK\$0.98 million (2013 - HK\$0.98 million, which also included fees for serving as members of the Board Committees).

There were no other emoluments payable to the non-executive directors during the year (2013 - Nil).

## (b) Executive directors

	Fees HK\$'million (Note)	Salaries, allowances and benefits in kind HK\$'million	Performance related/ discretionary bonuses HK\$'million	Staff retirement scheme contributions HK\$'million	Total remuneration HK\$'million
<b>2014</b>					
Mr. Lo Yuk Sui	0.26	8.69	0.86	0.41	10.22
Miss Lo Po Man	0.20	3.81	0.29	0.14	4.44
Ms. Belinda Yeung Bik Yiu	0.10	2.26	0.51	0.22	3.09
Mr. Donald Fan Tung	0.20	0.85	0.21	0.09	1.35
Mr. Jimmy Lo Chun To	0.20	2.02	0.09	0.04	2.35
Mr. Kenneth Ng Kwai Kai	0.25	1.52	0.32	0.12	2.21
Mr. Allen Wan Tze Wai	0.10	0.92	0.19	0.09	1.30
	<u>1.31</u>	<u>20.07</u>	<u>2.47</u>	<u>1.11</u>	<u>24.96</u>
<b>2013</b>					
Mr. Lo Yuk Sui	0.26	8.46	0.81	0.39	9.92
Miss Lo Po Man	0.20	1.31	0.27	0.13	1.91
Ms. Belinda Yeung Bik Yiu	0.10	2.08	0.48	0.21	2.87
Mr. Donald Fan Tung	0.20	0.80	0.18	0.08	1.26
Mr. Jimmy Lo Chun To	0.20	0.61	0.13	0.06	1.00
Mr. Kenneth Ng Kwai Kai	0.25	1.60	0.33	0.13	2.31
Mr. Allen Wan Tze Wai	0.10	0.94	0.20	0.09	1.33
	<u>1.31</u>	<u>15.80</u>	<u>2.40</u>	<u>1.09</u>	<u>20.60</u>

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

Note:

For the years ended 31st December, 2013 and 2014, the fees entitled by:

- Mr. Lo Yuk Sui also included (i) a fee of HK\$0.03 million per annum for serving as a member of each of the Nomination Committee and the Remuneration Committee of the Company; and (ii) a fee of HK\$0.1 million per annum entitled by him for serving as a non-executive director of Regal Portfolio Management Limited ("RPML") (the manager of Regal REIT).
- Miss Lo Po Man, Mr. Donald Fan Tung and Mr. Jimmy Lo Chun To also included a fee of HK\$0.1 million per annum entitled by each of these Directors for serving as a non-executive director of RPML.
- Mr. Kenneth Ng Kwai Kai also included a fee of HK\$0.1 million per annum entitled by him for serving as a non-executive director of RPML and a fee of HK\$0.05 million per annum for serving as a member of the audit committee of RPML.

## 9. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid individuals included five (2013 - four) Directors, details of whose remuneration are disclosed in note 8 to the financial statements. For the year ended 31st December, 2013, the emoluments of the remaining one highest paid individual, who was not a Director, are as follows:

	GROUP	
	2014 HK\$'million	2013 HK\$'million
Salaries and other emoluments	–	1.8
Performance related/discretionary bonuses	–	0.3
Staff retirement scheme contributions	–	0.1
	<u>–</u>	<u>2.2</u>
	<u><u>–</u></u>	<u><u>2.2</u></u>

The emoluments of the non-director, highest paid individual for the year ended 31st December, 2013 fell within the band of HK\$2,000,001 to HK\$2,500,000.

## 10. INCOME TAX

	GROUP	
	2014 HK\$'million	2013 HK\$'million
Group:		
Current – Hong Kong		
Charge for the year	<b>86.8</b>	63.6
Overprovision in prior years	<b>(10.7)</b>	(0.3)
Current – Overseas		
Charge for the year	<b>0.6</b>	16.2
Underprovision in prior years	–	0.2
Deferred (note 30)	<b>(83.3)</b>	(24.4)
Total tax charge/(credit) for the year	<u><b>(6.6)</b></u>	<u>55.3</u>
	<u><u>(6.6)</u></u>	<u><u>55.3</u></u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2013 - 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

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

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

	<b>GROUP</b>	
	<b>2014</b> HK\$'million	<b>2013</b> HK\$'million
Profit before tax	<b>450.1</b>	345.8
Tax at the Hong Kong statutory tax rate of 16.5% (2013 - 16.5%)	<b>74.3</b>	57.1
Adjustment in respect of current tax of previous years	<b>(10.7)</b>	(0.1)
Profits and losses attributable to joint ventures and associates	<b>(12.5)</b>	1.8
Higher/(lower) tax rate of other jurisdiction	<b>0.2</b>	(7.6)
Income not subject to tax	<b>(37.9)</b>	(20.2)
Expenses not deductible for tax	<b>38.5</b>	20.4
Tax losses utilised from previous years	<b>(14.3)</b>	(16.1)
Tax losses not recognised during the year	<b>18.7</b>	20.4
Recognition of deferred tax assets previously not recognised	<b>(62.4)</b>	-
Others	<b>(0.5)</b>	(0.4)
Tax charge/(credit) at the Group's effective rate of 1.5% (2013 - 16.0%)	<b>(6.6)</b>	55.3

The share of tax attributable to joint ventures and associates amounting to HK\$0.1 million and HK\$4.2 million, respectively (2013 - HK\$28.4 million and Nil, respectively), is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

## 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, 2014 includes a loss of HK\$6.9 million (2013 - HK\$7.0 million) which has been dealt with in the financial statements of the Company (note 32(b)).

12. DIVIDENDS

	2014 HK\$'million	2013 HK\$'million
Interim - HK4.0 cents (2013 - HK3.6 cents) per ordinary share	37.0	34.7
Proposed final - HK12.0 cents (2013 - HK10.8 cents) per ordinary share	110.9	100.8
	<u>147.9</u>	<u>135.5</u>

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 the basic earnings per ordinary share is based on the profit for the year attributable to equity holders of the parent of HK\$410.3 million (2013 - HK\$256.9 million) and on the weighted average of 929.5 million (2013 - 962.5 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 amount presented for the years ended 31st December, 2014 and 2013 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the years.

## 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	Aircraft HK\$'million	Construction in progress HK\$'million	Total HK\$'million
<b>31st December, 2014</b>								
At 31st December, 2013 and at 1st January, 2014:								
Cost	14,387.0	5.3	265.6	185.9	2.8	180.3	4.3	15,031.2
Accumulated depreciation	(1,188.0)	(2.7)	(60.3)	(67.8)	(2.5)	(5.7)	-	(1,327.0)
Net carrying amount	<u>13,199.0</u>	<u>2.6</u>	<u>205.3</u>	<u>118.1</u>	<u>0.3</u>	<u>174.6</u>	<u>4.3</u>	<u>13,704.2</u>
At 1st January, 2014, net of accumulated depreciation								
	13,199.0	2.6	205.3	118.1	0.3	174.6	4.3	13,704.2
Additions	2,387.1	-	55.1	40.7	0.3	-	4.4	2,487.6
Acquisition of a business (note 33)	123.1	-	-	-	-	-	-	123.1
Transfer	-	-	-	3.1	-	-	(3.1)	-
Transfer from properties held for sale	-	197.3	-	-	-	-	-	197.3
Write-off/disposals	-	-	(0.7)	(0.2)	(0.4)	-	-	(1.3)
Write-back of depreciation upon write-off/disposals	-	-	0.6	0.2	0.4	-	-	1.2
Depreciation provided during the year	(359.1)	(5.9)	(31.8)	(39.7)	(0.2)	(16.8)	-	(453.5)
Exchange realignment	(5.3)	-	-	-	-	(0.5)	-	(5.8)
At 31st December, 2014, net of accumulated depreciation	<u>15,344.8</u>	<u>194.0</u>	<u>228.5</u>	<u>122.2</u>	<u>0.4</u>	<u>157.3</u>	<u>5.6</u>	<u>16,052.8</u>
At 31st December, 2014:								
Cost	16,891.9	202.6	320.0	229.5	2.7	179.8	5.6	17,832.1
Accumulated depreciation	(1,547.1)	(8.6)	(91.5)	(107.3)	(2.3)	(22.5)	-	(1,779.3)
Net carrying amount	<u>15,344.8</u>	<u>194.0</u>	<u>228.5</u>	<u>122.2</u>	<u>0.4</u>	<u>157.3</u>	<u>5.6</u>	<u>16,052.8</u>

## Notes to Financial Statements (Cont'd)

### 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	Aircraft HK\$'million	Construction in progress HK\$'million	Total HK\$'million
<b>31st December, 2013</b>								
At 1st January, 2013:								
Cost	14,387.0	5.3	138.6	125.3	2.8	81.8	30.3	14,771.1
Accumulated depreciation	(842.1)	(2.6)	(40.5)	(38.5)	(2.2)	-	-	(925.9)
Net carrying amount	<u>13,544.9</u>	<u>2.7</u>	<u>98.1</u>	<u>86.8</u>	<u>0.6</u>	<u>81.8</u>	<u>30.3</u>	<u>13,845.2</u>
At 1st January, 2013, net of accumulated depreciation	13,544.9	2.7	98.1	86.8	0.6	81.8	30.3	13,845.2
Additions	-	-	103.6	54.3	-	98.5	4.3	260.7
Transfer	-	-	23.4	6.9	-	-	(30.3)	-
Disposals	-	-	-	(0.6)	-	-	-	(0.6)
Write-back of depreciation upon disposals	-	-	-	0.1	-	-	-	0.1
Depreciation provided during the year	(345.9)	(0.1)	(19.8)	(29.4)	(0.3)	(5.7)	-	(401.2)
At 31st December, 2013, net of accumulated depreciation	<u>13,199.0</u>	<u>2.6</u>	<u>205.3</u>	<u>118.1</u>	<u>0.3</u>	<u>174.6</u>	<u>4.3</u>	<u>13,704.2</u>
At 31st December, 2013:								
Cost	14,387.0	5.3	265.6	185.9	2.8	180.3	4.3	15,031.2
Accumulated depreciation	(1,188.0)	(2.7)	(60.3)	(67.8)	(2.5)	(5.7)	-	(1,327.0)
Net carrying amount	<u>13,199.0</u>	<u>2.6</u>	<u>205.3</u>	<u>118.1</u>	<u>0.3</u>	<u>174.6</u>	<u>4.3</u>	<u>13,704.2</u>

The Group's hotel land and buildings and leasehold properties with a net carrying amount of HK\$15,421.6 million (2013 - HK\$13,201.6 million) are situated in Hong Kong and are held under the following lease terms:

	2014 HK\$'million	2013 HK\$'million
Long term lease	9,356.8	7,044.6
Medium term lease	6,064.8	6,157.0
	<u>15,421.6</u>	<u>13,201.6</u>

In addition, the Group's hotel land and buildings with a net carrying amount of HK\$117.2 million (2013 - Nil) are situated outside Hong Kong and are held freehold.

At 31st December, 2014, the Group's property, plant and equipment with a net carrying amount of HK\$10,863.8 million (2013 - HK\$8,671.9 million) were pledged to secure banking facilities granted to the Group.

## 15. INVESTMENT PROPERTIES

	GROUP	
	2014 HK\$'million	2013 HK\$'million
Carrying amount at 1st January	947.0	948.0
Transfer from properties held for sale	120.0	–
Net gain/(loss) from fair value adjustments	7.0	(1.0)
Carrying amount at 31st December	<u>1,074.0</u>	<u>947.0</u>

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

	2014 HK\$'million	2013 HK\$'million
Long term lease	198.0	180.0
Medium term lease	876.0	767.0
	<u>1,074.0</u>	<u>947.0</u>

The Directors of the Company determined the Group's investment properties into different classes of asset based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31st December, 2014 based on valuations performed by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK\$1,074.0 million. Each year, the Group's management selects the external valuers to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management also has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting. Certain of the investment properties are leased to third parties under operating leases, further summary details of which are included in note 39(a) to the financial statements.

During the year, gross rental income and direct operating expenses of investment properties amounted to HK\$16.1 million (2013 - HK\$13.6 million) and HK\$2.4 million (2013 - HK\$1.9 million), respectively.

At 31st December, 2014, the Group's investment properties with a carrying value of HK\$319.0 million (2013 - HK\$303.0 million) were pledged to secure banking facilities granted to the Group.

Further particulars of the Group's investment properties are included on pages 177 to 178.



## Notes to Financial Statements (Cont'd)

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Fair value measurement as at 31st December, 2014 using			
Quoted prices in active markets (Level 1) HK\$'million	Significant observable inputs (Level 2) HK\$'million	Significant unobservable inputs (Level 3) HK\$'million	Total HK\$'million
Residential properties	-	876.0	876.0
Commercial properties	-	198.0	198.0
	-	1,074.0	1,074.0

Fair value measurement as at 31st December, 2013 using			
Quoted prices in active markets (Level 1) HK\$'million	Significant observable inputs (Level 2) HK\$'million	Significant unobservable inputs (Level 3) HK\$'million	Total HK\$'million
Residential properties	-	767.0	767.0
Commercial properties	-	180.0	180.0
	-	947.0	947.0

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 (2013 - Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Residential properties HK\$'million	Commercial properties HK\$'million
Carrying amount at 1st January, 2013	786.0	162.0
Gain/(loss) from fair value adjustments recognised in profit or loss	(19.0)	18.0
Carrying amount at 31st December, 2013 and 1st January, 2014	767.0	180.0
Transfer from properties held for sale	120.0	-
Gain/(loss) from fair value adjustments recognised in profit or loss	(11.0)	18.0
Carrying amount at 31st December, 2014	876.0	198.0

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range	
			2014	2013
Residential properties	Sales comparison approach	Estimated market price per square foot	HK\$23,541 to HK\$33,913	HK\$25,131 to HK\$36,272
Commercial properties	Discounted cash flow method	Capitalisation rate	3.25% to 3.75%	3.25% to 3.75%
		Discount rate	6.25% to 6.75%	6.25% to 6.75%
		Estimated rental value per square metre and per month	HK\$438 to HK\$1,638	HK\$403 to HK\$1,465

Under the sales comparison approach, fair value is estimated by making references to the sales of comparable properties as available in the market, with adjustment for the difference in key attributes such as the time, location, size, interior decoration and other relevant matters.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flows in order to establish the present value of the income stream associated with the asset.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property.

A significant increase/(decrease) in the estimated market rental value and estimated price per square foot in isolation would result in a significant increase/(decrease) in the fair value of the residential and commercial properties, respectively. A significant increase/(decrease) in the capitalisation rate and the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the commercial properties.

### 16. INVESTMENTS IN JOINT VENTURES

	GROUP	
	2014 HK\$'million	2013 HK\$'million
Unlisted companies:		
Share of net assets	1,421.4	620.7
Unrealised income and gain eliminated	(70.5)	(18.6)
Loans to joint ventures	1,894.2	2,054.6
Amount due from a joint venture	13.4	7.8
	<b>3,258.5</b>	<b>2,664.5</b>

The loans to the joint ventures are unsecured, interest-free and have no fixed terms of repayment except for (i) an amount of HK\$842.2 million (2013 - HK\$273.5 million) which is interest bearing at 4% per annum and (ii) an amount of HK\$568.6 million (2013 - HK\$1,289.1 million) which is interest bearing at 5% per annum. In the opinion of the Directors, these loans are considered as part of the Group's net investments in the joint ventures.

## Notes to Financial Statements (Cont'd)

Details of the Group's investments in joint ventures are as follows:

Name	Place of incorporation and business	Particulars of issued shares held	Percentage of equity interest attributable to the Group		Principal activities
			2014	2013	
Faith Crown Holdings Limited ("Faith Crown")	British Virgin Islands	Ordinary shares of US\$1 each	50	50	Investment holding
P&R Holdings Limited ("P&R Holdings")	British Virgin Islands	Ordinary shares of US\$1 each	50 <sup>(1)</sup>	50 <sup>(1)</sup>	Investment holding

The joint ventures were indirectly held by the Company.

- <sup>(1)</sup> P&R Holdings is owned by the Group and a wholly owned subsidiary of Paliburg Holdings Limited ("PHL"), the immediate listed holding company of the Company, 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, including Cosmopolitan International Holdings Limited ("Cosmopolitan"), a listed subsidiary acquired by P&R Holdings during the prior year.

Both Faith Crown and P&R Holdings are considered material joint ventures of the Group and are accounted for using the equity method.

The following tables illustrate the summarised financial information in respect of each of the above joint ventures adjusted for any differences in accounting policies and reconciled to the carrying amounts in the financial statements:

	<b>2014</b> HK\$'million	<b>2013</b> HK\$'million
<b>Faith Crown</b>		
Non-current assets	<b>1,190.8</b>	1,208.7
Current assets	<b>17.8</b>	–
Financial liabilities, excluding trade and other payables	–	(0.1)
Other current liabilities	<b>(40.6)</b>	(40.6)
Current liabilities	<b>(40.6)</b>	(40.7)
Non-current liabilities	–	(27.8)
Net assets	<b>1,168.0</b>	1,140.2
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	<b>50%</b>	50%
Group's share of net assets of the joint venture	<b>584.0</b>	570.1
Loans to the joint venture	–	13.9
Carrying amount of the investment	<b>584.0</b>	584.0
Interest income	<b>59.5</b>	17.8
Income tax	–	(40.6)
Profit/(loss) for the year	<b>59.5</b>	(8.3)
Other comprehensive loss for the year	–	(3.8)
Total comprehensive income/(loss) for the year	<b>59.5</b>	(12.1)
Dividend received by the Group from Faith Crown	<b>15.8</b>	–

## Notes to Financial Statements (Cont'd)

	2014 HK\$'million	2013 HK\$'million
<b>P&amp;R Holdings</b>		
Non-current assets	3,461.9	3,325.2
Cash and cash equivalents	938.3	706.8
Other current assets	6,925.3	7,272.9
Current assets	7,863.6	7,979.7
Financial liabilities, excluding trade and other payables	(921.0)	(1,263.7)
Other current liabilities	(142.1)	(2,035.6)
Current liabilities	(1,063.1)	(3,299.3)
Non-current financial liabilities, excluding trade and other payables	(7,760.7)	(7,111.1)
Other non-current liabilities	(430.9)	(419.7)
Non-current liabilities	(8,191.6)	(7,530.8)
Net assets	2,070.8	474.8
Net assets attributable to equity holders of the parent	1,674.9	101.3
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture	837.4	50.6
Unrealised interest income eliminated	(69.2)	(18.6)
Unrealised fair value gain eliminated	(1.3)	-
Loans to the joint venture	1,894.2	2,040.7
Amount due from the joint venture	13.4	7.8
Carrying amount of the investment	2,674.5	2,080.5
Revenue	(6.8)	9.4
Interest income	11.7	7.7
Depreciation	(1.5)	(0.5)
Interest expense	(146.8)	(74.8)
Income tax	(0.2)	(16.2)
Profit/(loss) for the year	1,548.0	(11.7)
Other comprehensive income/(loss) for the year	(63.3)	6.9
Total comprehensive income/(loss) for the year	1,484.7	(4.8)

At 31st December, 2014, the Group's share of maximum capital commitment as agreed upon establishment of P&R Holdings in respect of its property development projects amounted to HK\$1,900.0 million (2013 - HK\$1,900.0 million) (the "P&R Capital Commitment"). At 31st December, 2014, shareholder's loans in an aggregate amount of HK\$913.0 million (2013 - HK\$751.6 million) have been contributed, of which nil (2013 - HK\$315.9 million) has been provided under the P&R Capital Commitment, and HK\$2,363.0 million (2013 - HK\$1,224.0 million) has been provided as guarantees, on a several basis, for banking facilities granted to certain subsidiaries of P&R Holdings during the year, of which HK\$1,900.0 million (2013 - HK\$942.3 million) has been provided under the P&R Capital Commitment.

In addition, three (2013 - two) loan facilities totalling HK\$2,212.6 million (2013 - HK\$1,550.0 million) have been granted to P&R Holdings, of which HK\$981.2 million (2013 - HK\$1,289.1 million) has been utilised, which bear interests at a fixed rate of 4% to 5% per annum (2013 - 5% per annum).

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:

	<b>2014</b> <b>HK\$'million</b>	<b>2013</b> <b>HK\$'million</b>
Contracted, but not provided for	1,272.5	650.6
Authorised, but not contracted for	1,219.1	1,189.6
	<u>2,491.6</u>	<u>1,840.2</u>

## 17. INVESTMENTS IN ASSOCIATES

	<b>GROUP</b>	
	<b>2014</b> <b>HK\$'million</b>	<b>2013</b> <b>HK\$'million</b>
Unlisted companies:		
Share of net assets/(liabilities)	84.1	(9.5)
Amounts due from associates	47.0	30.6
	<u>131.1</u>	<u>21.1</u>

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 part of the Group's net investments in the associates.

## Notes to Financial Statements (Cont'd)

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

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Group		Principal activities
			2014	2013	
8D International (BVI) Limited ("8D-BVI")	British Virgin Islands	HK\$1,000	30.0	30.0	Investment holding
8D International Limited#	Hong Kong	HK\$500,000	36.0 <sup>(1)</sup>	36.0 <sup>(1)</sup>	Advertising and promotion
8D Matrix Limited ("8D Matrix")	British Virgin Islands	HK\$2,000,000	36.0 <sup>(1)</sup>	36.0 <sup>(1)</sup>	Investment holding
Bright Future (HK) Limited*	Hong Kong	HK\$10,000	50.0	50.0	Investment holding
Century Innovative Technology Limited#	Hong Kong	HK\$1	36.0 <sup>(1)</sup>	36.0 <sup>(1)</sup>	Development and distribution of edutainment products
深圳市世紀創意科技有限公司**	PRC/ Mainland China	RMB30,000,000	36.0 <sup>(1)</sup>	36.0 <sup>(1)</sup>	Development and distribution of edutainment products
Hang Fok Properties Limited ("Hang Fok")	British Virgin Islands	US\$100	50.0	50.0	Investment holding
Yieldtop Holdings Limited ("Yieldtop")	British Virgin Islands	US\$100	50.0	50.0	Investment holding

\* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

# These are wholly owned subsidiaries of 8D Matrix.

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

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.

8D Matrix and Yieldtop are considered material associates of the Group and are accounted for using the equity method. 8D Matrix and its subsidiaries are mainly engaged in the development and distribution of edutainment products, and advertising and promotion activities. Yieldtop and its subsidiaries are mainly engaged in the property development in the PRC.

The following tables illustrate the summarised financial information in respect of each of the above associates adjusted for any differences in accounting policies and reconciled to the carrying amounts in the financial statements:

	2014 HK\$'million	2013 HK\$'million
<b>8D Matrix</b>		
Non-current assets	22.9	21.1
Current assets	12.4	25.1
Current liabilities	(4.1)	(6.1)
Non-current liabilities	(111.7)	(65.3)
Net liabilities	<u>(80.5)</u>	<u>(25.2)</u>
Net liabilities attributable to equity holders of the parent	<u>(80.7)</u>	<u>(25.4)</u>
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	30%	30%
Group's share of net liabilities of the associate	(24.2)	(7.6)
Amount due from the associate	33.5	19.6
Carrying amount of the investment	<u>9.3</u>	<u>12.0</u>
Revenue	13.8	10.5
Loss for the year	(54.5)	(15.5)
Other comprehensive loss for the year	(0.8)	–
Total comprehensive loss for the year	<u>(55.3)</u>	<u>(15.5)</u>



## Notes to Financial Statements (Cont'd)

	2014 HK\$'million	2013 HK\$'million
<b>Yieldtop</b>		
Current assets	244.0	2.8
Current liabilities	(20.0)	(3.5)
Non-current liabilities	(2.2)	(2.6)
Net assets/(liabilities)	<u>221.8</u>	<u>(3.3)</u>
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets/(liabilities) of the associate	110.9	(1.7)
Amounts due from the associate	0.6	1.0
Carrying amount of the investment	<u>111.5</u>	<u>(0.7)</u>
Other income	243.2	0.8
Income tax	(8.4)	-
Profit/(loss) for the year and total comprehensive income/(loss) for the year	<u>225.1</u>	<u>(0.1)</u>

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2014 HK\$'million	2013 HK\$'million
Share of the associates' profit/(loss) for the year	0.5	(1.0)
Share of the associates' other comprehensive income/(loss) for the year	(2.9)	0.5
Share of the associates' total comprehensive loss for the year	(2.4)	(0.5)
Aggregate carrying amount of the Group's investments in associates	<u>10.3</u>	<u>9.8</u>

**18. AVAILABLE-FOR-SALE INVESTMENTS**

	GROUP	
	2014 HK\$'million	2013 HK\$'million
<b>Non-current assets:</b>		
Unlisted investments, at fair value	<u>106.8</u>	<u>9.1</u>

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK\$13.6 million (2013 - 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	
	2014 HK\$'million	2013 HK\$'million
<b>Non-current assets:</b>		
Structured deposit, at fair value	<u>1.9</u>	–
<b>Current assets:</b>		
Hong Kong listed equity investments, at market value	511.9	496.2
Hong Kong listed debt investments, at market value	111.7	49.9
Overseas listed debt investments, at market value	103.5	25.8
Structured deposits, at fair value	–	9.0
	<u>727.1</u>	<u>580.9</u>
	<u>729.0</u>	<u>580.9</u>

The structured deposits 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 is provided on that basis to the Group's key management personnel.

The listed equity investments and listed debt investments included under current assets at 31st December, 2014 and 2013 were classified as held for trading.

## 20. OTHER LOAN

The amount represents the outstanding balance 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 instalments, the last of which falls due no later than 2015.

As at 31st December, 2014, the other loan was classified as loans and receivables and was stated at amortised cost of HK\$13.2 million (2013 - HK\$12.3 million) calculated using the effective interest rate method, of which the full amount of HK\$13.2 million (2013 - HK\$6.4 million) is expected to be received within one year from the end of the reporting period.

## 21. INVENTORIES

	<b>GROUP</b>	
	<b>2014</b> <b>HK\$'million</b>	<b>2013</b> <b>HK\$'million</b>
Hotel and other merchandise	<u>35.7</u>	<u>33.6</u>

## 22. PROPERTIES HELD FOR SALE

At 31st December, 2014, the Group's properties held for sale with a carrying value of HK\$252.6 million (2013 - HK\$324.1 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\$1,498.2 million (2013 - HK\$1,502.9 million) representing the trade debtors of the Group.

	<b>GROUP</b>	
	<b>2014</b> HK\$'million	<b>2013</b> HK\$'million
Trade debtors	1,500.5	1,505.1
Impairment	(2.3)	(2.2)
	<u>1,498.2</u>	<u>1,502.9</u>

**Credit terms**

Included in the trade debtors of the Group is a sum of HK\$1,372.7 million (2013 - HK\$1,372.7 million) due from the Cosmopolitan group in respect of the disposal of properties under development in Tianjin which is scheduled to be settled on or before 13th September, 2016 and is interest bearing at 5% per annum. Before this trade debt and related accrued interest are fully settled, the trade debtor pledges its entire equity interests in the relevant holding company of the properties under development in favour of the Group.

Other trade debtors generally have credit terms of 30 to 90 days. The Group does not hold any collateral or other credit enhancements over its other trade debtor balance and other trade debtors are non-interest bearing. Trade debtors 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.

The aged analysis of these debtors as at the end of the reporting period is as follows:

	<b>GROUP</b>	
	<b>2014</b> HK\$'million	<b>2013</b> HK\$'million
Outstanding balances with ages:		
Within 3 months	112.0	110.1
Between 4 to 6 months	4.1	1,382.0
Between 7 to 12 months	2.7	3.9
Over 1 year	1,381.7	9.1
	<u>1,500.5</u>	<u>1,505.1</u>
Impairment	(2.3)	(2.2)
	<u>1,498.2</u>	<u>1,502.9</u>

## Notes to Financial Statements (Cont'd)

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

	<b>GROUP</b>	
	<b>2014</b> <b>HK\$'million</b>	<b>2013</b> <b>HK\$'million</b>
At 1st January	2.2	2.2
Impairment losses recognised (note 6)	0.1	–
At 31st December	<u>2.3</u>	<u>2.2</u>

Included in the above provision for impairment of trade debtors is a provision for individually impaired trade debtors of HK\$2.3 million (2013 - HK\$2.2 million) with a gross carrying amount before provision of HK\$2.3 million (2013 - HK\$2.2 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:

	<b>GROUP</b>	
	<b>2014</b> <b>HK\$'million</b>	<b>2013</b> <b>HK\$'million</b>
Neither past due nor impaired	1,446.7	1,444.0
Within 3 months past due	38.2	39.9
4 to 6 months past due	4.0	8.4
7 to 12 months past due	2.7	3.8
Over 1 year past due	6.6	6.8
	<u>1,498.2</u>	<u>1,502.9</u>

Trade debtors that were neither past due nor impaired relate to a number of diversified customers for whom there was 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 fellow subsidiaries of HK\$1,398.3 million (2013 - HK\$3,361.2 million).

**24. HELD-TO-MATURITY INVESTMENTS**

At 31st December, 2014, the amount represented unlisted certificates of deposit with fixed maturity dates. Except for an amount of HK\$77.6 million (2013 - HK\$38.8 million) which is denominated in United States dollars, all unlisted certificates of deposit are denominated in Renminbi with fixed interest rates ranging from 1.6% to 4.0% per annum (2013 - 1.1% to 3.175% per annum).

**25. RESTRICTED CASH**

At 31st December, 2014, the Group had approximately HK\$47.2 million (2013 - HK\$51.9 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.

**26. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS**

Included in the balance is an amount of HK\$93.0 million (2013 - HK\$77.1 million) representing the trade creditors of the Group. The aged analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	<b>GROUP</b>	
	<b>2014</b> <b>HK\$'million</b>	<b>2013</b> <b>HK\$'million</b>
Outstanding balances with ages:		
Within 3 months	<b>92.1</b>	76.4
Between 4 to 6 months	<b>0.2</b>	0.2
Between 7 to 12 months	<b>0.3</b>	–
Over 1 year	<b>0.4</b>	0.5
	<b>93.0</b>	77.1

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

Included in creditors, deposits received and accruals are amounts due to an associate and fellow subsidiaries of HK\$1.6 million (2013 - HK\$3.0 million) and HK\$2.9 million (2013 - HK\$2.7 million), respectively, which have similar credit terms to those offered by the associate and those fellow subsidiaries to their major customers.

27. INTEREST BEARING BANK BORROWINGS

GROUP

	2014		2013	
	Maturity	HK\$'million	Maturity	HK\$'million
<b>Current</b>				
Bank loans – secured	2015	510.9	2014	333.5
<b>Non-current</b>				
Bank loans – secured	2016-2019	6,362.1	2015-2018	5,171.9
		<u>6,873.0</u>		<u>5,505.4</u>

GROUP

Analysed into:	2014	2013
	HK\$'million	HK\$'million
Bank loans repayable:		
Within one year	510.9	333.5
In the second year	191.4	327.8
In the third to fifth years, inclusive	6,170.7	4,844.1
	<u>6,873.0</u>	<u>5,505.4</u>

The agreement for a term loan facility up to HK\$4,500.0 million and a revolving facility of up to HK\$300.0 million (the "2013 IH Facilities") was entered into on 23rd July, 2013 by Regal REIT group, through its wholly owned subsidiaries, namely, Bauhinia Hotels Limited and Rich Day Investments Limited as the borrowers, for a term of five years to July 2018, and is secured by three of the five initial Regal Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel. As at 31st December, 2014, the outstanding amount on the 2013 IH Facilities was HK\$4,520.0 million, comprised of the full amount of the term loan facilities of HK\$4,500.0 million and the amount outstanding under the revolving facility of HK\$20.0 million. The Regal REIT group entered into interest rate swap arrangements to hedge against interest rate exposure for the term loan facility for a notional amount of HK\$3.0 billion, details of which are set out in note 29 to the financial statements.

Regal REIT group, through its wholly owned subsidiary, Sonnix Limited, had a bilateral loan facility of HK\$340.0 million (the "2012 WC Facility") for the iclub Wan Chai Hotel with an original expiry date in February 2015. On 22nd December, 2014, a new term loan facility agreement for a principal amount of up to HK\$440.0 million (the "2014 WC Facility"), which is secured by the iclub Wan Chai Hotel, was entered into for a new term of 5 years to December 2019. The 2014 WC Facility was fully drawn with the proceeds being applied mainly for the repayment of the 2012 WC Facility. As at 31st December, 2014, the outstanding loan facility was HK\$440.0 million.

On 10th February, 2014, Regal REIT group, through its wholly owned subsidiary, Tristan Limited, arranged for another bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving facility of HK\$158.0 million, and secured by the iclub Sheung Wan Hotel (the "2014 SW Facilities"). The 2014 SW Facilities have a term of five years to February 2019 and have no interest rate hedging in place. As at 31st December, 2014, the utilised 2014 SW Facilities were comprised of the full term loan amount of HK\$632.0 million and an amount of HK\$43.0 million outstanding under the revolving facility.

On 28th July, 2014, Regal REIT group, through its wholly owned subsidiary, Wise Decade Investments Limited, arranged for another bilateral loan facility of up to HK\$825.0 million, comprised of a term loan facility of HK\$660.0 million and a revolving facility of HK\$165.0 million, and secured by the iclub Fortress Hill Hotel (the "2014 FH Facilities"). The 2014 FH Facilities have a term of 5 years to July 2019 and have no interest rate hedging in place. As at 31st December, 2014, the utilised 2014 FH Facilities were comprised only of the full term loan amount of HK\$660.0 million.

The loan facilities of Regal REIT group bear interest at the Hong Kong Interbank Offered Rate ("HIBOR") plus an interest margin ranging from 1.4% to 2.6% per annum (2013 - ranging from 1.62% to 2.6% per annum).

Bank borrowings under the 2013 IH Facilities, the 2014 WC Facility, the 2014 SW Facilities and the 2014 FH Facilities are guaranteed by Regal REIT and certain individual companies of the Regal REIT group on a joint and 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, relating to the relevant properties;
- (iii) charges over each relevant rental account, sales proceeds account and other control accounts of the Regal REIT group, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Regal REIT group; and
- (v) an equitable charge over the shares in the relevant companies of the Regal REIT group.

The Group's other bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 37 to the financial statements. They bear interest at HIBOR plus 1.5% per annum (2013 - HIBOR plus 1.5% per annum) except for bank loans of HK\$230.0 million (2013 - HK\$170.8 million), in aggregate, which bear interest at the bank's cost of fund plus 0.75% per annum (2013 - bank's cost of fund plus 0.75% per annum).

All interest bearing bank borrowings are denominated in Hong Kong dollars except for bank loans of HK\$209.5 million (2013 - HK\$170.8 million), in aggregate, which are denominated in United States dollars and a bank loan of HK\$20.5 million (2013 - Nil) which is denominated in Euro.



28. OTHER BORROWINGS

	GROUP	
Non-current	2014 HK\$'million	2013 HK\$'million
Unsecured other borrowings repayable in the third to fifth years, inclusive	<u>4,234.3</u>	<u>4,223.5</u>

On 5th October, 2012, RH International Finance Limited (the "MTN Issuer"), a wholly owned subsidiary of the Company, established a US\$1,000 million medium term note programme (the "MTN Programme").

On 19th October, 2012, the MTN Issuer issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$300.0 million at a coupon interest rate of 4.25% per annum. The notes were issued at a discount at 99.444% of the principal amount.

On 11th January, 2013, R-REIT International Finance Limited (the "Regal REIT MTN Issuer"), a wholly owned subsidiary of Regal REIT, established a US\$1,000 million medium term note programme (the "Regal REIT MTN Programme").

On 22nd March, 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme a series of Hong Kong dollar denominated senior unsecured 5-year term notes in the aggregate nominal principal amount of HK\$775.0 million at a coupon interest rate of 4.125% per annum. The notes were issued at a discount at 99.44% of the principal amount.

On 22nd May, 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$150.0 million at a coupon interest rate of 4.10% per annum. The notes were issued at a discount at 99.553% of the principal amount.

## 29. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>ASSETS</b>	
	<b>2014</b> HK\$'million	<b>2013</b> HK\$'million
Foreign currency option contracts classified as current	–	14.2
	<u>–</u>	<u>14.2</u>
	<b>LIABILITIES</b>	
	<b>2014</b> HK\$'million	<b>2013</b> HK\$'million
Interest rate swaps – cash flow hedges	2.1	4.1
Foreign currency option and forward contracts	1.3	–
	<u>3.4</u>	<u>4.1</u>
Portion classified as non-current		
Interest rate swaps – cash flow hedges	–	(4.1)
Current portion	<u>3.4</u>	<u>–</u>

The Regal REIT group uses interest rate swaps to minimise its exposure to movements in interest rates in relation to a certain portion of its floating rate term loans. As at 31st December, 2014, the interest rate swaps had an aggregate amount of HK\$3.0 billion (2013 - HK\$3.0 billion) (note 27). The interest rate swaps mature on 9th March, 2015 and the fixed swap interest rates ranged from 0.355% to 0.483% per annum (2013 - 0.355% to 0.483% per annum) as at 31st December, 2014.

The interest rate swaps are measured at fair value at the end of the reporting period and are determined based on discounted cash flow models.

In addition, the Group has entered into foreign currency option and forward contracts which are not designated for hedge purposes and are measured at fair value through profit or loss. A fair value loss on non-hedging foreign currency option and forward contracts of HK\$1.3 million was charged to the statement of profit or loss during the year (2013 - fair value gain of HK\$12.1 million).

## Notes to Financial Statements (Cont'd)

### 30. DEFERRED TAX

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

	Depreciation allowances in excess of related depreciation HK\$'million	Depreciation in excess of related depreciation allowances HK\$'million	Losses available for offsetting against future taxable profits HK\$'million	Fair value adjustments arising from acquisition of a business HK\$'million	Total HK\$'million
At 1st January, 2013	(1,072.4)	-	6.9	-	(1,065.5)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	25.2	-	(0.8)	-	24.4
Gross deferred tax assets/(liabilities) at 31st December, 2013 and at 1st January, 2014	(1,047.2)	-	6.1	-	(1,041.1)
Acquisition of a business (note 33)	-	-	-	(15.1)	(15.1)
Exchange difference	-	-	-	0.6	0.6
Deferred tax credited to the statement of profit or loss during the year (note 10)	15.6	1.6	66.0	0.1	83.3
Gross deferred tax assets/(liabilities) at 31st December, 2014	<u>(1,031.6)</u>	<u>1.6</u>	<u>72.1</u>	<u>(14.4)</u>	<u>(972.3)</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2014 HK\$'million	2013 HK\$'million
Net deferred tax assets recognised in the consolidated statement of financial position	62.4	-
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(1,034.7)</u>	<u>(1,041.1)</u>
	<u>(972.3)</u>	<u>(1,041.1)</u>

The Group has unrecognised tax losses arising in Hong Kong amounting to HK\$2,872.7 million (2013 - HK\$3,160.2 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 in respect of the above tax losses amounting to HK\$474.0 million (2013 - HK\$521.4 million) have not been recognised 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, 2014, 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 joint ventures established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$19.2 million at 31st December, 2014 (2013 - HK\$18.0 million).

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

## 31. SHARE CAPITAL AND SHARE PREMIUM

	COMPANY	
	2014 HK\$'million	2013 HK\$'million
<b>Shares</b>		
Authorised:		
2,000.0 million (2013 - 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:		
924.1 million (2013 - 944.0 million)		
ordinary shares of HK\$0.10 each	92.4	94.4
<b>Share premium</b>		
Ordinary shares	<u>554.0</u>	<u>648.0</u>

A summary of the movements of the Company's share capital and share premium account during the period from 1st January, 2013 to 31st December, 2014 is as follows:

	Notes	Authorised		Issued and fully paid		Share premium account
		Number of shares 'million	Amount HK\$'million	Number of shares 'million	Amount HK\$'million	Amount HK\$'million
<b>Ordinary shares</b>						
At 1st January, 2013		2,000.0	200.0	964.1	96.4	740.8
Repurchase and cancellation of ordinary shares	(i)	–	–	(20.1)	(2.0)	(92.8)
At 31st December, 2013 and at 1st January, 2014		2,000.0	200.0	944.0	94.4	648.0
Repurchase and cancellation of ordinary shares	(ii)	–	–	(19.9)	(2.0)	(94.0)
At 31st December, 2014		<u>2,000.0</u>	<u>200.0</u>	<u>924.1</u>	<u>92.4</u>	<u>554.0</u>
<b>5¼% convertible cumulative redeemable preference shares of US\$10 each</b>						
At 1st January, 2013, 31st December, 2013, 1st January, 2014 and 31st December, 2014		<u>0.1</u>	<u>1.3</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Total share capital</b>						
At 31st December, 2014			<u>201.3</u>		<u>92.4</u>	<u>554.0</u>
At 31st December, 2013			<u>201.3</u>		<u>94.4</u>	<u>648.0</u>

## Notes to Financial Statements (Cont'd)

### Notes:

- (i) Out of the 20,096,000 ordinary shares repurchased during the year ended 31st December, 2013, 7,110,000 repurchased ordinary shares were cancelled during that year and the remaining 12,986,000 were cancelled subsequent to 31st December, 2013. The issued share capital of the Company was reduced by the par value of the repurchased ordinary shares. The premium and related expenses paid on the repurchases of the ordinary shares, of HK\$92.8 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 ended 31st December, 2014 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\$94.0 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 2014	10,656,000	4.890	4.740	51,258,540
June 2014	4,782,000	4.840	4.640	22,756,080
July 2014	4,488,000	4.900	4.810	21,720,040
Total	<u>19,926,000</u>			95,734,660
			Total expenses on shares repurchased	<u>284,275</u>
			Total	<u>96,018,935</u>

### 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.

No options were granted or exercised under the Share Option Scheme during the year, and there were no outstanding options under the Share Option Scheme during the year.

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, 2014 and at the date of this report: | Nil   |



## Notes to Financial Statements (Cont'd)

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

**32. 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 75 and 76.

**(b) Company**

	Notes	Share premium account HK\$'million	Capital redemption reserve HK\$'million	Retained profits HK\$'million	Total HK\$'million
At 1st January, 2013		740.8	11.2	5,929.3	6,681.3
Repurchase and cancellation of ordinary shares	31(i)	(92.8)	2.0	(2.0)	(92.8)
Loss for the year	11	-	-	(7.0)	(7.0)
Interim 2013 dividend	12	-	-	(34.7)	(34.7)
Proposed final 2013 dividend	12	-	-	(100.8)	(100.8)
At 31st December, 2013 and at 1st January, 2014		648.0	13.2	5,784.8	6,446.0
Repurchase and cancellation of ordinary shares	31(ii)	(94.0)	2.0	(2.0)	(94.0)
Loss for the year	11	-	-	(6.9)	(6.9)
Interim 2014 dividend	12	-	-	(37.0)	(37.0)
Proposed final 2014 dividend	12	-	-	(110.9)	(110.9)
At 31st December, 2014		554.0	15.2	5,628.0	6,197.2

**33. BUSINESS COMBINATION**

On 8th October, 2014, the Group acquired La Mola Hotel & Conference Centre located in Barcelona, Spain, together with its business (the "Spain Business"), a 4-star luxury hotel completed in 2009 with about 186 rooms situated on the outskirts of Barcelona neighbouring a major category golf course, at a cash consideration of EUR7 million (equivalent to HK\$69.0 million). As the Spain Business was acquired by the Group at a price below its replacement cost and the independent market valuation, a gain on bargain purchase of HK\$35.0 million was resulted and recognised in the profit or loss for the year ended 31st December, 2014.

## Notes to Financial Statements (Cont'd)

The fair values of the identifiable assets and liabilities of the Spain Business as at the date of acquisition were as follows:

	<b>Fair value recognised on acquisition HK\$'million</b>
Property, plant and equipment (note 14)	123.1
Inventories	0.6
Debtors, deposits and prepayments	2.3
Cash and bank balances	0.1
Creditors and accruals	(7.0)
Deferred tax liabilities (note 30)	(15.1)
	<hr/>
Total identifiable net assets at fair value	104.0
Gain on bargain purchase recognised in the consolidated statement of profit or loss	(35.0)
	<hr/>
Satisfied by cash	<u>69.0</u>

The gross contractual amount and the fair value of the trade debtors as at the date of acquisition amounted to HK\$2.3 million.

The Group incurred transaction costs of HK\$12.4 million for this acquisition, which have been expensed and included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of the Spain Business is as follows:

	<b>HK\$'million</b>
Cash consideration	(69.0)
Cash and bank balances acquired	0.1
	<hr/>
Net outflow of cash and cash equivalents included in cash flows from investing activities	(68.9)
Transaction costs of the acquisition included in cash flows from operating activities	(12.4)
	<hr/>
	<u>(81.3)</u>

Since the acquisition, the Spain Business contributed approximately HK\$11.5 million to the Group's turnover and a loss of approximately HK\$3.0 million to the consolidated profit for the year ended 31st December, 2014.

It is impracticable to disclose the information as if the combination had taken place at the beginning of the year since the Group has no full access to the accounting books and records of the Spain Business for the period prior to the date of acquisition.

## 34. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2014 HK\$'million	2013 HK\$'million
Unlisted shares, at cost	5,552.2	5,552.2
Amount due from a subsidiary	851.6	1,101.3
	<b>6,403.8</b>	<b>6,653.5</b>

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the Directors, the amount is considered as part of the Company's investment in its subsidiary.

Details of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2014	2013	
8D Travel (Shanghai) Ltd <sup>(1)</sup>	PRC/ Mainland China	US\$375,000	100	100	Travel agency
Aim Success Investments Limited	Hong Kong	HK\$1	100	100	Property investment
Alpha Season Investments Limited	British Virgin Islands	US\$1	100	–	Investment holding
Best Time Enterprises Limited	Hong Kong	HK\$2	100	100	Leasing of offices
Big Result Investments Limited	Hong Kong	HK\$1	100	100	Property investment
Camomile Investments Limited	Hong Kong	HK\$2	100	100	Property investment
Chest Gain Development Limited	Hong Kong	HK\$10,000	100	100	Property development and investment, and investment holding
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

## Notes to Financial Statements (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2014	2013	
Cranfield Investments Limited	Hong Kong	HK\$2	100	100	Financing
Favour Link International Limited	Hong Kong	HK\$1	100	100	Hotel operations
Favourite Stock Limited	British Virgin Islands	US\$1	100	100	Securities investment
Flexi Sky Limited	Hong Kong	HK\$1	100	100	Property investment
Fortune Build Investments Limited	British Virgin Islands	US\$1	100	–	Investment holding
Fortune Nice Investment Limited	Hong Kong	HK\$2	100	100	Financing
Fortune Trove Limited	Hong Kong	HK\$1	100	100	Property investment
Gaud Limited	Hong Kong	HK\$2	100	100	Securities trading and investment
Gestiones E Inversiones Cosmoland, S.L.	Spain	EUR3,000	100	–	Hotel operations
Golden Vessel Investments Limited	Hong Kong	HK\$1	100	100	Property investment
Grand Pyramid Limited	Hong Kong	HK\$1	100	100	Property investment
Great Prestige Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding
Greatlead Investments Limited	Hong Kong	HK\$1	100	100	Property investment
Harvest Charm Investment Limited	Hong Kong	HK\$2	100	100	Financing
Harvest Crown International Invest Limited	British Virgin Islands	US\$1	100	100	Property investment
Honormate Nominees Limited	Hong Kong	HK\$2	100	100	Securities investment and nominee services

## Notes to Financial Statements (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2014	2013	
Honrich Investment Limited	Hong Kong	HK\$2	100	100	Financing
Kaybro Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding
Loraine Developments, S.L.	Spain	EUR3,000	100	–	Hotel ownership
Maximum Good Limited	Hong Kong	HK\$1	100	100	Property investment
Million Sharp International Limited	Hong Kong	HK\$1	100	100	Property investment
New Surplus Investments Limited	Hong Kong	HK\$1	100	100	Property investment
PBL0781 Limited	Gibraltar	GBP2,000	100	100	Aircraft ownership and leasing
PBL1017 Limited	Gibraltar	GBP2,000	85	85	Aircraft ownership and leasing
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
Regal Hotels Company Limited	Hong Kong	HK\$2	100	100	Investment holding
Regal Hotels International Limited	Hong Kong	HK\$100,000	100	100	Hotel management and investment holding
Regal Hotels Management (BVI) Limited	British Virgin Islands/ Mainland China	US\$1	100	100	Investment holding and hotel management

## Notes to Financial Statements (Cont'd)

Name	Place of incorporation/ registration/ and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2014	2013	
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
RH International Finance Limited	British Virgin Islands/ Hong Kong	US\$1	100	100	Financing
R.H.I. Licensing B.V.	The Netherlands	NLG40,000	100	100	Trademark holding
Solution Key Investments Limited	Hong Kong	HK\$1	100	100	Property investment
Speedy Track Limited	Hong Kong	HK\$1	100	100	Property investment
Success Path Investments Limited	Hong Kong	HK\$1	100	100	Property investment
Tenshine Limited	Hong Kong	HK\$2	100	100	Securities trading and investment and financing
Unicorn Star Limited	British Virgin Islands	US\$1	100	100	Securities investment
Vast Charm International Limited	Hong Kong	HK\$1	100	100	Property investment
Wealth Virtue Investments Limited	British Virgin Islands	US\$1	100	–	Investment holding
Wealthy Path Investments Limited	British Virgin Islands	US\$1	100	–	Investment holding
Will Smart Investments Limited	Hong Kong	HK\$1	100	100	Property investment

## Notes to Financial Statements (Cont'd)

Name	Place of incorporation/ registration/ and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2014	2013	
廣州市富堡訂房服務有限公司 <sup>(1)</sup>	PRC/ Mainland China	RMB100,000	100	100	Room reservation services
富豪酒店投資管理（上海）有限公司 <sup>(1)</sup>	PRC/ Mainland China	US\$140,000	100	100	Hotel management
Regal Real Estate Investment Trust (“Regal REIT”)	Hong Kong	3,257,431,189 units	74.58	74.58	Property investment
Bauhinia Hotels Limited <sup>(2)</sup>	Hong Kong	HK\$2	74.58	74.58	Hotel ownership
Cityability Limited <sup>(2)</sup>	Hong Kong	HK\$10,000	74.58	74.58	Hotel ownership
Gala Hotels Limited <sup>(2)</sup>	Hong Kong	HK\$2	74.58	74.58	Hotel ownership
Regal Asset Holdings Limited <sup>(2)</sup>	Bermuda/ Hong Kong	US\$12,000	74.58	74.58	Investment holding
Regal Riverside Hotel Limited <sup>(2)</sup>	Hong Kong	HK\$2	74.58	74.58	Hotel ownership
Rich Day Investments Limited <sup>(2)</sup>	Hong Kong	HK\$1	74.58	74.58	Financing
Ricobem Limited <sup>(2)</sup>	Hong Kong	HK\$100,000	74.58	74.58	Hotel ownership
Sonnix Limited <sup>(2)</sup>	Hong Kong	HK\$2	74.58	74.58	Property ownership and hotel operations
R-REIT International Finance Limited <sup>(2)</sup>	British Virgin Islands	US\$1	74.58	74.58	Financing
Tristan Limited <sup>(2)</sup>	Hong Kong	HK\$20	74.58	–	Hotel ownership
Wise Decade Investments Limited <sup>(2)</sup>	Hong Kong	HK\$1	74.58	–	Hotel ownership

### Notes:

<sup>(1)</sup> These subsidiaries are registered as wholly foreign owned enterprises under PRC law.

<sup>(2)</sup> These companies are subsidiaries of Regal REIT.



## Notes to Financial Statements (Cont'd)

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

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.

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	<b>2014</b>	<b>2013</b>
Percentage of equity interest held by non-controlling interests of Regal REIT	<u><b>25.42%</b></u>	<u>25.42%</u>
	<b>2014</b>	<b>2013</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Profit for the year allocated to non-controlling interests of the Regal REIT group	<u><b>45.6</b></u>	<u>34.4</u>
Dividends paid to non-controlling interests of the Regal REIT group	<u><b>130.0</b></u>	<u>119.3</u>
Accumulated balances of non-controlling interests of the Regal REIT group at the reporting date	<u><b>1,239.5</b></u>	<u>1,323.4</u>

The following table illustrates the summarised financial information of the Regal REIT group. The amounts disclosed are before any intra-group eliminations:

	<b>2014</b>	<b>2013</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Revenue	<b>1,000.7</b>	867.0
Profit for the year, before distributions to unitholders	<b>179.2</b>	135.2
Total comprehensive income for the year, before distributions to unitholders	<u><b>181.2</b></u>	<u>133.9</u>
Non-current assets	<b>15,754.8</b>	14,632.6
Current assets	<b>168.5</b>	1,175.0
Current liabilities	<b>(234.9)</b>	(335.6)
Non-current liabilities	<u><b>(9,120.2)</b></u>	<u>(7,730.5)</u>
Net cash flows from operating activities	<b>540.9</b>	606.7
Net cash flows used in investing activities	<b>(1,317.6)</b>	(2,115.8)
Net cash flows from financing activities	<u><b>787.6</b></u>	<u>1,531.9</u>
Net increase in cash and cash equivalents	<u><b>10.9</b></u>	<u>22.8</u>

**35. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**

Cash and cash equivalent balances

At the end of the reporting period, the cash and bank balances of the Group amounting to HK\$158.5 million (2013 - HK\$145.6 million) were held by certain subsidiaries operating in Mainland China where exchange controls apply.

**36. 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	2014 HK\$'million	2013 HK\$'million
Fellow subsidiaries:			
Management fees	(i)	30.0	24.1
Development consultancy fees	(ii)	–	2.3
Service fees in respect of security systems and products and other software	(iii)	1.4	2.0
Repairs and maintenance fees and construction fees	(iv)	0.5	1.5
An associate:			
Advertising and promotion fees (including cost reimbursements)	(v)	13.6	10.0
A joint venture:			
Gross interest income	(vi)	155.7	84.5
Acquisition of the iclub Sheung Wan Hotel and related current assets	(vii)	1,581.1	–
Acquisition of the iclub Fortress Hill Hotel and related current assets	(viii)	1,651.4	–
		<u>1,651.4</u>	<u>–</u>

### Notes:

- (i) The management fees included rentals and other overheads allocated from a wholly owned subsidiary of CCIHL, either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of CCIHL, PHL, Cosmopolitan and the Company based on the distribution of job responsibilities and the estimated time spent by the relevant staff in serving each of the four groups. In the prior year, similar allocation of management fees applied to CCIHL group, PHL group and the Group as Cosmopolitan only became a subsidiary of CCIHL on 16th September, 2013.
- (ii) The development consultancy fees were paid to a fellow subsidiary 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 fellow subsidiaries 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 performed.
- (iv) Fees were paid to a fellow subsidiary for providing repairs and maintenance and construction works for the Group's hotel properties. The fees were negotiated based on cost plus a margin and/or awarded through competitive tendering process.
- (v) 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.
- (vi) The amount comprises i) interest income earned by the Group with respect to interest bearing loans to P&R Holdings at a fixed rate of 4% to 5% per annum (2013 - 4% to 5% per annum), ii) interest income on consideration receivable from Cosmopolitan group in respect of the sale of a development project at 5% per annum (2013 - 5% per annum) and iii) interest income on the deposits paid to P&R Holdings in respect of the acquisition of a hotel property and the cash collateral paid to the P&R Holdings under an option agreement to acquire another hotel property, both at 4.3047% per annum (2013 - 4.3047% per annum).
- (vii) On 10th February, 2014, Regal REIT group completed the acquisition of iclub Sheung Wan Hotel from P&R Holdings in accordance with a share purchase agreement at a total consideration of HK\$1,581.1 million, comprised of the purchase price of HK\$1,580.0 million and a current assets adjustment of HK\$1.1 million.
- (viii) On 28th July, 2014, Regal REIT group completed the acquisition of iclub Fortress Hill Hotel from P&R Holdings in accordance with an option agreement at a total consideration of HK\$1,651.4 million, comprised of the final exercise price of HK\$1,650.0 million and a current assets adjustment of HK\$1.4 million

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

(b) Outstanding balances with related parties:

	Notes	2014 HK\$'million	2013 HK\$'million
Due from fellow subsidiaries	(i)	1,398.3	3,361.2
Due to an associate	(ii)	(1.6)	(3.0)
Due to fellow subsidiaries	(ii)	(2.9)	(2.7)
Loans to joint ventures	(iii)	1,894.2	2,054.6
Amount due from a joint venture	(iii)	13.4	7.8
Amounts due from associates	(iv)	47.0	30.6
		<u>1,398.3</u>	<u>3,361.2</u>

Notes:

- (i) Details of the amounts due from fellow subsidiaries are included in debtors, deposits and prepayments in note 23 to the financial statements.
- (ii) Details of the amounts due to an associate and fellow subsidiaries are included in creditors, deposits received and accruals in note 26 to the financial statements.
- (iii) Details of the loans to joint ventures and the amount due from a joint venture are included in investments in joint ventures in note 16 to the financial statements.
- (iv) Details of the 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:

	2014 HK\$'million	2013 HK\$'million
Short term employee benefits	29.1	25.0
Staff retirement scheme contributions	1.5	1.5
Total compensation paid to key management personnel	<u>30.6</u>	<u>26.5</u>

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

## Notes to Financial Statements (Cont'd)

The related party transaction set out in note 36(a)(i) above also constituted a continuing connected transaction as defined in Chapter 14A of the Listing Rules to the Company, but is exempted from relevant disclosures and other requirements, including, inter alia, independent shareholders' approval in accordance with the Listing Rules ("Relevant Requirements") pursuant to rule 14A.33(2)/14A.98 of the Listing Rules.

The related party transactions set out in note 36(a)(ii) above also constituted connected transactions as defined in Chapter 14A of the Listing Rules to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.31(2)(a)/14A.76(1)(a) of the Listing Rules.

Certain of the related party transactions set out in note 36(a)(iii) above also constituted connected transactions to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.31(2)(a)/14A.76(1)(a). The other related party transactions set out in note 36(a)(iii) above also constituted continuing connected transactions to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.33(3)(a)/14A.76(1)(a) of the Listing Rules.

Certain of the related party transactions set out in note 36(a)(iv) above also constituted connected transactions to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.31(2)(a)/14A.76(1)(a). The remaining related party transactions set out in note 36(a)(iv) above also constituted continuing connected transactions to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.33(3)(a)/14A.76(1)(a).

The related party transactions set out in note 36(a)(v) above also constituted continuing connected transactions to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.33(3)(a)/14A.76(1)(a).

The related party transactions set out in notes 36(a)(vi), (vii) and (viii) above were contemplated under transactions (the "Transactions") which constituted connected transactions to the Company subject to the Relevant Requirements. The Relevant Requirements with respect to the Transactions had 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 36(a) had been made or met or otherwise exempted.

### 37. PLEDGE OF ASSETS

At 31st December, 2014, certain of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$454.6 million (2013 - HK\$428.5 million) were pledged to secure bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT, and certain of the Group's property, plant and equipment, investment properties, properties held for sale, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, time deposits and bank balances in the total amount of HK\$11,780.0 million (2013 - HK\$9,500.6 million) were also pledged to secure other banking facilities granted to the Group.

### 38. CONTINGENT LIABILITIES

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

	GROUP		COMPANY	
	2014 HK\$'million	2013 HK\$'million	2014 HK\$'million	2013 HK\$'million
Corporate guarantee provided in respect of the MTN Programme of a subsidiary (note 28)	–	–	7,757.0	7,755.0
Corporate guarantees provided in respect of attributable share of banking facilities granted to:				
A subsidiary	–	–	411.0	420.0
Certain subsidiaries of a joint venture	2,363.0	1,224.0	2,363.0	1,224.0
	<b>2,363.0</b>	<b>1,224.0</b>	<b>10,531.0</b>	<b>9,399.0</b>

At 31st December, 2014, the outstanding principal amount of the notes issued under the MTN Programme amounted to US\$300.0 million (approximately HK\$2,327.1 million) (2013 - US\$300.0 million (approximately HK\$2,326.5 million)).

At 31st December, 2014, the banking facility granted to a subsidiary subject to a guarantee given to the bank by the Company was utilised to the extent of HK\$411.0 million (2013 - HK\$420.0 million). The banking facilities granted to certain subsidiaries of a joint venture subject to corporate guarantees given on a several basis to banks by the Group and the Company were utilised to the extent of HK\$1,100.2 million (2013 - HK\$807.0 million).

In addition, the Company has also entered into lease guarantees to guarantee the lessee's obligations under the lease agreements in connection with the leasing of certain hotel properties from Regal REIT.

**39. OPERATING LEASE ARRANGEMENTS**

(a) As lessor

The Group leases certain retail space and areas of its hotel properties and aircraft under operating lease arrangements, with leases negotiated for terms ranging from 1 to 6 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

The Group also leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms of 2 to 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, 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>GROUP</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Within one year	<b>87.2</b>	78.8
In the second to fifth years, inclusive	<b>141.5</b>	175.1
After five years	–	4.9
	<b><u>228.7</u></b>	<u>258.8</u>

(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 terms from 1 to 5 years.

At 31st December, 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>GROUP</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Land and buildings:		
Within one year	10.6	12.4
In the second to fifth years, inclusive	3.2	32.5
After five years	0.5	23.1
	14.3	68.0
Other equipment:		
Within one year	0.3	0.3
In the second to fifth years, inclusive	0.7	0.2
	1.0	0.5
	15.3	68.5

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

#### 40. COMMITMENTS

In addition to the Group's share of the joint ventures' own capital commitments detailed in note 16 and the operating lease commitments detailed in note 39(b) above, the Group had the following capital commitments at the end of the reporting period:

	<b>2014</b>	<b>2013</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Contracted, but not provided for:		
Aircraft	253.7	–
Authorised, but not contracted for:		
Hotel buildings	110.6	37.6
	364.3	37.6

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



## Notes to Financial Statements (Cont'd)

### 41. 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:

2014

GROUP

#### Financial assets

	Financial assets at fair value through profit or loss					Total HK\$'million
	- designated as such upon initial recognition 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)	-	-	-	13.2	-	13.2
Trade debtors (note 23)	-	-	-	1,498.2	-	1,498.2
Other financial assets included in debtors, deposits and prepayments	-	-	-	129.8	-	129.8
Financial assets at fair value through profit or loss (note 19)	1.9	727.1	-	-	-	729.0
Available-for-sale investments (note 18)	-	-	106.8	-	-	106.8
Held-to-maturity investments	-	-	-	-	378.1	378.1
Restricted cash	-	-	-	47.2	-	47.2
Pledged time deposits and bank balances	-	-	-	327.4	-	327.4
Time deposits	-	-	-	435.4	-	435.4
Cash and bank balances	-	-	-	1,008.0	-	1,008.0
	<b>1.9</b>	<b>727.1</b>	<b>106.8</b>	<b>3,459.2</b>	<b>378.1</b>	<b>4,673.1</b>

## Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost HK\$'million	Total HK\$'million
	- held for trading HK\$'million	- designated as hedging instruments HK\$'million		
Trade creditors (note 26)	-	-	93.0	93.0
Other financial liabilities included in creditors, deposits received and accruals	-	-	235.4	235.4
Derivative financial instruments (note 29)	1.3	2.1	-	3.4
Interest bearing bank borrowings (note 27)	-	-	6,873.0	6,873.0
Other borrowings (note 28)	-	-	4,234.3	4,234.3
	<u>1.3</u>	<u>2.1</u>	<u>11,435.7</u>	<u>11,439.1</u>

2013

GROUP

## Financial assets

	Financial assets at fair value through profit or loss					Total HK\$'million
	- designated as such upon initial recognition 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)	-	-	-	12.3	-	12.3
Trade debtors (note 23)	-	-	-	1,502.9	-	1,502.9
Other financial assets included in debtors, deposits and prepayments	-	-	-	118.9	-	118.9
Financial assets at fair value through profit or loss (note 19)	9.0	571.9	-	-	-	580.9
Derivative financial instruments (note 29)	-	14.2	-	-	-	14.2
Available-for-sale investments (note 18)	-	-	9.1	-	-	9.1
Held-to-maturity investments	-	-	-	-	188.4	188.4
Restricted cash	-	-	-	51.9	-	51.9
Pledged time deposits and bank balances	-	-	-	431.5	-	431.5
Time deposits	-	-	-	857.3	-	857.3
Cash and bank balances	-	-	-	445.8	-	445.8
	<u>9.0</u>	<u>586.1</u>	<u>9.1</u>	<u>3,420.6</u>	<u>188.4</u>	<u>4,213.2</u>

## Notes to Financial Statements (Cont'd)

### Financial liabilities

	Financial liabilities at fair value through profit or loss - designated as hedging instruments HK\$'million	Financial liabilities at amortised cost HK\$'million	Total HK\$'million
Trade creditors (note 26)	–	77.1	77.1
Other financial liabilities included in creditors, deposits received and accruals	–	281.5	281.5
Derivative financial instruments (note 29)	4.1	–	4.1
Interest bearing bank borrowings (note 27)	–	5,505.4	5,505.4
Other borrowings (note 28)	–	4,223.5	4,223.5
	<u>4.1</u>	<u>10,087.5</u>	<u>10,091.6</u>

### COMPANY

#### Financial assets

Cash and bank balances

2014 Loans and receivables HK\$'million	2013 Loans and receivables HK\$'million
<u>1.0</u>	<u>0.9</u>

#### Financial liabilities

Creditors and accruals

2014 Financial liabilities at amortised cost HK\$'million	2013 Financial liabilities at amortised cost HK\$'million
<u>4.6</u>	<u>13.4</u>

#### 42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. Independent professional valuers are engaged for the valuation as appropriate. The valuation is reviewed and approved by management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

##### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

##### *Assets measured at fair value as at 31st December, 2014*

	Fair value measurement using			Total HK\$'million
	Quoted prices in active markets (Level 1) HK\$'million	Significant observable inputs (Level 2) HK\$'million	Significant unobservable inputs (Level 3) HK\$'million	
Available-for-sale investments:				
Unlisted equity investments	–	–	106.8	106.8
Financial assets at fair value through profit or loss:				
Listed equity investments	494.9	17.0	–	511.9
Listed debt investments	–	215.2	–	215.2
Structured deposit	–	1.9	–	1.9
	<b>494.9</b>	<b>234.1</b>	<b>106.8</b>	<b>835.8</b>

## Notes to Financial Statements (Cont'd)

Assets measured at fair value as at 31st December, 2013

	Fair value measurement using			Total HK\$'million
	Quoted prices in active markets (Level 1) HK\$'million	Significant observable inputs (Level 2) HK\$'million	Significant unobservable inputs (Level 3) HK\$'million	
Available-for-sale investments:				
Unlisted equity investments	–	–	9.1	9.1
Financial assets at fair value through profit or loss:				
Listed equity investments	496.2	–	–	496.2
Listed debt investments	–	75.7	–	75.7
Structured deposits	–	9.0	–	9.0
Derivative financial instruments	–	14.2	–	14.2
	<u>496.2</u>	<u>98.9</u>	<u>9.1</u>	<u>604.2</u>

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

	2014 HK\$'million	2013 HK\$'million
Available-for-sale investments – unlisted:		
At 1st January	9.1	4.7
Purchases	84.1	4.4
Total gain recognised in other comprehensive income	13.6	–
At 31st December	<u>106.8</u>	<u>9.1</u>

Liabilities measured at fair value as at 31st December, 2014

	Fair value measurement using			Total HK\$'million
	Quoted prices in active markets (Level 1) HK\$'million	Significant observable inputs (Level 2) HK\$'million	Significant unobservable inputs (Level 3) HK\$'million	
Derivative financial instruments	–	3.4	–	3.4

Liabilities measured at fair value as at 31st December, 2013

	Fair value measurement using			Total HK\$'million
	Quoted prices in active markets (Level 1) HK\$'million	Significant observable inputs (Level 2) HK\$'million	Significant unobservable inputs (Level 3) HK\$'million	
Derivative financial instruments	–	4.1	–	4.1

The Company did not have any financial assets or financial liabilities at fair value as at 31st December, 2014 and 2013.

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 for both financial assets and financial liabilities (2013 - Nil).

#### Valuation techniques

The fair values of listed equity investments are based on quoted market prices.

The unlisted equity investments are carried at net asset values provided by financial institutions or related administrators.

The fair values of the derivative financial instruments, including interest rate swaps and foreign currency option and forward contracts, are determined based on discounted cash flow models or market values provided by financial institutions.

The fair values of listed debt investments and structured deposits are determined based on the market values provided by financial institutions.

#### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest bearing bank borrowings, other borrowings, 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 long term borrowings with floating interest rates. The interest rates and terms of repayment of the Group's interest bearing bank borrowings are disclosed in note 27 to the financial statements. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

The Group has put in place interest rate swap arrangements to limit the variability in cash flows attributable to changes in interest rates of certain borrowings. This involves fixing portions of interest payable on its underlying borrowings through derivative instruments. Details of interest rate swaps are set out in note 29 to the financial statements. These swaps are designated to hedge underlying bank borrowing obligations.

For the Hong Kong dollar borrowings, assuming the amount of bank borrowings and interest rate swap contracts outstanding at the end of the reporting period was outstanding for the whole year, a 100 basis point increase in interest rates would have decreased the Group's profit before tax for the current year by HK\$37.1 million (2013 - HK\$24.0 million). A 10 basis point decrease in interest rates would have increased the Group's profit before tax for the current year by HK\$3.7 million (2013 - HK\$2.4 million).

For interest rate swap contracts, a 100 basis point increase in interest rates would have increased the Group's equity as at 31st December, 2014 by HK\$3.1 million (2013 - HK\$31.5 million) as a result of fair value changes on derivative financial instruments. A 10 basis point decrease in interest rates would have decreased the Group's equity at 31st December, 2014 by HK\$0.3 million (2013 - HK\$4.6 million).

The sensitivity to the interest rate used above is considered reasonable with the other variables held constant. The sensitivity for interest rate swap contracts is based on the assumption that there are parallel shifts in the yield curve.

### Credit risk

The Group's major exposure to the credit risk arises 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 credit after making 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, bank balances and deposits, financial assets at fair value through profit or loss, available-for-sale investments, held-to-maturity investments, other loan and financial assets included in debtors, deposits and prepayments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade debtors are widely dispersed in different sectors and industries (except for sales proceeds receivable from the disposal of properties/properties under development).

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 fluctuations in cash flows. The Group will raise funds from different sources, including through the financial market or realisation of its assets, if required.

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**

	2014		
	Within 1 year or on demand HK\$'million	1 to 5 years HK\$'million	Total HK\$'million
Interest bearing bank borrowings	639.4	7,034.1	7,673.5
Other borrowings	158.8	4,648.5	4,807.3
Trade creditors	93.0	–	93.0
Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture	1,100.2	–	1,100.2
Other financial liabilities included in creditors, deposits received and accruals	207.6	27.8	235.4
Derivative financial instruments	3.4	–	3.4
	<b>2,202.4</b>	<b>11,710.4</b>	<b>13,912.8</b>



## Notes to Financial Statements (Cont'd)

### GROUP

	2013		
	Within 1 year or on demand HK\$'million	1 to 5 years HK\$'million	Total HK\$'million
Interest bearing bank borrowings	443.6	5,821.7	6,265.3
Other borrowings	158.8	4,826.0	4,984.8
Trade creditors	77.1	–	77.1
Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture	807.0	–	807.0
Other financial liabilities included in creditors, deposits received and accruals	275.3	6.2	281.5
Derivative financial instruments	3.5	0.6	4.1
	<u>1,765.3</u>	<u>10,654.5</u>	<u>12,419.8</u>

### COMPANY

	2014 Within 1 year or on demand HK\$'million	2013 Within 1 year or on demand HK\$'million
Corporate guarantee provided in respect of the MTN Programme of a subsidiary	2,327.1	2,326.5
Corporate guarantees provided in respect of attributable share of banking facilities granted to:		
A subsidiary	411.0	420.0
Certain subsidiaries of a joint venture	1,100.2	807.0
Creditors and accruals	4.6	13.4
	<u>3,842.9</u>	<u>3,566.9</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 classified as financial assets at fair value through profit or loss (note 19) and unlisted equity investments classified as available-for-sale investments (note 18) as 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 on the statement of profit or loss.

	Carrying amount of equity investments HK\$'million	Change in profit before tax HK\$'million	Change in equity* HK\$'million
<b>2014</b>			
Hong Kong listed investments	511.9	25.6	–
Unlisted investments at fair value:			
Available-for-sale	106.8	–	5.3
<b>2013</b>			
Hong Kong listed investments	496.2	24.8	–
Unlisted investments at fair value:			
Available-for-sale	9.1	–	0.5

\* 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 mentioned in note 38 and undertakings under corporate guarantees given by the Company for banking facilities granted to the Group and certain subsidiaries of a joint venture, 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, 2014 and 31st December, 2013.

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

## Notes to Financial Statements (Cont'd)

### GROUP

	<b>2014</b> <b>HK\$'million</b>	<b>2013</b> <b>HK\$'million</b>
Interest bearing bank borrowings and other borrowings	<b>11,107.3</b>	9,728.9
Less: Cash, bank balances and deposits	<b>(1,818.0)</b>	(1,786.5)
Net debt	<b>9,289.3</b>	7,942.4
Total assets	<b>25,849.9</b>	24,333.8
Net debt to total assets ratio	<b>35.9%</b>	32.6%

#### 44. EVENT AFTER THE REPORTING PERIOD

In September 2014, the Group entered into a proposal letter with a third party seller that is a wholly owned subsidiary of Embraer S.A., an aircraft manufacturer, for the proposed acquisition of a fleet of eighteen passenger aircraft manufactured by Embraer S.A. (the "Proposal Letter"). After further negotiations with the seller based on the terms of the Proposal Letter and the subsequent purchase agreement, the Group has completed in February 2015 the acquisition of twelve Embraer aircraft, out of the original fleet of eighteen aircraft, at an adjusted aggregate purchase price of US\$34.5 million. All these twelve aircraft are under leases to different airline operators operating in various countries.

#### 45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 24th March, 2015.

# 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 71 to 170, which comprise the consolidated and company statements of financial position as at 31st December, 2014, and the consolidated statement of profit or loss, 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.

## Independent Auditors' Report (Cont'd)

### 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, 2014, 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

22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

24th March, 2015

# Schedule of Principal Properties

*As at 31st December, 2014*

## PROPERTIES FOR DEVELOPMENT AND/OR SALE

Description	Use	Approx. area	Stage of completion (completion date of development project)	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 - approx. 53,126 sq. m. (571,848 sq. ft.)  Gross area of 8 remaining houses held - approx. 3,662 sq. m. (39,421 sq. ft.)	Completed in March 2004	100
(2) Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan, Hong Kong	Hotel	Site area - approx. 345 sq. m. (3,710 sq. ft.)  Gross floor area - approx. 5,236 sq. m. (56,360 sq. ft.) (98 guestrooms and suites)	Foundation works completed  (expected to be completed in 2016)	50
(3) Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon, Hong Kong	Hotel	Site area - approx. 700 sq. m. (7,535 sq. ft.)  Gross floor area - approx. 6,298 sq. m. (67,790 sq. ft.)	Superstructure works in progress  (expected to be completed in the first half of 2016)	50

## Schedule of Principal Properties (Cont'd)

As at 31st December, 2014

Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(4) Lot No. 4309 in Demarcation District No.124, Tan Kwai Tsuen Road, Yuen Long, New Territories, Hong Kong	Residential	Site area - approx. 11,192 sq. m. (120,470 sq. ft.)  Gross floor area - approx. 11,192 sq. m. (120,470 sq. ft.) (36 houses and 134 apartments)	Superstructure works completed  (Occupation permit expected to be issued in 2nd quarter of 2015)	50
(5) Sha Tin Town Lot No. 578, Area 56A, Kau To, Sha Tin, New Territories, Hong Kong	Residential	Site area - approx. 17,476 sq. m. (188,100 sq. ft.) (approx. 134 units, 24 houses and 198 car parks)  Gross floor area - approx. 32,474 sq. m. (349,547 sq. ft.)	Foundation works commenced  (expected to be completed in 2017)	50
(6) Sha Tin Town Lot No. 482 at Po Tai Street, Ma On Shan, Sha Tin, New Territories, Hong Kong	Commercial	Site area - approx. 5,090 sq. m. (54,788 sq. ft.)  Gross floor area - approx. 15,270 sq. m. (164,364 sq. ft.)	Foundation works commenced  (expected to be completed in 2017)	50
(7) Nos. 69-83 Shun Ning Road, Sham Shui Po, Kowloon, Hong Kong	Commercial/ residential	Site area - approx. 824.9 sq. m. (8,879 sq. ft.) (approx. 155 residential units, 2 storeys of shops and 1 storey of basement carpark)  Gross floor area - approx. 7,159 sq. m. (77,059 sq. ft.)	Foundation works commenced  (expected to be completed in 2017)	50

## Schedule of Principal Properties (Cont'd)

As at 31st December, 2014

Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(8) 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	<p>Site area for the whole development - approx. 111,869 sq. m. (1,204,148 sq. ft.)</p> <p>Total gross floor area - approx. 497,000 sq. m. (5,349,700 sq. ft.)</p> <p>First stage</p> <ul style="list-style-type: none"> <li>a 306-room hotel</li> <li>3 residential towers having 340 apartment units with car parks and ancillary commercial accommodation (Total gross floor area - approx. 45,500 sq. m. (490,000 sq. ft.))</li> </ul> <p>Stage two</p> <ul style="list-style-type: none"> <li>residential development with total gross floor area of approx. 176,516 sq. m. (1,900,000 sq. ft.)</li> </ul> <p>Stage three</p> <ul style="list-style-type: none"> <li>commercial and office accommodations with total gross floor area of approx. 139,355 sq. m. (1,500,000 sq. ft.)</li> </ul>	<p>First stage</p> <ul style="list-style-type: none"> <li>Construction works for 3 residential towers expected to be completed in 3rd quarter of 2016</li> <li>Presale of the residential units anticipated to be launched in 3rd quarter of 2015</li> <li>Hotel portion planned to be completed in phases from 2016</li> </ul>	33.76



## Schedule of Principal Properties (Cont'd)

As at 31st December, 2014

Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(9) Development site at the intersection between Weiguo Road and Xinkai Road, Hedong District, Tianjin, PRC	Commercial/ office/ residential	Site area for the whole development - approx. 31,700 sq. m. (341,216 sq. ft.)  Total gross floor area - approx. 145,000 sq. m. (1,560,780 sq. ft.)	Piling works completed; development plans approved  (expected to be completed in stages within 2018)	33.76

**As at 31st December, 2014**

### PROPERTIES FOR INVESTMENT

	<b>Description</b>	<b>Use</b>	<b>Lease</b>	<b>Percentage of interest attributable to the Company</b>
(1)	11 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	74.58
(3)	Regal Hongkong Hotel 88 Yee Wo Street, Causeway Bay, Hong Kong	Hotel	Long term	74.58
(4)	Regal Kowloon Hotel 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong	Hotel	Long term	74.58
(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	74.58

## Schedule of Principal Properties (Cont'd)

*As at 31st December, 2014*

	<b>Description</b>	<b>Use</b>	<b>Lease</b>	<b>Percentage of interest attributable to the Company</b>
(6)	Regal Riverside Hotel 34-36 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong	Hotel	Medium term	74.58
(7)	iclub Wan Chai Hotel 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	74.58
(8)	iclub Sheung Wan Hotel Nos.132-140 Bonham Strand, Sheung Wan, Hong Kong	Hotel	Long term	74.58
(9)	iclub Fortress Hill Hotel Nos.14-20 Merlin Street, North Point, Hong Kong	Hotel	Long term	74.58
(10)	10 duplex residential units and 14 carparking spaces at Rainbow Lodge, 9 Ping Shan Lane, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong	Residential	Medium term	50

# 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,

	2014 HK\$'million	2013 HK\$'million	2012 HK\$'million	2011 HK\$'million	2010 HK\$'million
Revenue	<u>2,298.6</u>	<u>3,570.0</u>	<u>2,330.9</u>	<u>2,037.2</u>	<u>1,502.7</u>
Operating profit before depreciation	<b>1,160.4</b>	1,058.3	1,182.3	27.4	7,471.7
Depreciation	<b>(453.5)</b>	(401.2)	(380.0)	(365.5)	(159.4)
Finance costs	<b>(332.6)</b>	(300.2)	(159.8)	(190.5)	(86.4)
Share of profits and losses of:					
Joint ventures	<b>(20.9)</b>	(5.4)	(5.5)	623.4	(1.8)
Associates	<b>96.7</b>	(5.7)	(3.9)	52.2	(159.3)
Profit before tax	<b>450.1</b>	345.8	633.1	147.0	7,064.8
Income tax	<b>6.6</b>	(55.3)	(47.3)	(16.3)	(74.0)
Profit for the year	<u><b>456.7</b></u>	<u>290.5</u>	<u>585.8</u>	<u>130.7</u>	<u>6,990.8</u>
Attributable to:					
Equity holders of the parent	<b>410.3</b>	256.9	536.3	107.9	6,928.8
Non-controlling interests	<b>46.4</b>	33.6	49.5	22.8	62.0
	<u><b>456.7</b></u>	<u>290.5</u>	<u>585.8</u>	<u>130.7</u>	<u>6,990.8</u>

## Published Five Year Financial Summary (Cont'd)

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

31st December,

	2014 HK\$'million	2013 HK\$'million	2012 HK\$'million	2011 HK\$'million	2010 HK\$'million
Property, plant and equipment	16,052.8	13,704.2	13,845.2	14,041.4	13,879.6
Investment properties	1,074.0	947.0	948.0	886.0	1,379.5
Investments in joint ventures	3,258.5	2,664.5	1,597.3	1,689.6	182.5
Investments in associates	131.1	21.1	27.6	16.7	10.1
Available-for-sale investments	106.8	9.1	4.7	18.0	–
Financial assets at fair value through profit or loss	1.9	–	23.4	508.6	636.5
Other loan	–	5.9	18.9	17.6	13.3
Debtors and deposits	1,390.0	2,344.0	2.3	–	–
Deferred tax assets	62.4	–	–	–	–
Current assets	<u>3,772.4</u>	<u>4,638.0</u>	<u>5,328.5</u>	<u>2,682.9</u>	<u>3,689.7</u>
Total assets	<u><b>25,849.9</b></u>	<u><b>24,333.8</b></u>	<u><b>21,795.9</b></u>	<u><b>19,860.8</b></u>	<u><b>19,791.2</b></u>
Current liabilities	(994.0)	(767.5)	(507.6)	(5,137.3)	(520.5)
Creditor and deposits received	(27.8)	(13.9)	(2.5)	–	–
Interest bearing bank borrowings	(6,362.1)	(5,171.9)	(4,776.1)	(627.1)	(4,943.3)
Other borrowings	(4,234.3)	(4,223.5)	(2,293.8)	–	–
Derivative financial instruments	–	(4.1)	(2.8)	–	(142.4)
Deferred tax liabilities	(1,034.7)	(1,041.1)	(1,065.5)	(1,093.3)	(1,102.4)
Total liabilities	<u>(12,652.9)</u>	<u>(11,222.0)</u>	<u>(8,648.3)</u>	<u>(6,857.7)</u>	<u>(6,708.6)</u>
Non-controlling interests	<u>(1,251.8)</u>	<u>(1,336.9)</u>	<u>(1,412.4)</u>	<u>(1,460.3)</u>	<u>(1,546.6)</u>

