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)

ANNUAL REPORT 2019


REGAL ORIENTAL HOTEL

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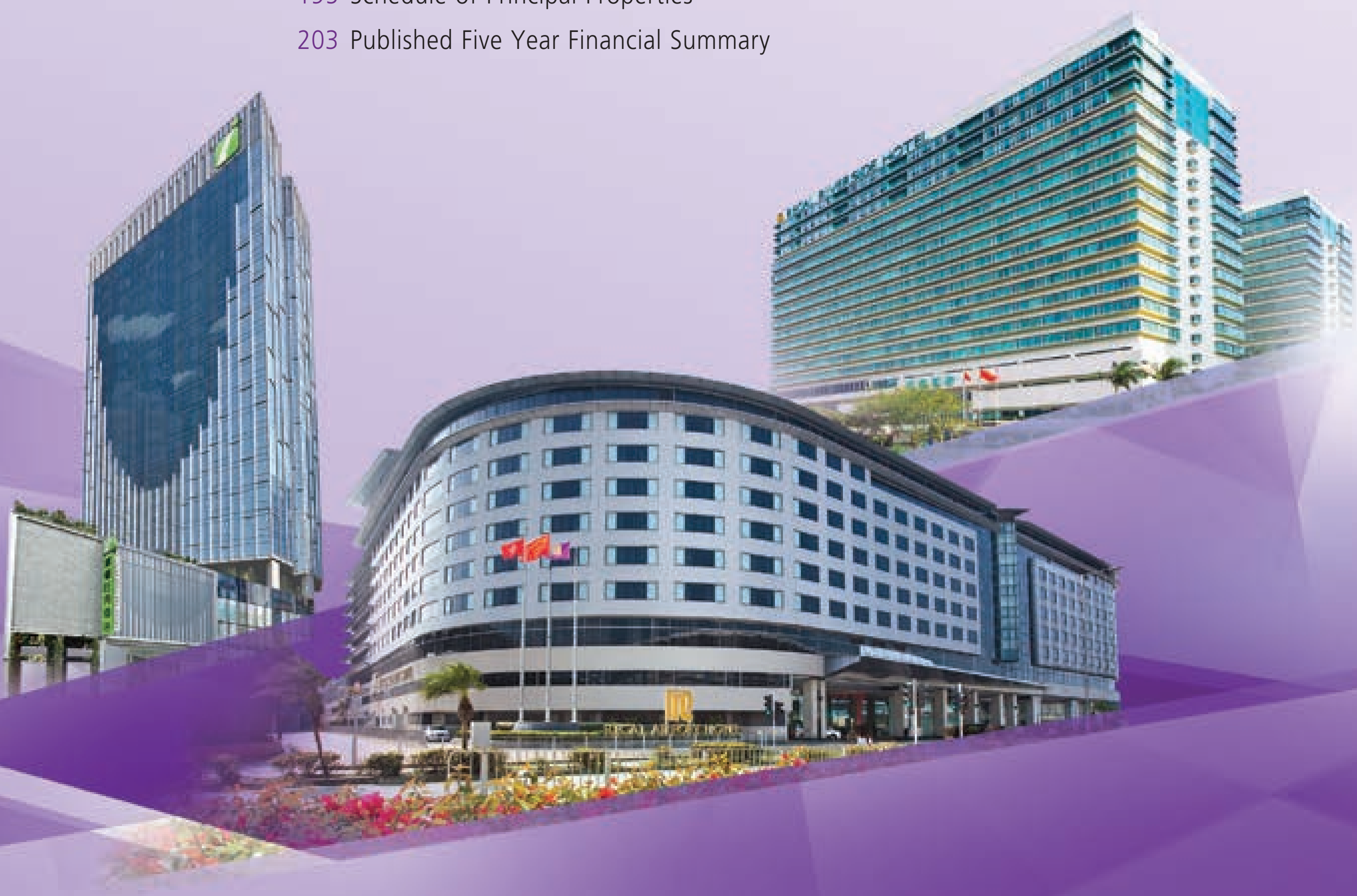


CORPORATE INFORMATION

DIRECTORS

Executive Directors
Lo Yuk Sui
(Chairman and Chief Executive Officer)
Lo Po Man
(Vice Chairman and Managing Director)
Belinda Yeung Bik Yiu, JP
(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
Winnie Ng, JP
Wong Chi Keung

AUDIT COMMITTEE

Wong Chi Keung (Chairman)
Francis Choi Chee Ming, GBS, JP
Alice Kan Lai Kuen
Japhet Sebastian Law
Winnie Ng, JP

REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)
Lo Yuk Sui
Alice Kan Lai Kuen
Winnie Ng, JP

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)
Alice Kan Lai Kuen
Winnie Ng, JP
Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

AUDITOR

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
Chong Hing Bank Limited

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House, 41 Cedar Avenue
Hamilton HM 12, 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

4th Floor North, Cedar House, 41 Cedar Avenue
Hamilton HM 12, 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

***Mr. Lo Yuk Sui**, aged 75; 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. He 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 40; 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. Choi Chee Ming (Alias: Francis), GBS, JP**, aged 74; Vice Chairman and Non-Executive Director* — Invited to the Board as Non-Executive Director and elected Vice Chairman in 2004. Dr. Francis 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 (the "PRC") 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, a member of Sun Yat-sen University Advisory Board, the PRC and the Honorary Chairman of the Board of Trustees of Shaoguan University, the PRC.

***Ms. Yeung Bik Yiu, Belinda, JP**, aged 61; Executive Director and Chief Operating Officer* — Appointed to the Board in 2002 and designated as the Chief Operating Officer in 2007. Ms. Belinda 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, Ms. Yeung is in charge of the operations of all Regal Hotels in Hong Kong and Mainland China. In addition to her hotel management responsibilities, she is also responsible for the human resources management of the Century City Group. In 2019, Ms. Yeung was appointed as a Justice of the Peace. 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 and Honorary Fellow of the Vocational Training Council.

***Mr. Fan Tung, Donald**, aged 63; Executive Director* — Appointed to the Board in 2002. Mr. Donald 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. He 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. Kan Lai Kuen, Alice**, aged 65; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. Ms. Alice Kan 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. 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. 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 Jolimark Holdings Limited and Shimao Property Holdings Limited, both of which are companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

***Professor Japhet Sebastian Law**, aged 68; 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, 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. Lo Chun To (Alias: Jimmy)**, aged 46; 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. Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. Mr. Lo joined the Century City Group in 1998. He is primarily involved in overseeing the Cosmopolitan group's property projects in the PRC and, in addition, undertakes responsibilities in the business development of the Century City Group. Mr. Lo is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

***Mr. Ng Kwai Kai (Alias: Kenneth)**, aged 65; Executive Director* — Joined the Group in 1985 and appointed to the Board in 1998. Mr. Kenneth Ng 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 is a Chartered Secretary and is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group.

***Ms. Winnie Ng, JP**, aged 56; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director since January 2018. She is also an independent non-executive director of CCIHL and PHL since January 2018. Ms. Ng holds an MBA (Master of Business Administration) from University of Chicago and an MPA (Master of Public Administration) from Harvard University. Ms. Ng has received numerous awards and recognition. In 2017, she was appointed a Justice of the Peace. In 2016, she won Nobel Laureate Series: Asian Chinese Leadership Award and China Top Ten Outstanding Women Entrepreneurs. In previous years, she received recognitions as a Woman of Excellence in Hong Kong, one of 60 Meritorious Chinese Entrepreneurs with Achievement and National Contribution, Yazhou Zhoukan Young Chinese Entrepreneur Award, one of China's 100 Outstanding Women Entrepreneurs and was Mason Fellow of Harvard University. Active in public service, Ms. Ng is Chairman of Hospital Governing Committee of Prince of Wales Hospital, Director of Po Leung Kuk, Member of Town Planning Board, Advisor of Our Hong Kong Foundation, Council Member of The Better Hong Kong Foundation, and Court Member of The Hong Kong Polytechnic University. She was Member of Hong Kong Tourism Board and its Marketing & Business Development Committee Chairman, and Member of Hospital Authority and its Supporting Services Development Committee Chairman from 2010 to 2016. She was Member of Employees Retraining Board and its Course Vetting Committee Convenor, and Member of Vocational Training Council from 2011 to 2017. Ms. Ng is also a non-executive director of Transport International Holdings Limited, and she was the founder, deputy chairman and a non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited). Both companies are listed on the Stock Exchange.

***Mr. Wan Tze Wai, Allen**, aged 61; Executive Director* — Appointed to the Board in 2010. Mr. Allen Wan has been with the Century City Group for over 26 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 38 years of experience in finance and accounting field.

***Mr. Wong Chi Keung**, aged 65; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. He is also an independent non-executive director of CCIHL and PHL. Mr. Wong holds a Master's Degree in Business Administration from the University of Adelaide in Australia. Mr. Wong 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 a responsible officer for asset management and advising on securities 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 Ting Group Holdings Limited, Fortunet e-Commerce Group Limited, Golden Eagle Retail Group 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 37 years of experience in finance, accounting and management.

Dear shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31st December, 2019.

FINANCIAL RESULTS

For the year ended 31st December, 2019, the Group achieved a consolidated profit attributable to shareholders of HK$454.6 million, as compared to the profit of HK$547.7 million recorded in the preceding year.

Although the Group attained satisfactory operating results in the first half of 2019, the local social unrest since June 2019 has drastically affected its core hotel business. Despite the decline in the profit contribution from the hotel operating business was to certain extent compensated by the increased disposal profits and fair value gains derived from the portfolio of financial assets, the Group's consolidated profit attributable to shareholders for the year 2019 has dropped by approximately 17% as compared with the results in 2018.

Gross profit from business operations for the year amounted to HK$1,015.7 million (2018 – HK$1,213.7 million). Operating profit before depreciation, finance costs and tax for the year was HK$1,318.9 million (2018 – HK$1,327.4 million). As the Group's hotel properties in Hong Kong are all owned and self-operated by subsidiaries of the Company, they are subject to depreciation charges to conform to the applicable accounting standards. Total depreciation charges on the Group's hotel portfolio in Hong Kong for the year amounted to HK$484.7 million (2018 – HK$479.9 million) which, although not affecting cash flow, have nevertheless impacted the reported profit.

Having regard to the material difference prevailing between the carrying values of the Group's hotel portfolio in Hong Kong, which are subject to accumulated depreciation charges, and their fair values as at 31st December, 2019, an Adjusted Net Asset Statement is presented in the section headed "Management Discussion and Analysis" in this Annual Report, which illustrated for the purpose of reference that, if all such hotel properties were to be stated in the Group's financial statements at their independent professional market valuations as at 31st December, 2019, the underlying adjusted net asset value of the Company would amount to HK$22.96 per share.

BUSINESS OVERVIEW

HOTELS

MARKET OVERVIEW

Based on a recent publication by the World Bank Group, global growth decelerated markedly in 2019, with annual growth rate weakening to 2.4 percent, which was the lowest rate of expansion in many years. Growth in the United States also decelerated amid slowing investments and exports, as rising tariffs have increased trade costs. In China, the growth in its Gross Domestic Product (GDP) slowed down to 6.1 percent in 2019, albeit still within the targeted range of 6 to 6.5 percent. In Hong Kong, due to the significant adverse impact caused by the local social unrest since June last year and, as exacerbated by the unfavourable economic climate globally, the local economy entered into recession in the second half of the year. Hong Kong's GDP overall contracted by 1.2 percent in real terms in 2019, which was its first annual contraction since 2009.

Although the number of total visitors to Hong Kong maintained growth in the first six months of 2019, the situation was abruptly reversed in the second half. As a result, visitor arrivals to Hong Kong for the whole year of 2019 only amounted to 55.9 million, which was a negative growth of 14.2% year-on-year. Total overnight visitors amounted to 23.8 million and represented a decrease of 18.8% year-on-year. Of the total 43.8 million visitors from Mainland China, 16.2 million were overnight visitors, dropping by 18.5% year-on-year. Meanwhile, the number of overnight visitors from the traditional long haul and other short haul markets (excluding Mainland China) also recorded year-on-year declines of 15.2% and 22.1%, respectively.

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 slid from 86% in July to 61% in the month of December 2019, ending in a year-round average of 79.0%, representing a decrease of 12.0 percentage points from 2018. At the same time, the industry-wide average room rate also contracted by 12.4%, resulting in a year-on-year decrease of 23.9% in average Revenue per Available Room (RevPAR).

HOTEL OWNERSHIP

The Group is developing through a wholly owned subsidiary a second hotel at the Hong Kong International Airport. This new hotel is proposed to be named as Regala Skycity Hotel, which will have over 1,200 guestrooms and suites, complemented with extensive food and beverage, banqueting and meeting facilities. The building superstructure works have been completed as scheduled and the hotel is expected to be opened for business in the first half of 2021.

The Group also owns a 186-room hotel in Barcelona, Spain, which was previously self-operated by the Group. This hotel property has since September 2017 been leased to an independent third party and is yielding satisfactory rental income.

As reported earlier, the Group acquired in April 2019 an existing property located at a prime location in London, the United Kingdom. Planning works have been commenced to renovate this property into a hotel with about 73 guestrooms and a restaurant, and the renovated hotel is intended to be self-operated by the Group.

REGAL REAL ESTATE INVESTMENT TRUST

As at 31st December, 2019, 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, 2019, Regal REIT recorded a consolidated loss before distributions to Unitholders of HK$2,102.3 million, as compared to a profit of HK$2,251.7 million for the financial year 2018. However, it should be noted that the consolidated loss recorded for 2019 included a fair value loss of HK$2,522.6 million arising from the decrease in the appraised values of Regal REIT's investment property portfolio, after accounting for the additional capital expenditures incurred for the year, while a fair value gain of HK$1,789.1 million was recorded for 2018. If the effects of the fair value changes are excluded, the core profit before distributions to Unitholders for 2019 would amount to HK$420.3 million, a decrease of 9.1% as compared to HK$462.5 million for the preceding year. Distributable income for the year attributable to Unitholders amounted to HK$445.2 million, approximately 9.0% below the comparative amount of HK$489.2 million in the preceding year.

Regal REIT currently owns a total of nine operating hotels, commanding an aggregate of 4,909 guestrooms and suites and is one of the major hotel owners in Hong Kong. Its present portfolio of properties comprises a balanced mix of five full-service hotels under the Regal brand and four select-service hotels under the iclub brand, catering to different market demands. Except for the iclub Wan Chai Hotel which is self-operated by Regal REIT, all the other eight hotels have been leased to the Group for hotel operations.

HOTEL OPERATIONS

Favour Link International Limited, a wholly owned subsidiary of the Company, is the lessee operating all the eight Regal Hotels and iclub Hotels under lease from Regal REIT.

Management has forewarned in the Interim Report of the Company published in August 2019 that the social events which were taking place in Hong Kong were seriously affecting many different trades, particularly the tourism related, retail and food and beverage business sectors and could adversely impact the Group's hotel business if the situation did not improve.

Apart from the Regal Airport Hotel which was able to maintain satisfactory performance throughout the year due to its unique market positioning and while the airline traffic was still operating normally, the hotel room as well as the food and beverage businesses of the other four Regal Hotels have dropped substantially in the second half of 2019, as compared with the levels attained in the first six months. For the year 2019 as a whole, the five Regal Hotels overall recorded a combined average occupancy of 77.9%, as compared to 88.7% last year, while their combined average room rate decreased by 9.3%, with combined average RevPAR consequently declining by 20.3% year-on-year, although still slightly better than the market average. Total net property income from the five Regal Hotels amounted to HK$606.9 million, which was 30.7% lower than the HK$875.7 million in 2018 and below the aggregate annual base rent of HK$776.0 million for the year. Under the market rental review completed in November 2019, the aggregate annual base rent for the five Regal Hotels for 2020 was determined to be HK$710.0 million, which was HK$66.0 million below the aggregate base rent for 2019, with variable rent continuing to be based on 50% sharing of the excess of the aggregate net property income of the five Regal Hotels over their aggregate base rent.

Three other iclub Hotels, namely, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel, are also operated by Favour Link under leases from Regal REIT. Likewise, the businesses of these iclub Hotels in the second half of 2019 have met with intense pressure. The combined annual average occupancy rate for these three iclub Hotels for the whole year of 2019 was 75.9%, 13.6 percentage points below the level in 2018, while their combined average room rate decreased by 17.3%, resulting in a decline of 29.9% in their combined average RevPAR year-on-year.

For the year under review, the aggregate net property income generated by the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel was much lower than its comparative amount in 2018 and below their aggregate base rent of HK$92.0 million under their respective market rental packages. The initial fixed terms of the leases for these two hotels expired on 31st December, 2019 and Regal REIT has exercised in May 2019 the option granted to it in the respective lease agreements to extend the two leases for another five years till end of 2024. Under the market rental reviews concluded in November 2019, the base rent for 2020 for each of the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel was determined to be HK$41.0 million, a reduction of HK$5.0 million in each case below the annual base rent for 2019, with variable rent continuing to be based on 50% sharing of the excess of the net property income over the base rent of each hotel.

The iclub Ma Tau Wai Hotel was acquired by Regal REIT in 2017 from P&R Holdings Limited, a 50/50 joint venture owned by Paliburg Holdings Limited, the immediate listed parent of the Company, and the Group. The lease for this hotel is still within the initial five-year term with predetermined fixed annual rentals. Under the arrangement agreed with P&R Holdings, Favour Link as the lessee is entitled to reimbursement from P&R Holdings annually for any deficit between the rental expenses and the net property income from the business operation of the hotel within this initial term.

HOTEL MANAGEMENT

Regal Hotels International Limited, the wholly owned management arm of the Group, is the hotel manager managing all the five Regal Hotels and five iclub Hotels now operating in Hong Kong. Two other new hotels in Hong Kong, also to be managed by Regal Hotels International, are coming on stream. The first one in line is the iclub Sheung Wan II Hotel, which was developed and presently 50% beneficially owned by P&R Holdings and planned to be opened for business in the second quarter this year. The second one is the Regala Skycity Hotel, which is being developed by the Group and scheduled to be opened for business in the first half of 2021.

In Mainland China, the Group is presently managing a total of seven operating Regal Hotels, including three in Shanghai, two in Dezhou, one in Xi'an and one in Foshan. The Group is also managing one hotel in Zhengzhou which is operating under the iclub by Regal brand. Three other hotels to be managed by the Group are under development, which are separately located in Chengdu, Jiangmen and Kunshan.

The hotel manager will continue to step up its efforts to promote the "Regal", "iclub" and the latest "Regala" brand names and to strengthen the Group's marketing and reservation networks on the internet and other platforms.

PROPERTIES

Affected by the local social unrest, the property market in Hong Kong has slowed down notably in the second half of the year under review. However, apart from the retail property sector that was affected most badly, the adjustments to the property prices in the other sectors have been relatively moderate. As the property market was comparatively active in the first few months of the year, total transaction volume of residential properties in 2019 still surpassed the level in the prior year, reflecting the strong underlying demand for residential accommodation in Hong Kong.

The sale programme for Mount Regalia, the major residential development of P&R Holdings in Kau To, Sha Tin, commenced in early 2019. Up to this date, 2 houses and 18 apartment units have been contracted to be sold at relatively attractive prices as compared to the development costs. Among these contracted sales, 2 houses and 3 apartment units have already been completed and the properties delivered to the buyers.

Through one of its wholly owned subsidiaries, the Group is developing a commercial/residential project located at Queen's Road West in Hong Kong. The development works for this project are progressing steadily and the project is expected to be completed in 2022. Presale of the residential units in this development is planned to be launched before the end of this year.

The Group is also undertaking in Hong Kong another commercial/residential development at Hai Tan Street in Sham Shui Po. Meanwhile, the Group is progressing with a renovation for sale project in Lisbon, Portugal. On the other hand, the Group is still retaining a total of 13 garden houses in Regalia Bay in Stanley, 7 of which are held as investment properties.

Further detailed information on the Group's development projects and properties as well as those undertaken by P&R Holdings and its listed subsidiary, Cosmopolitan International Holdings Limited, is contained in the section headed "Management Discussion and Analysis" in this Annual Report.

AIRCRAFT OWNERSHIP AND LEASING

In February 2019, the Group completed the disposal of the one remaining Embraer ERJ135 aircraft to an independent buyer. The disposal of all our Embraer aircraft has on the whole generated reasonably attractive profits. At present, the Group owns a fleet of 3 passenger aircraft, which are all on operating leases. In June 2019, the Group executed agreements to extend the operating leases of two Airbus A320-232 with the existing lessee, which is a major British international airline operator, from 2020 to 2024. The extensions of these leases will provide steady rental income for the Group during the extended term. The third aircraft is an Airbus A319-133, which has been leased to a European airline operator. The lease for this third aircraft is scheduled to expire in April 2021 and the marketing works for the re-leasing of this aircraft are underway.

OUTLOOK

The outbreak of the novel coronavirus in recent months is causing severe disruption to overall business activities, consumer spending as well as the global supply chains. The economic growth in China is expected to further moderate, due to the slowdown in its labour productivity growth and external headwinds. In the wake of added uncertainties, the central government of China has devised and implemented many supportive measures to bolster its economy, including cutting taxes, lowering interest rates and increasing public investment spending.

In Hong Kong, the businesses in the consumer and tourism related sectors during the first few months of this year remained hard hit by the economic downturn and the coronavirus pandemic, with rising unemployment rates being recorded for these market sectors. Apart from the internal social problems yet to be resolved, the spread of the coronavirus and the potential trade tensions between China and the United States could well continue to affect the global economy and financial markets and adversely impact Hong Kong's economic performance. With a view to easing the economic slowdown and rising unemployment, the Hong Kong government has proposed a number of initiatives to assist businesses and to boost consumer spending.

With the recent outbreak of the coronavirus pandemic in over one hundred countries worldwide, the social and business activities around the world as well as cross-border traffic have been drastically affected. The Group has taken prompt measures to streamline its operating structure and to cut down its operating costs. Unless the further spread of the coronavirus can be promptly contained, business outlook for this year would not be optimistic.

Looking into the longer term, as a key business services and logistics hub in the Asian Pacific region, Hong Kong is still well placed to benefit from the tremendous business opportunities available under the "Belt and Road" initiative, the RMB internationalisation and the development of the Guangdong-Hong Kong-Macao Greater Bay Area. When the coronavirus pandemic is over and the social unrest in Hong Kong gradually subsides, the economy of Hong Kong should be resilient enough to rebound and to regain its growth momentum.

The Group will continue to prudently manage its resources, so as to well-position itself to sail through the present challenges and to benefit from business opportunities that might become available when the economy revives.

DIRECTORS AND STAFF

Finally, I would also like to thank my fellow colleagues on the Board for their contribution over the year and to all management and staff members for their persistent efforts.

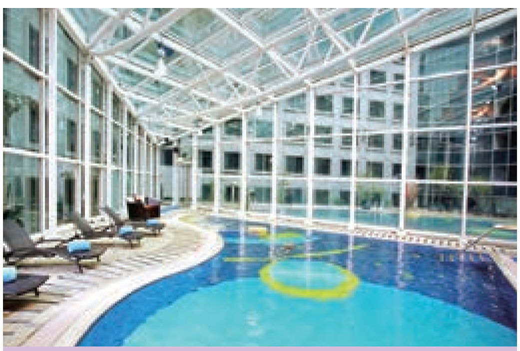
LO YUK SUI
Chairman

Hong Kong
26th March, 2020

REGAL AIRPORT HOTEL

CHEK LAP KOK • HONG KONG

Café Aficionado



Indoor Swimming Pool

Honeymoon Suite

REGAL HONGKONG HOTEL

CAUSEWAY BAY • HONG KONG

Executive Club Room

Alto 88

Hotel Lobby

REGAL KOWLOON HOTEL

TSIMSHATSUI • HONG KONG

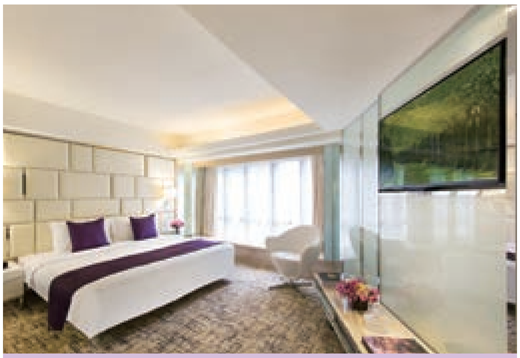
Deluxe Suite

Versailles Ballroom

Regal Court

REGAL ORIENTAL HOTEL

KOWLOON CITY • HONG KONG



Presidential Suite

Avanti Pizzeria

Oriental Ballroom

REGAL RIVERSIDE HOTEL

SHA TIN • HONG KONG

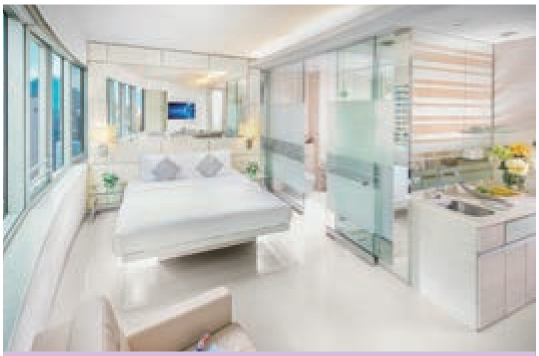

Premier Room


Scene Bar

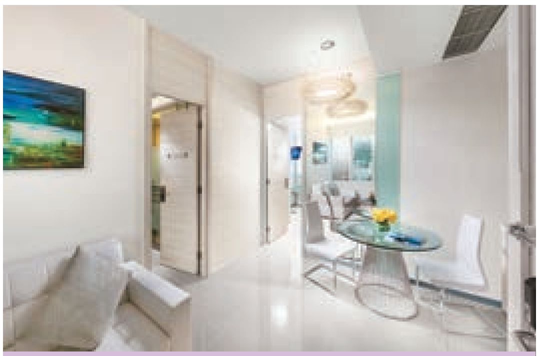

Bauhinia Room

iclub WAN CHAI HOTEL

WAN CHAI • HONG KONG



iBusiness Executive

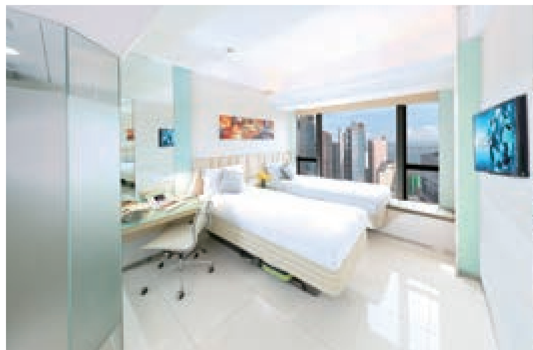


iResidence Premier

iLounge

iclub SHEUNG WAN HOTEL

SHEUNG WAN • HONG KONG



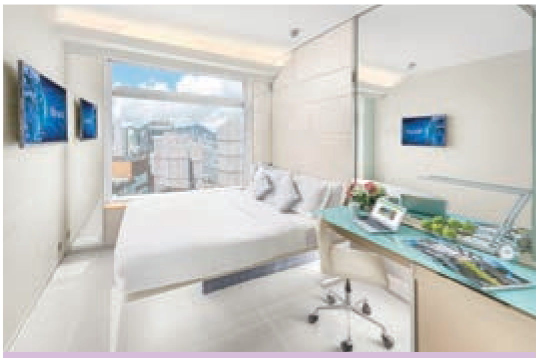
iPlus Premier

Hotel Lobby

iLounge

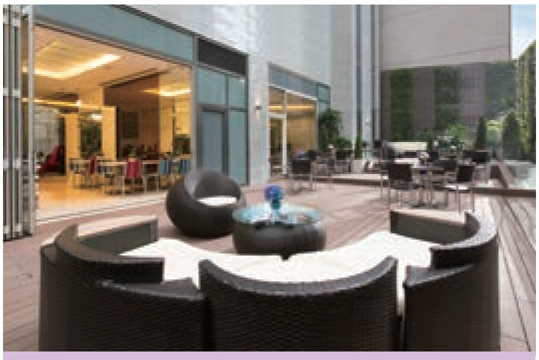
iclub FORTRESS HILL HOTEL

FORTRESS HILL • HONG KONG



iBusiness Premier

Sweat Zone



iLounge

iclub MA TAU WAI HOTEL

MA TAU WAI • HONG KONG

iBusiness Premier

Hotel Lobby

Carpark

CAMPUS LA MOLA

BARCELONA • SPAIN

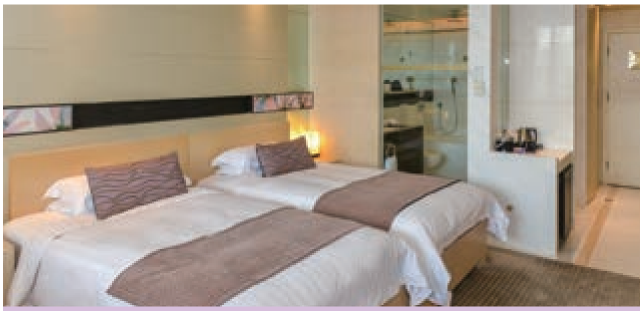
Conference Room

Swimming Pool

Deluxe Room with Balcony

REGAL SHANGHAI EAST ASIA HOTEL

SHANGHAI • MAINLAND CHINA

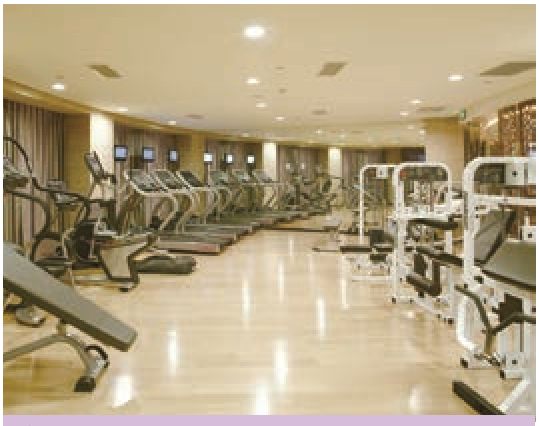


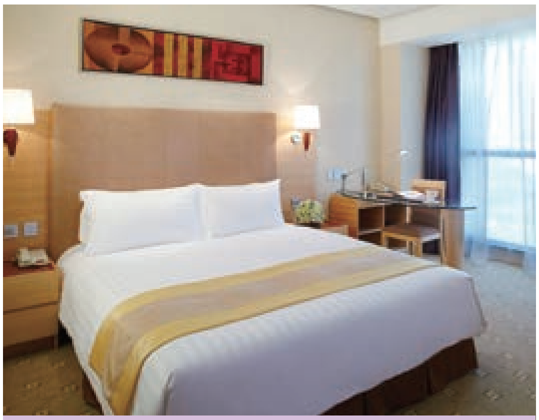
Deluxe Room

Pujiang Hall

Stadium Café

REGAL JINFENG HOTEL
SHANGHAI • MAINLAND CHINA


Fitness Center


Deluxe Room


Regal Ballroom

REGAL PLAZA HOTEL & RESIDENCE
SHANGHAI • MAINLAND CHINA


Deluxe Studio


Forum


iLounge

REGAL KANGBO HOTEL

DEZHOU • MAINLAND CHINA

Swimming Pool

Superior Room

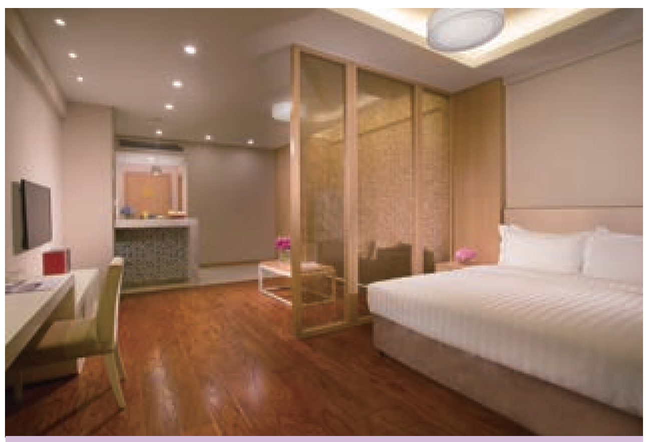
Ballroom

REGAL KANGBO HOTEL & RESIDENCE

DEZHOU • MAINLAND CHINA


iLounge


Deluxe Suite


Deluxe Room

REGAL FINANCIAL CENTER HOTEL

FOSHAN • MAINLAND CHINA

iLounge

Regal Ballroom

Premier Room

REGAL AIRPORT HOTEL, XI'AN

XI'AN • MAINLAND CHINA

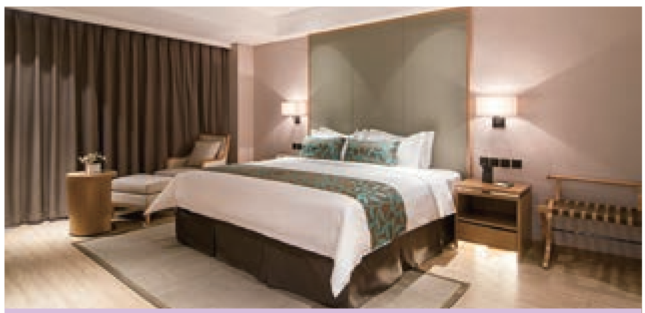
Rivoli

Regal Ballroom

Deluxe Room

iclub YUHONG HOTEL
ZHENGZHOU • MAINLAND CHINA


Hotel Lobby


iSuite


iCafe

COMING ADDITIONS

Regala Skycity Hotel (2020) – Hong Kong International Airport, Hong Kong (*)

Model of Regala Skycity Hotel

Regala Skycity Hotel – superstructure works completed

* Artist impression

COMING ADDITIONS

Main Lobby at Regala Skycity Hotel (*)

Banquet Hall at Regala Skycity Hotel (*)

Chinese Restaurant at Regala Skycity Hotel (*)

* Artist impression

COMING ADDITIONS

Regal Riverfront Hotel (2021) – Jiangmen, Mainland China (*)

Regal Huaqiao Hotel (#) – Kunshan, Mainland China (*)

* Artist impression
# Year of opening pending confirmation

REGALIA BAY
STANLEY • HONG KONG

Guest Room in a house

Club House

RESIDENTIAL / COMMERCIAL DEVELOPMENTS

HONG KONG

Casa Regalia, the garden houses in the residential development at Nos. 65-89 Tan Kwai Tsuen Road, Yuen Long, New Territories

A luxurious garden house at Casa Regalia

The Ascent, a commercial/residential development at No. 83 Shun Ning Road, Sham Shui Po, Kowloon

RESIDENTIAL / COMMERCIAL DEVELOPMENTS

HONG KONG

Mount Regalia, a luxurious residential development at 23 Lai Ping Road, Kau To, Sha Tin, New Territories

Bedroom of a residential unit at Mount Regalia

Dining room of a garden house at Mount Regalia

RESIDENTIAL / COMMERCIAL DEVELOPMENTS
HONG KONG

We Go MALL, a shopping mall at No. 16 Po Tai Street, Ma On Shan, Sha Tin, New Territories


Atrium at We Go MALL


Aloha Market at We Go MALL

RESIDENTIAL / COMMERCIAL DEVELOPMENTS

HONG KONG

WhizBo Kids Café at We Go MALL

Taiwan Delight at We Go MALL

Metro Café at We Go MALL

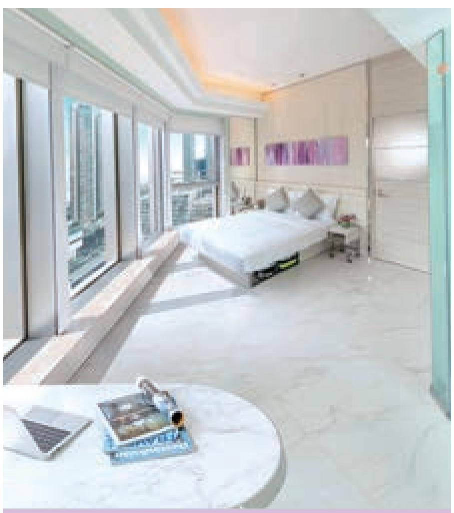
Metro Asia at We Go MALL

HOTEL DEVELOPMENTS

iclub Mong Kok Hotel at 2 Anchor Street, Tai Kok Tsui, Kowloon

Nos. 5-7 Bonham Strand West and Nos. 169-171 Wing Lok Street, Sheung Wan to be named as "iclub Sheung Wan II Hotel"

Lobby at iclub Mong Kok Hotel



iBusiness Executive at iclub Mong Kok Hotel

iLounge at iclub Mong Kok Hotel

COMPOSITE DEVELOPMENT

CHENGDU • MAINLAND CHINA

Regal Cosmopolitan City, a composite hotel/commercial/office/residential development in Xindu District, Chengdu, Sichuan (*)

Residential towers of Casa Regalia (Phase 2), Regal Cosmopolitan City (*)

Commercial/office towers of Regal Cosmopolitan City (*)

* Artist impression

COMPOSITE DEVELOPMENT

TIANJIN • MAINLAND CHINA

Regal Renaissance, a composite commercial/office/residential development in a prime location of Hedong District, Tianjin (*)

Residential towers and commercial complex of Regal Renaissance – completed

Office towers and commercial podium – superstructure works in progress

* Artist impression

Airbus A319

Airbus A320-232

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"), aircraft ownership and leasing and other investments including financial assets investments.

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 the general market conditions and the potential impact on their operating performances and future prospects are contained in the sections headed "Financial Results", "Business Overview" and "Outlook", respectively, in the preceding Chairman's Statement as well as 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.

A brief review on the development projects and properties of the Group, which (except for the property project in Portugal) are all wholly owned by the Group, as well as those undertaken by P&R Holdings and its listed subsidiary, Cosmopolitan International Holdings Limited ("Cosmopolitan"), and on the Group's financial assets and other investments is set out below.

Hong Kong

New hotel project intended to be named as "Regala Skycity Hotel" at the Hong Kong International Airport

In February 2017, a wholly owned subsidiary of the Company was awarded by the Airport Authority in Hong Kong the development right for a new hotel project at the Hong Kong International Airport.

The hotel project has a site area of approximately 6,650 square metres (71,580 square feet) and permissible gross floor area of 33,700 square metres (362,750 square feet) and is situated at a site surrounded by Terminal 2 of the Hong Kong International Airport, the Asia World-Expo and SkyPier. The hotel project is the first phase of the mega SKYCITY Project by the Airport Authority, which also contains large scale retail and offices, dining and entertainment facilities.

The new project is planned for the development of a 13-storey (including one basement floor) hotel with 1,208 guestrooms and suites as well as extensive banquet, meeting and food and beverage facilities. The hotel will be operated as a full service hotel targeting at commercial, airline related, leisure and meeting businesses. The superstructure works have been completed and this new hotel is anticipated to be opened for business in the first half of 2021.

Nos.150-162 Queen's Road West, Hong Kong

The project has a combined site area of 682 square metres (7,342 square feet) and is planned for a commercial/residential development with gross floor area of about 5,842 square metres (62,883 square feet). The general building plans have been approved and the demolition works of the existing buildings completed. The foundation works commenced in July 2019 and the project is expected to be completed by 2022. Presale of the residential units in this development is planned to be launched before the end of this year.

Regalia Bay at 88 Wong Ma Kok Road, Stanley, Hong Kong

A total of 13 garden houses in Regalia Bay with total gross area of about 5,861 square metres (63,091 square feet) are still being retained, 7 of which are held as investment properties, 3 as held for sale and 3 as property, plant and equipment and right-of-use assets. The Group will continue to dispose of some of these houses if the price offered is considered satisfactory.

Overseas

Campus La Mola, Barcelona, Spain

This hotel property was acquired by the Group in 2014. It has a total of 186 rooms and was formerly self-operated by the Group. The hotel property has been leased to an independent third party under a lease agreement that commenced in September 2017 and yielded satisfactory rentals during the year under review.

41 Kingsway, London WC2B 6TP, the United Kingdom

The Group acquired in April 2019 this freehold existing property at an aggregate consideration of approximately GBP22 million (HK$223.7 million). This existing property has 9 storeys (including basement and ground floor) with gross floor area of approximately 2,150 square metres (23,140 square feet) and is presently vacant. Planning works have been commenced to renovate this property into a hotel with about 73 guestrooms and a restaurant, and the renovated hotel is intended to be self-operated by the Group.

Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal

The Group has a 90% interest in this property project, which is a rehabilitation and renovation project for a historic building located in an area of vast historical heritage. The building has gross development area of about 1,836 square metres (19,768 square feet) comprising shops and apartments. The design for the renovation programme has been approved by the local government authorities and the renovation works have been commenced at the end of 2019. The property project is intended for sale.

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 provided by the Company and PHL on a pro-rata basis in accordance with their respective shareholdings in P&R Holdings. P&R Holdings' business scope encompasses the development of real estate projects for sale and/or leasing, the undertaking of related investment and financing 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 in Hong Kong is set out below:

Apart from the Shun Ning Road development project in Sham Shui Po, Kowloon and the Anchor Street/Fuk Tsun Street development project in Tai Kok Tsui, Kowloon, both of which were undertaken pursuant to the development contracts awarded by the Urban Renewal Authority of Hong Kong, all of the ongoing development projects and properties are wholly owned by P&R Holdings group (except as otherwise denoted).

Domus and Casa Regalia at Nos.65-89 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 provides a total of 170 units, comprising 36 luxurious garden houses and a low-rise apartment block with 134 units, having aggregate gross floor area of approximately 11,192 square metres (120,470 square feet). The occupation permit for the project was issued in November 2015 and the certificate of compliance was obtained in April 2016.

With the exception of 1 unit, all the other 133 units in the apartment block, named Domus, had been sold. The sale programme for the garden houses, named Casa Regalia, which constitute the main component of the development, was first launched in May 2016 and, up to date, a total of 27 houses have been sold or contracted to be sold. The 9 remaining houses will continue to be disposed of on a gradual basis but some of them may in the meantime be retained for rental income.

We Go MALL at No.16 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 has been developed into a shopping mall with 5 storeys above ground level and 1 storey of basement floor. This shopping mall was soft opened in May 2018 and is being retained for investment income.

The Ascent at No.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 has been developed into a 28-storey commercial/residential building (including 1 basement floor) with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement car parks. The occupation permit for the project was issued in March 2018 and the certificate of compliance was obtained in July 2018. The presale of the residential units was first launched in July 2016 and all residential units have been sold. The commercial units are planned to be tendered for sale in the second quarter of 2020.

Mount Regalia at 23 Lai Ping Road, Kau To, Sha Tin, New Territories

The project has a site area of 17,476 square metres (188,100 square feet). It has been developed into a luxury residential complex comprising 7 mid-rise apartment blocks with 136 units, 24 detached garden houses and 197 car parking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The occupation permit was issued in September 2018 and the certificate of compliance in February 2019.

The sale programme commenced in early 2019 and, up to this date, 2 garden houses and 18 apartment units together with 21 car parks have been contracted to be sold at relatively attractive prices as compared to the development costs, with aggregate gross consideration amounting to about HK$1,177 million. Among these contracted sales, 2 houses and 3 apartment units have already been completed and the properties delivered to the buyers.

Having regard to the low land cost for this development, further substantial profits will be realised when the remaining houses and apartment units are gradually sold.

iclub Mong Kok Hotel at 2 Anchor Street, Tai Kok Tsui, Kowloon

This is a hotel development project also awarded by the Urban Renewal Authority of Hong Kong through a tender process in June 2015. The project has a site area of 725.5 square metres (7,809 square feet), with total permissible gross floor area of approximately 6,529 square metres (70,278 square feet) and covered floor area of approximately 9,355 square metres (100,697 square feet).

The project has been developed into a 20-storey hotel, comprising 288 guestrooms with ancillary facilities, with its occupation permit issued in October 2018. The hotel was soft opened for business after the issue of the hotel licence in March 2019. The legal title to the property was formally conveyed to a wholly owned subsidiary of P&R Holdings in May 2019 under the terms of the development agreement with the Urban Renewal Authority of Hong Kong. The hotel is presently managed by the Group and for the time being self-operated by P&R Holdings.

Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan, Hong Kong, to be named as "iclub Sheung Wan II Hotel"

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and is being developed into a hotel with 98 guestrooms and suites (totally 162 room bays), 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 building works have been completed and the occupation permit was obtained in November 2019. It is expected that the hotel licence will be obtained and the hotel open for business in the second quarter of 2020.

P&R Holdings has disposed of 50% equity interest owned in this development on 31st December, 2019 and the profit derived therefrom has been reflected in the results for the year under review.

Nos.9-19 Kam Wa Street, Shau Kei Wan, Hong Kong

The entire ownership interests in the subject properties have been acquired through private treaty transactions in 2019. The properties have a total site area of 518 square metres (5,580 square feet) and are intended for a commercial/residential development having an aggregate gross floor area of approximately 4,144 square metres (44,606 square feet). The demolition works of the existing buildings are progressing steadily.

Nos.291-293 and 301-303 Castle Peak Road, Cheung Sha Wan, Kowloon

The properties presently comprise interests in 80% undivided shares of Nos.291-293 Castle Peak Road and 100% ownership interests of Nos.301-303 Castle Peak Road. The properties have a total site area of 488 square metres (5,260 square feet) and are planned for a commercial/residential development having an aggregate gross floor area of approximately 4,395 square metres (47,304 square feet).

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Cosmopolitan is a listed subsidiary of P&R Holdings. Further information relating to the property projects of the Cosmopolitan group, all of which are wholly owned, as well as the possible investment in logistics business in the People's Republic of China ("PRC") is set out below:

Property Development

Chengdu Project – Regal Cosmopolitan City

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of residential, hotel, commercial and office components, with an overall total gross floor area of approximately 495,000 square metres (5,330,000 square feet).

The superstructure and fitting-out works for the third stage of the development consisting of ten residential towers of total 1,555 units, about 4,100 square metres (44,100 square feet) of commercial accommodations and 1,941 car parking spaces are in steady progress, targeted to be completed around mid-2021. Presales of seven residential towers consisting of 1,130 units have been launched since March 2019. Up to date, a total of 957 residential units have been contracted as sold at relatively attractive prices, securing aggregate sales proceeds of approximately RMB1,229 million (HK$1,337 million), of which approximately RMB937 million (HK$1,019 million) has already been paid to the Cosmopolitan group as deposits under the presale contracts. The presale of the remaining three residential towers consisting of 425 residential units is scheduled to be launched in mid-2020.

The business remodeling works of the hotel have been completed and corresponding interior design works are progressing. The interior fitting-out works are scheduled to commence in the third quarter of 2020 and the hotel is scheduled to open in phases from the third quarter of 2021.

The updated scheme design of the remaining commercial components within the development, comprising a six-storey commercial complex of about 48,000 square metres (516,700 square feet) and five towers of office accommodations of about 90,500 square metres (974,100 square feet), was approved by the local authority and corresponding detailed design and construction drawings are in progress. The basement excavation works have commenced and the substructure works are planned to be started in mid-2020. Presale of one office tower consisting of 434 units is expected to be launched in late 2020.

Tianjin Project – Regal Renaissance

Located in the Hedong District in Tianjin, this project is a mixed use development comprising residential, commercial and office components with total gross floor area of about 145,000 square metres (1,561,000 square feet).

Nearly all of the residential units have been sold. The sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), is continuing steadily and contracts for sale have been secured for some of the shop units. Certain parts of the commercial complex have in the meantime been leased out for rental income.

The superstructure works of the two office towers have resumed since June 2019 and are planned to be completed in 2022. Presale of one office tower consisting of 137 units is planned to be launched in the third quarter of 2020.

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 (1,228,700 square metres) within the project site would be available for real estate development after the requisite inspection, land grant listing and tender procedures are completed.

The Cosmopolitan group continues to maintain the re-forested area and communicate with the relevant government authority to initiate appropriate measures to settle the disputes over certain portions of the land in the project site that have been illegally occupied. Based on the legal advice obtained, the legitimate interests of the Cosmopolitan group in this re-forestation and land grant contract remain valid and effective.

Other Investments

Possible Investment in a Logistics Group

As previously disclosed, the Cosmopolitan group, through its wholly owned subsidiary incorporated in the PRC, entered into certain deposit agreements and loan agreements in August and September 2018 for the possible investment in a logistics services provider in the PRC. The Cosmopolitan group has paid deposits to the vendor and the target investee group in a total amount of RMB170 million and also granted loans to the target investee group in an aggregate sum of RMB150 million due for repayment in November 2018. Together with the interest accrued on the loans, the total amount of such deposits and loans amounted to RMB372.1 million (net of tax provision) in the books of the Cosmopolitan group as at 31st December, 2019. They are secured primarily by equity pledges over certain PRC companies associated with the vendor, guarantees provided by the vendor and certain of his associates, and pledges over the receivables of the target investee group and certain associates of the vendor.

On 31st December, 2019, the Cosmopolitan group entered into an agreement with an independent purchaser for the proposed disposal of its entire interests in those companies directly and indirectly owning such deposits and loans for a consideration of HK$400 million. The consideration was determined with reference to the total amount of such deposits and loans together with the accrued interest on the loans up to 31st December, 2019. The consideration will be payable by the purchaser in cash upon completion of the transaction and such proceeds will be applied by the Cosmopolitan group to purchase 6,069,000 Class A ordinary shares of AMTD International Inc.. The transaction was approved by the independent shareholders of Cosmopolitan at its Extraordinary General Meeting held on 24th March, 2020. Completion of the transaction is anticipated to take place by the end of March 2020. For the details of the transaction, please refer to the circular of Cosmopolitan dated 5th March, 2020.

Carbon Assets

With an objective to broaden its business spectrum, the Cosmopolitan group entered into a memorandum of understanding (MOU) with certain independent third parties in June 2019 for the possible investment by the Cosmopolitan group in an operating company principally engaged in the management and trading of tradable or transferable China Certified Emissions Reduction (Carbon Assets) in China. Save for the provisions in relation to, among others, due diligence review and exclusivity period, the MOU does not constitute legally-binding commitment on the parties. Further details on the terms of the MOU are contained in the joint announcement by Cosmopolitan dated 26th June, 2019.

The Cosmopolitan group subsequently entered into four supplemental MOUs with the other parties to extend the formal agreement signing date, the completion date for due diligence review, and the exclusivity period under the MOU, which are now extended to 30th April, 2020 under the latest supplemental MOU entered into in January 2020. The Cosmopolitan group has substantially completed the due diligence review on the operating company and its business, and is conducting negotiations on the final terms of the proposed investment. If the investment proposal materialises, the operating company will become an associate of the Cosmopolitan group. Further announcement will be made in the event that a formal agreement on the investment proposal is signed by the parties or as and when required.

PRC Real Estate Company

In July 2019, the Cosmopolitan group acquired an 80% equity interest in and also provided pro rata shareholder's loan to an investee company incorporated in the PRC. The investee company has exercised the right to take up 10% equity interest in another PRC-incorporated real estate company that partners with various reputable real estate developers and undertakes joint developments for both industry specific real estate and residential/commercial real estate in China. The Cosmopolitan group anticipates that, through its participation in the investee company, the Cosmopolitan group could have access to more business opportunities for property development in the PRC, either to be undertaken on its own or on a joint basis.

FINANCIAL ASSETS AND OTHER INVESTMENTS

The Group maintains a sizable investment portfolio comprising listed securities, investment funds, bonds as well as treasury and yield enhancement products. Benefited by the recovery of the capital market during the year, the Group realised significant profits from the disposals of financial assets and also recorded substantial fair value gains on the portfolio of financial assets held as at 31st December, 2019. However, the global financial market plummeted with extreme volatility since February this year, which could have an adverse impact on the performance of the Group's investment portfolio in the current year.

FINANCIAL REVIEW

ASSETS VALUE

The Group's hotel properties in Hong Kong owned by Regal REIT, with the exception of the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai 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, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai 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 in Hong Kong is restated in the consolidated financial statements at market value as at 31st December, 2019, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK$22.96 per share, computed as follows:

	As at 31st December, 2019	
	HK$'million	**HK$ per ordinary share**
Book net assets attributable to equity holders of the parent	**12,998.7**	**14.46**
Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	**7,641.0**	**8.50**
Unaudited adjusted net assets attributable to equity holders of the parent	**20,639.7**	**22.96**

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 are denominated in US 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 Hong Kong dollar is pegged to the US dollar, 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 dollar or Hong Kong dollar to contain the Group's exposure to currency fluctuation.

Cash Flows

During the year under review, there were net cash flows generated from operating activities of HK$793.3 million (2018 – HK$217.6 million). Net interest payment for the year amounted to HK$242.1 million (2018 – HK$183.3 million).

Borrowings and Gearing

As at 31st December, 2019, the Group had cash and bank balances and deposits of HK$1,866.1 million (2018 – HK$1,874.8 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK$13,907.1 million (2018 – HK$12,951.7 million).

As at 31st December, 2019, the gearing ratio of the Group was 42.5% (2018 – 40.8%), representing the Group's borrowings, net of cash and bank balances and deposits, of HK$13,907.1 million (2018 – HK$12,951.7 million) as compared to the total assets of the Group of HK$32,702.0 million (2018 – HK$31,737.9 million).

On the basis of the adjusted total assets as at 31st December, 2019 of HK$42,674.9 million (2018 – HK$43,842.4 million) with the Group's hotel portfolio in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 32.6% (2018 – 29.5%).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2019 are shown in notes 29 and 30 to the financial statements.

Lease Liabilities

As at 31st December, 2019, the Group had lease liabilities of HK$53.1 million.

Pledge of Assets

As at 31st December, 2019, the Group's properties held for sale and certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK$21,849.7 million were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

As at 31st December, 2018, the Group's properties held for sale and certain of the Group's property, plant and equipment, investment properties, financial assets at fair value through profit or loss, financial assets at amortised cost, time deposits and bank balances in the total amount of HK$21,134.5 million were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2019 are shown in note 41 to the financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 31st December, 2019 are shown in note 40 to the financial statements.

Share Capital

During the year under review, there was no change in the share capital of the Company.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

Acquisition of a Property in London, the United Kingdom

On 10th April 2019, Full Season International Limited (the "Buyer"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with a European individual investor (the "Seller") and Ministerium Capital S.A. (the "Target Company") for the acquisition of the freehold land and premises (the "Property") through the purchase of the entire issued share capital of the Target Company (the "Acquisition"). The consideration should be an amount not exceeding GBP22.5 million (equivalent to approximately HK$232.1 million). The consideration was determined after arm's-length negotiation between the parties taking into account, among others, the value of the Property with reference to its location and specification and the market conditions regarding the hotel and tourism industry in London, the United Kingdom. The Acquisition was completed on 30th April, 2019 and the Target Company then become a wholly owned subsidiary of the Company.

The Acquisition constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and was subject to announcement requirement. Further details relating to the Acquisition were disclosed in the joint announcement of the Company dated 10th April, 2019.

Disposal of 50% interest in Dense Globe Investments Limited

On 31st December, 2019, P&R Holdings entered into an agreement with an independent third party (the "Hotel Purchaser"), pursuant to which (i) P&R Holdings agreed to dispose 50% equity interest in Dense Globe Investments Limited (together with its wholly owned subsidiary, the "Dense Globe Group"), which beneficially holds a hotel development project, and 50% of shareholders' loan previously made by P&R Holdings to the Dense Globe Group (the "Hotel Holding Sale Loan") for a consideration of HK$270.0 million (before net assets adjustment) (the "Disposal"); (ii) P&R Holdings granted a call option to the Hotel Purchaser to acquire additional 1% equity interest in the Dense Globe Group; and (iii) the Hotel Purchaser granted a put option to P&R Holdings to sell its 49% equity interest to the Hotel Purchaser. Upon completion of the Disposal, P&R Holdings' equity interest in the Dense Globe Group reduced to 50% and the Dense Globe Group ceased to be a subsidiary of P&R Holdings . The principal asset of the Dense Globe Group is its interest in a hotel which is located at Nos. 5-7 Bonham Strand West and Nos. 169-171 Wing Lok Street, Sheung Wan, Hong Kong (the "Hotel").

The Hotel has an aggregate site area of approximately 345 square metres (3,710 square feet) and is being developed into a hotel with 98 guestrooms and suites (totally 162 room bays), 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 building works have been completed and the occupation permit was obtained in November 2019. It is expected that the hotel licence will be obtained and the hotel open for business in the second quarter of 2020.

The consideration of HK$270.0 million was determined based on the agreed value for the Hotel of HK$1,200.0 million with reference to the valuation of the Hotel of HK$1,200.0 million as at 31st December, 2019 as appraised by a qualified independent valuer, the location and specifications of the Hotel, and the market conditions regarding the hotel industry in Hong Kong, as well as the outstanding loan of HK$357.2 million made by P&R Holdings and a top up loan of HK$302.8 million to the Dense Globe Group on the date of completion of the Disposal.

Further details relating to the Disposal were disclosed in the joint announcement of the Company dated 2nd January, 2020 and the circular of PHL dated 31st March, 2020.

Save as disclosed herein, 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 1,600 staff in Hong Kong and the PRC. 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 for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and its subsidiaries for the year ended 31st December, 2019.

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"), aircraft ownership and leasing business, and other investments including financial assets investments. 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, 2019 and the Group's financial position at that date are set out in the financial statements on pages 79 to 189.

BUSINESS REVIEW

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance (Cap. 622) of Hong Kong, including a description of the principal risks and uncertainties facing the Group, material events that have occurred since the year end date and an indication of likely future development in the Group's business are contained in the preceding Chairman's Statement and Management Discussion and Analysis set out on pages 6 to 11 and pages 42 to 52, respectively, of this Annual Report. Those relevant contents form part of this Report of the Directors. Details of the Group's financial risk management are disclosed in note 44 to the financial statements.

In addition, relevant details of the Company's environment policies and performance and key relationships with employees, customers and suppliers will be reported in the Environmental, Social and Governance Report of the Company to be published separately. The Directors were not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group during the year.

DIVIDENDS

An interim dividend of HK4.5 cents (2018 – HK5.0 cents) per ordinary share, absorbing an amount of approximately HK$40.4 million (2018 – HK$44.9 million), was paid to the holders of ordinary shares during the year.

The Directors have resolved to recommend the payment of a final dividend of HK6.0 cents (2018 - HK14.0 cents) per ordinary share for the year ended 31st December, 2019. This proposed final dividend will absorb an amount of approximately HK$53.9 million (2018 - HK$125.8 million) and will be payable to the holders of ordinary shares on the Register of Ordinary Shareholders on 17th June, 2020.

Together with the interim dividend of HK4.5 cents (2018 - HK5.0 cents) per ordinary share paid in October 2019, total dividends per ordinary share for the year ended 31st December, 2019 will amount to HK10.5 cents (2018 - HK19.0 cents).

ANNUAL GENERAL MEETING

The 2020 Annual General Meeting of the Company will be convened to be held on Tuesday, 9th June, 2020. 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 in the following periods, and no transfers of shares will be effected during such periods:

(i) from Thursday, 4th June, 2020 to Tuesday, 9th June, 2020, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2020 Annual General Meeting. In order to be entitled to attend and vote at the 2020 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 Wednesday, 3rd June, 2020; and

(ii) from Monday, 15th June, 2020 to Wednesday, 17th June, 2020, 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 Friday, 12th June, 2020.

The relevant dividend warrants for the aforesaid final dividend are expected to be despatched on or about 30th June, 2020.

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, JP
Mr. Donald Fan Tung
Ms. Alice Kan Lai Kuen
Professor Japhet Sebastian Law
Mr. Jimmy Lo Chun To
Mr. Kenneth Ng Kwai Kai
Ms. Winnie Ng, JP
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, the following Directors will retire from office by rotation at the 2020 Annual General Meeting:

(i) Mr. Lo Yuk Sui (Executive Director, Chairman and Chief Executive Officer);

(ii) Mr. Donald Fan Tung (Executive Director);

(iii) Mr. Jimmy Lo Chun To (Executive Director); and

(iv) Mr. Wong Chi Keung (Independent Non-Executive Director).

All the above retiring Directors, being eligible, have offered themselves for re-election at the 2020 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as otherwise disclosed herein, none of the Directors of the Company nor a connected entity of the Directors had any beneficial interests, whether direct or indirect, in any significant transactions, arrangements or contracts 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.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year. The Company has taken out and maintained directors' liability insurance that provides appropriate cover for the Directors.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

				Number of shares held			
	The Company/ Name of associated corporation	**Name of Director**	**Class of shares held**	**Personal interests**	**Corporate interests**	**Family/Other interests**	**Total (Approximate percentage of the issued shares as at 31st December, 2019)**
1.	**The Company**	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	622,855,261 (Note c)	260,700	623,140,161 (69.33%)
		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 (5.59%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	10,200	–	–	10,200 (0.001%)
2.	Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	110,867,396	1,769,164,691 (Note a)	380,683	1,880,412,770 (58.69%)
		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. Allen Wan Tze Wai	Ordinary (issued)	24,000	–	–	24,000 (0.001%)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held: Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2019)
3.	Paliburg Holdings Limited ("PHL")	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
		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. Allen Wan Tze Wai	Ordinary (issued)	200	–	–	200 (0.000%)
4.	Cosmopolitan International Holdings Limited ("Cosmopolitan")	Mr. Lo Yuk Sui	Ordinary (i) (issued)	–	3,303,498,716 (Notes e & i)	–	3,303,498,716
			(ii) (unissued)	–	5,024,058,784 (Note f)	–	5,024,058,784
						Total:	8,327,557,500 (188.67%)
			Preference (issued)	–	2,345,487,356 (Note f)	–	2,345,487,356 (99.99%)
		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: Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2019)
5.	Regal REIT	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note g)	–	2,443,033,102 (74.99%)
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").

(b) The interests in 694,124,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.68% 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 58.68% shareholding interests. The interests in 599,025,861 issued ordinary shares of the Company were held through companies wholly owned by PHL, in which CCIHL held 62.28% shareholding interests. The interests in the other 23,408,000 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 62.81% shareholding interests. PHL held 69.25% 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 2,772,316,716 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. The interests in the other 531,182,000 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of the Company. PHL, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in the Company. Mr. Lo held 58.68% shareholding interests in CCIHL.

(f) The interests in 5,024,058,784 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 62.28% shareholding interests, held 69.25% shareholding interests in the Company. Mr. Lo held 58.68% shareholding interests in CCIHL.

The interests in 2,345,487,356 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 2,345,487,356 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 "CB Issuer"). 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 convertible bonds in a principal amount of HK$500,000,000 issued by the CB Issuer. The convertible bonds are 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 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 62.81% 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 62.28% shareholding interests, held 69.25% shareholding interests in the Company. Mr. Lo held 58.68% shareholding interests in CCIHL.

(h) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 58.68% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

(i) (a) Pursuant to the agreement for sale and purchase in respect of 220,000,000 issued ordinary shares of Cosmopolitan (the "Sale Shares") dated 31st December, 2019 made between Lendas Investments Limited ("Lendas") as vendor and International Merchants Holdings ("IMH") as purchaser, Lendas agreed to sell the Sale Shares to IMH at the total consideration of HK$374,000,000 (HK$1.70 per Sale Share) (the "1st Transaction"). The 1st Transaction was completed on 10th January, 2020.

(b) Pursuant to the agreement for sale and purchase in respect of 368,320,000 issued ordinary shares of Cosmopolitan (the "2nd Sale Shares") dated 24th January, 2020 made between Valuegood International Limited ("Valuegood") as vendor and AMTD Properties (HK) Limited ("AMTD Properties") as purchaser (the "Agreement"), Valuegood agreed to sell the 2nd Sale Shares to AMTD Properties at the total consideration of HK$626,144,000 (HK$1.70 per 2nd Sale Share) (the "2nd Transaction"). Completion of the 2nd Transaction is subject to the fulfilment of relevant conditions as stipulated in the Agreement.

Save as disclosed herein, as at 31st December, 2019, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2019, 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, 2019
YSL International Holdings Limited ("YSL Int'l") (Note i)	622,855,261	–	622,855,261	69.30%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	622,855,261	–	622,855,261	69.30%
CCIHL (Note iii)	622,855,261	–	622,855,261	69.30%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	622,855,261	–	622,855,261	69.30%
PHL (Note v)	622,433,861	–	622,433,861	69.25%
Paliburg Development BVI Holdings Limited (Note vi)	622,433,861	–	622,433,861	69.25%
Guo Yui Investments Limited (Note vi)	271,140,466	–	271,140,466	30.17%
Paliburg BVI Holdings Limited (Note vi)	230,870,324	–	230,870,324	25.69%
Taylor Investments Ltd. (Note vi)	154,232,305	–	154,232,305	17.16%
Glaser Holdings Limited (Note vi)	58,682,832	–	58,682,832	6.53%

Notes:

(i) The interests in the ordinary shares of the Company held by YSL Int'l 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) Grand Modern is a wholly owned subsidiary of YSL Int'l and its interests in the ordinary shares of the Company were included in the interests held by YSL Int'l.

(iii) CCIHL is owned as to 50.89% by Grand Modern and its interests in the ordinary shares of the Company were included in the interests held by Grand Modern.

(iv) 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.

(v) PHL is a listed subsidiary of CCIHL, which held 62.28% shareholding interests in PHL, and PHL's interests in the ordinary shares of the Company were included in the interests held by CCIHL.

(vi) 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, 2019, 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 is a director of YSL Int'l.

(2) Mr. Lo Yuk Sui, Miss Lo Po Man and Mr. Jimmy Lo Chun To are directors of Grand Modern.

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

(4) 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, 2019 is set out below:

Name of Director	Details of changes
Executive Director:	
Ms. Belinda Yeung Bik Yiu, JP	• Appointed as a Justice of the Peace on 1st July, 2019.
Non-Executive Director:	
Dr. Francis Choi Chee Ming, GBS, JP	• Resigned as a non-executive director of Town Health International Medical Group Limited, a company listed on the Stock Exchange, with effect from 1st December, 2019.
Independent Non-Executive Directors:	
Ms. Alice Kan Lai Kuen	• Resigned as an independent non-executive director of Mason Group Holdings Limited, a company listed on the Stock Exchange, with effect from 1st December, 2019.
	• The shares of AVIC International Maritime Holdings Limited, of which Ms. Alice Kan Lai Kuen is an independent director, were withdrawn from listing on the Catalist board of Singapore Exchange Securities Trading Limited as from the beginning of trading on 4th March, 2020.
	• Resigned as an independent non-executive director of China Energine International (Holdings) Limited, a company listed on the Stock Exchange, with effect from 18th March, 2020.
Mr. Wong Chi Keung	• The shares of TPV Technology Limited, of which Mr. Wong Chi Keung is an independent non-executive director, were withdrawn from listing on the Stock Exchange as from the close of trading on 15th November, 2019.
	• The shares of Nickel Resources International Holdings Company Limited ("Nickel Resources") were withdrawn from listing on the Stock Exchange as from the close of trading on 13th February, 2020. Mr. Wong Chi Keung resigned as an independent non-executive director of Nickel Resources with effect from 21st February, 2020.

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, 2019 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$'million)		Guarantee given for Banking Facilities (ii) Amount of Banking Facilities Drawdown (HK$'million)
8D International (BVI) Limited	(A)	13.6		–		Nil		Nil
8D Matrix Limited	(B)	68.9		–		Nil		Nil
P&R Holdings Limited	(C)	2,725.6	(D)	128.1	(E)(i)	2,530.6	(E)(ii)	2,530.6
				Total:	(A) to (E)(i)			5,466.8
					(A) to (D) & (E)(ii)			5,466.8

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 close 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 repayable on demand.

8D Matrix Limited ("8D Matrix") is a 30% owned associate of the Company, which 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. 8D Matrix also owns a wholly owned subsidiary involved in advertising and promotion business. The remaining shareholding interests in 8D Matrix are owned as to 10% indirectly by CCIHL and 60% indirectly by Mr. Lo through his close 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 repayable on demand.

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 shareholder's loans in proportion to its shareholding interest in P&R Holdings. The advances to P&R Holdings are unsecured and have no fixed terms of repayment and except for an aggregate amount of HK$2,224.2 million which bears interest at a fixed rate of 4% per annum to 5.125% per annum, the balance of the advances is interest free. 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$2,530.6 million made available to six wholly owned subsidiaries and an associate 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, 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 17 to the consolidated financial statements.

Calculated on the basis shown above, as at 31st December, 2019, 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$5,466.8 million (based on the total available amount of the banking facilities) and (b) HK$5,466.8 million (based on the total amount of banking facilities drawdown) represented (a) 16.7% and (b) 16.7% of the consolidated total assets of the Group of HK$32,702.0 million, calculated by reference to its latest audited consolidated financial statements for the year ended 31st December, 2019.

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, 2019, which were discloseable pursuant to Rule 13.16 of Chapter 13 of the Listing Rules.

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

	Combined statement of financial position (HK$'million)	**The Group's attributable interest (HK$'million)**
Non-current assets	6,298.0	3,147.5
Current assets	10,609.6	5,301.3
Current liabilities	(2,900.0)	(1,449.6)
Non-current liabilities	(11,485.0)	(5,687.5)
	2,522.6	1,311.7
Non-controlling interests	(239.6)	(119.8)
Net assets attributable to equity holders of the parent	2,283.0	1,191.9

CONNECTED TRANSACTIONS

Share Transfer Agreements

On 1st November, 2019, two share transfer agreements were entered into between Capital Merit Investments Limited ("CMI") (a wholly owned subsidiary of PHL), Regal Hotels Investments Limited ("RHI") (a wholly owned subsidiary of the Company), Valuegood International Limited ("Valuegood") (a wholly owned subsidiary of P&R Holdings which is a 50-50 joint venture of PHL and the Company) and each of Hollyview International Limited and Mass Talent Financial Limited (the "Transfer Counterparties"), pursuant to which:-

(i) CMI and RHI agreed to transfer a total of 200,000,000 ordinary shares in the share capital of Beijing Sports and Entertainment Industry Group Limited ("Beijing SEIG") to the Transfer Counterparties under a share transfer agreement (the "Share Transfer Agreement I") at the consideration of HK$378,000,000, or at HK$1.89 per Beijing SEIG share; and

(ii) the Transfer Counterparties agreed to transfer a total of 350,000,000 ordinary shares in the share capital of Cosmopolitan to be transferred to Valuegood under a share transfer agreement (the "Share Transfer Agreement II") at the consideration of HK$378,000,000, or at HK$1.08 per Cosmopolitan share.

Both Share Transfer Agreement I and Share Transfer Agreement II were made for the purpose of allowing relevant parties to take back their shares under the share swap transactions as announced in January 2019 in order to entitle Cosmopolitan group to invest in the equity of Beijing SEIG at a more attractive acquisition cost.

As at the date of the Share Transfer Agreement I, RHI was a wholly owned subsidiary of the Company, CMI was a wholly-owned subsidiary of PHL, the controlling shareholder of the Company. Transfer Counterparties were deemed connected persons of the Company given that the Transfer Counterparties have entered into the Share Transfer Agreements with RHI and PHL through CMI in respect of the transfer of shares of Beijing SEIG. The entering into of the Share Transfer Agreement I constituted a notifiable transaction and a connected transaction to the Company under Chapters 14 and 14A of the Listing Rules, respectively, which were exempted from circular and shareholders' approval requirements and only subject to announcement requirement under Chapter 14A of the Listing Rules. Further details relating to the Share Transfer Agreement I and Share Transfer Agreement II were disclosed in the joint announcement of CCIHL and PHL dated 1st November, 2019.

Hotel Financial Assistance

On 31st December, 2019, a hotel interests disposal agreement was entered into between P&R Holdings and AMTD Property Investment Holdings Limited (the "Hotel Purchaser"), pursuant to which P&R Holdings agreed to sell and the Hotel Purchaser agreed to purchase 50 ordinary shares in the issued share capital of Dense Globe Investments Limited ("Dense Globe") (a wholly owned subsidiary of P&R Holdings), representing 50% equity interest of the entire issued share capital of Dense Globe, and the loan equivalent to 50% of all amounts, including principal and interest, owing by Fine Cosmos Development Limited (a wholly owned subsidiary of Dense Globe) to P&R Holdings at a consideration of HK$270.0 million (subject to Hotel Consideration Adjustment, if any) to be settled by a loan note payable on or before 31st March, 2020.

The principal asset of Dense Globe is its interest in a contemporary select-service hotel developed at Nos. 5-7 Bonham Strand West and Nos. 169-171 Wing Lok Street, Sheung Wan, Hong Kong (the "Hotel"). The Hotel Interests Disposal Agreement was made for the purpose of further strengthening the cash position and lessen liabilities of CCIHL and PHL. The development of the hotel by the Hotel Purchaser has been partially financed by the project loan facility, a project loan facility granted to Fine Cosmos Development Limited ("Fine Cosmos"), by certain bank secured and charged by the Hotel, the amount of which will be capped at HK$357.2 million upon completion of the hotel interests disposal, which is guaranteed severally by PHL and the Company on 50%-50% basis in proportion to their respective equity interests in P&R Holdings (the "Project Loan Facility"). PHL and the Company will continue to provide the guarantees for the Project Loan Facility after the hotel interests disposal completion.

As at the date of the hotel interests disposal agreement, PHL was a controlling shareholder of the Company. Fine Cosmos was a wholly owned subsidiary of P&R Holdings and a subsidiary of PHL and was therefore a connected person of the Company. The provision of Hotel Financial Assistance constituted a connected transaction to the Company under Listing Rule 14A.76(2) and were exempt from circular and shareholders' approval requirements but subject to the announcement requirements under Chapter 14A of the Listing Rules. Completion of the Hotel Interests Disposal took place on 31st December, 2019. Further details relating to the Hotel Financial Assistance were disclosed in the joint announcement of the Company dated 2nd January, 2020.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year.

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.

BORROWINGS

The details of the Group's borrowings at the end of the reporting period are set out in notes 29 and 30 to the financial statements.

SHARE CAPITAL

The details of the share capital of the Company are set out in note 33 to the financial statements.

SHARE PREMIUM ACCOUNT

The details of the Company's share premium account are set out in note 33 to the financial statements.

CAPITAL REDEMPTION RESERVE

The details of the capital redemption reserve account 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.

PROPERTY REVALUATION RESERVE

The details of the property revaluation reserve account are set out in consolidated statement of changes in equity.

FAIR VALUE RESERVE

The details of movements in the fair value 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 1 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 17 and 18 to the financial statements, respectively.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$1.1 million.

DISTRIBUTABLE RESERVES

As at 31st December, 2019, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK$4,995.9 million, of which HK$53.9 million has been proposed as final dividend for the year.

In addition, the Company's share premium account, in the amount of HK$404.7 million, may be distributed in the form of fully paid bonus shares.

EVENT AFTER THE REPORTING PERIOD

The details of event after the reporting period are set out in note 46 to the financial statements.

AUDITOR

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company for the year ended 31st December, 2019 will be published as a separate report from this Annual Report in compliance with relevant requirements under the Listing Rules on or before 28th July, 2020.

On behalf of the Board

LO YUK SUI
Chairman

Hong Kong
26th March, 2020

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, 2019.

The Company is committed to maintaining good corporate governance practices and procedures. The Company conducts regular review of its policies and practices in respect of the management and corporate matters of the Group. To comply with the new requirements for enhanced operating standards, 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 is also 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, 2019, 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, JP *(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
Ms. Winnie Ng, JP
Mr. Wong Chi Keung

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

During the year ended 31st December, 2019, 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 overall 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 2019, the attendance rates of individual Board members of the Company were as follows:

Name of Directors	**Attendance**	
	Board Meetings	*General Meetings*
Executive Directors		
Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*	18/18	1/1
Miss Lo Po Man *(Vice Chairman and Managing Director)*	18/18	1/1
Ms. Belinda Yeung Bik Yiu, JP *(Chief Operating Officer)*	18/18	1/1
Mr. Donald Fan Tung	18/18	1/1
Mr. Jimmy Lo Chun To	18/18	1/1
Mr. Kenneth Ng Kwai Kai	18/18	1/1
Mr. Allen Wan Tze Wai	18/18	1/1
Non-Executive Director		
Dr. Francis Choi Chee Ming, GBS, JP *(Vice Chairman)*	18/18	1/1
Independent Non-Executive Directors		
Ms. Alice Kan Lai Kuen	18/18	1/1
Professor Japhet Sebastian Law	18/18	1/1
Ms. Winnie Ng, JP	18/18	1/1
Mr. Wong Chi Keung	18/18	1/1

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 year 2019, the Company arranged for Directors a seminar covering topics relating to update on regulatory requirements of the Securities and Futures Commission. The training received by the Directors during year 2019 is summarised below:

Name of Directors	**Types of training**
Executive Directors	
Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*	A, B
Miss Lo Po Man *(Vice Chairman and Managing Director)*	B
Ms. Belinda Yeung Bik Yiu, JP *(Chief Operating Officer)*	A, B
Mr. Donald Fan Tung	A, B
Mr. Jimmy Lo Chun To	B
Mr. Kenneth Ng Kwai Kai	A, B
Mr. Allen Wan Tze Wai	A, B
Non-Executive Director	
Dr. Francis Choi Chee Ming, GBS, JP *(Vice Chairman)*	B
Independent Non-Executive Directors	
Ms. Alice Kan Lai Kuen	A, B
Professor Japhet Sebastian Law	A, B
Ms. Winnie Ng, JP	A, 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 different 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)*
Ms. Winnie Ng, JP *(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 annual 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 2019, the Audit Committee met twice and the meetings were attended by the external Auditors of the Company. The attendance rates of individual Audit Committee members of the Company were as follows:

Name of Audit Committee members	**Attendance**
Mr. Wong Chi Keung *(Chairman of the Committee)*	2/2
Dr. Francis Choi Chee Ming, GBS, JP	2/2
Ms. Alice Kan Lai Kuen	2/2
Professor Japhet Sebastian Law	2/2
Ms. Winnie Ng, JP	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)*
Ms. Winnie Ng, JP *(Member)*

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

In year 2019, the Remuneration Committee met once and has reviewed the Company's policy and structure for the remuneration of Directors and senior management. The attendance rates of individual Remuneration Committee members of the Company were as follows:

Name of Remuneration Committee members	**Attendance**
Mr. Wong Chi Keung *(Chairman of the Committee)*	1/1
Mr. Lo Yuk Sui	1/1
Ms. Alice Kan Lai Kuen	1/1
Ms. Winnie Ng, JP	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, 2019 by band is set out below:

Remuneration band	Number of individuals
HK$1,500,001 – 2,000,000	3
HK$2,000,001 – 2,500,000	0
Within bands from HK$2,500,001 – 3,500,000	1
Within bands from HK$3,500,001 – 4,500,000	1
Within bands from HK$4,500,001 – 10,500,000	1
HK$10,500,001 – 11,000,000	1

Further details of the Executive Directors' remuneration for the year ended 31st December, 2019 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)*
Ms. Winnie Ng, JP *(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 the policy for designing the composition of the Board, aiming to achieve diversity with balanced skills and expertise. The diversity of the Board members is assessed basing on a range of perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional acumen, industry experience 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 2019, 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 Nomination Committee also considered the biographical details and other related particulars of those Executive, Non-Executive and Independent Non-Executive Directors of the Company, who retired and offered themselves for re-election at the annual general meeting of the Company held in June 2019 in accordance with the Bye-laws of the Company (the "then Retiring Directors"), with reference to the Board Diversity Policy and their contributions to the Board and the Group during their tenure. The particulars of the then Retiring Directors were disclosed in the Company's annual report for the year 2018 and its circular to the shareholders accompanying the 2018 annual report. The then Retiring Directors had extensive experience and knowledge in their respective professional and commercial fields, who could contribute valuable advice on the business and development of the Group and can also conform with the diversity policy of the Board. The then Retiring Directors were re-elected as Directors by the Company's shareholders at its 2019 annual general meeting. The attendance rates of individual Nomination Committee members of the Company were as follows:

Name of Nomination Committee members	**Attendance**
Mr. Lo Yuk Sui *(Chairman of the Committee)*	1/1
Ms. Alice Kan Lai Kuen	1/1
Ms. Winnie Ng, JP	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, financial reporting and internal audit functions, with staff members possessing appropriate qualifications and experience engaged in the discharge of those relevant functions. The relevant staff members attend seminars and workshops organised by the professional accounting bodies on a regular basis. The overall budgets allocated to these functions have been reviewed and considered to be adequate.

The statement by the external Auditor, Messrs. Ernst & Young, about their reporting responsibilities is set out in the Independent Auditor's 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, 2019.

(VI) RISK MANAGEMENT AND INTERNAL CONTROL

The Board oversees the risk management and internal control systems of the Group on an ongoing basis. It has conducted an annual review of the effectiveness of the risk management and internal control systems of the Group during the year, including financial, operational and compliance controls and risk management and internal control functions, with a view to safeguarding the shareholders' investment and the Company's assets and business operations. The risk management and internal control systems of the Group are considered effective and adequate. Such systems were designed to manage rather than to eliminate the risk of failure in achieving the Group's business objectives.

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 sound and effective risk management and internal control systems. 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 risk management and internal control systems, to identify any significant management and operational risks as well as 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 risk management and 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 risk management and 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 is responsible for the Company's risk management and internal control systems and for reviewing the effectiveness of such systems. 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 risk management and internal control systems, 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.

The Company has established policy for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations. Senior management executives of the corporate affairs and financial control functions of the Group are delegated with responsibilities to control and monitor the proper procedures to be observed on the disclosure of inside information. Access to inside information is at all times confined to relevant senior management executives and on "as needed" basis, until proper disclosure or dissemination of inside information in accordance with applicable laws and regulations. Relevant personnel and other professional parties involved are reminded to preserve confidentiality of the inside information until it is publicly disclosed.

In addition, the Group's internal auditor has selected different aspects of the internal control system for his review on a regular basis and has confirmed to the Audit Committee that no material deficiency is noted.

(VII) AUDITOR'S REMUNERATION

Messrs. Ernst & Young have been re-appointed as the external auditor of the Company at the 2019 Annual General Meeting until the conclusion of the forthcoming 2020 Annual General Meeting.

The remuneration to Messrs. Ernst & Young, the auditor of the Company, in respect of the audit and non-audit services rendered for the year ended 31st December, 2019 were HK$7.6 million (2018 - HK$7.2 million) and HK$2.0 million (2018 - HK$1.3 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, 2019	1.0
(2) Compliance and other services to the Group	1.0

(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 requisitionist(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, 2019, 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.

(IX) DIVIDEND POLICY

The Company has adopted a dividend policy relating to the distribution of profits or surplus of the Company to its shareholders, which can be by way of dividends or in other form of distributions (the "Dividend Policy"). The objective of the Dividend Policy is to allow the Company's shareholders to participate in its profits while balancing the need for the Company to retaining adequate reserves to fund the continuing development and growth of the Group.

Any declaration or proposed payment of dividend or distribution will be subject to the determination by the Board. In deciding or determining whether to declare or propose a dividend or distribution payable to the shareholders and the amount and details of such dividend or distribution, the Board shall consider and take into account the following factors:

(i) the operating results of the Group;

(ii) the retained earnings and/or distributable reserves of the Company and the members of the Group;

(iii) the liquidity position of the Company and the Group;

(iv) the debt to equity ratio, the return on equity and the relevant financial covenants of the Group;

(v) contractual restrictions on the payment of dividends by the Company and the Group;

(vi) taxation considerations;

(vii) the working capital requirements and capital commitments of the Group and its plans for future growth and expansion;

(viii) the expected financial performance of the Group;

(ix) general economic conditions and other external factors that may impact on the business and/or financial performances of the Group; and

(x) any other factors that the Board may consider appropriate and relevant.

Any declaration or proposed payment of dividend or distribution by the Company is also subject to any requirements and restrictions under the Companies Act of Bermuda, the Memorandum of Association and Bye-laws of the Company, and any other applicable laws, rules and regulations. The Board will review the Dividend Policy from time to time and, at its sole and absolute discretion, update or revise the Dividend Policy as and when considered necessary or appropriate.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2019

	Notes	2019 HK$'million	2018 HK$'million
REVENUE	5	**2,226.2**	2,614.1
Cost of sales		**(1,210.5)**	(1,400.4)
Gross profit		**1,015.7**	1,213.7
Other income and gains, net	5	**268.7**	311.7
Fair value gains on financial assets at fair value through profit or loss, net		**300.0**	75.5
Fair value gains/(losses) on investment properties	14	**(5.2)**	5.6
Property selling and marketing expenses		**(9.2)**	–
Administrative expenses		**(251.1)**	(279.1)
OPERATING PROFIT BEFORE DEPRECIATION		**1,318.9**	1,327.4
Depreciation		**(530.2)**	(512.9)
OPERATING PROFIT		**788.7**	814.5
Finance costs	7	**(412.5)**	(381.4)
Share of profits of:			
Joint ventures		**57.5**	174.1
Associates		**36.4**	0.4
PROFIT BEFORE TAX	6	**470.1**	607.6
Income tax	10	**(10.5)**	(40.8)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		**459.6**	566.8
Attributable to:			
Equity holders of the parent		**454.6**	547.7
Non-controlling interests		**5.0**	19.1
		459.6	566.8
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		**HK$0.38**	HK$0.48

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2019

	Note	2019 HK$'million	2018 HK$'million
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		**459.6**	566.8
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		**(23.7)**	(15.9)
Share of other comprehensive income/(loss) of:			
A joint venture		**211.9**	(54.3)
An associate		**(0.1)**	(0.1)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**188.1**	(70.3)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Fair value loss on equity investment designated at fair value through other comprehensive income	17	**(228.9)**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(40.8)**	(70.3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**418.8**	496.5
Attributable to:			
Equity holders of the parent		**414.0**	477.4
Non-controlling interests		**4.8**	19.1
		418.8	496.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2019

	Notes	2019 HK$'million	2018 HK$'million
NON-CURRENT ASSETS			
Property, plant and equipment	13	**7,962.4**	18,529.9
Investment properties	14	**1,052.1**	1,147.2
Right-of-use assets	15	**11,197.7**	–
Properties under development	16	**443.2**	897.9
Investments in joint ventures	17	**3,967.2**	3,539.9
Investments in associates	18	**52.9**	16.5
Financial assets at fair value through profit or loss	19	**755.8**	550.1
Other loan	20	**1,062.0**	1,062.0
Debtors and deposits	21	**78.4**	5.7
Deferred tax assets	32	**47.5**	42.9
Total non-current assets		**26,619.2**	25,792.1
CURRENT ASSETS			
Properties under development	16	**868.7**	–
Properties held for sale	22	**237.7**	223.1
Inventories	23	**29.6**	27.8
Aircraft held for sale	24	**–**	5.9
Debtors, deposits and prepayments	21	**226.6**	308.2
Financial assets at amortised cost	25	**–**	481.3
Financial assets at fair value through profit or loss	19	**2,455.7**	2,721.8
Other loans	20	**390.8**	267.3
Derivative financial instruments	31	**3.1**	28.4
Tax recoverable		**4.5**	7.2
Restricted cash	26	**76.0**	68.5
Pledged time deposits and bank balances		**357.0**	24.0
Time deposits		**631.5**	893.5
Cash and bank balances		**801.6**	888.8
Total current assets		**6,082.8**	5,945.8
CURRENT LIABILITIES			
Creditors, deposits received and accruals	27	**(332.1)**	(425.8)
Contract liabilities	28	**(43.3)**	(42.6)
Lease liabilities	15	**(16.6)**	–
Interest bearing bank borrowings	29	**(1,747.0)**	(1,174.8)
Derivative financial instruments	31	**–**	(1.0)
Tax payable		**(59.8)**	(25.6)
Total current liabilities		**(2,198.8)**	(1,669.8)
NET CURRENT ASSETS		**3,884.0**	4,276.0
TOTAL ASSETS LESS CURRENT LIABILITIES		**30,503.2**	30,068.1

As at 31st December, 2019

	Notes	2019 HK$'million	2018 HK$'million
NON-CURRENT LIABILITIES			
Creditors and deposits received	27	**(145.0)**	(97.0)
Lease liabilities	15	**(36.5)**	–
Interest bearing bank borrowings	29	**(11,309.5)**	(10,925.8)
Other borrowing	30	**(2,716.7)**	(2,725.9)
Deferred tax liabilities	32	**(839.7)**	(883.8)
Total non-current liabilities		**(15,047.4)**	(14,632.5)
Net assets		**15,455.8**	15,435.6
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	33	**89.9**	89.9
Reserves	34	**12,908.8**	12,774.2
		12,998.7	12,864.1
Perpetual securities	35	**1,732.9**	1,732.9
Non-controlling interests		**724.2**	838.6
Total equity		**15,455.8**	15,435.6

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2019

		Attributable to equity holders of the parent										
	Note	Issued capital HK$'m	Share premium account HK$'m	Capital redemption reserve HK$'m	Capital reserve HK$'m	Property revaluation reserve HK$'m	Exchange equalisation reserve HK$'m	Retained profits HK$'m	Total HK$'m	Perpetual securities HK$'m	Non-controlling interests HK$'m	Total equity HK$'m
At 1st January, 2018		89.9	404.7	17.7	15.8	8.1	(11.3)	12,122.0	12,646.9	1,732.9	942.5	15,322.3
Profit for the year		–	–	–	–	–	–	547.7	547.7	–	19.1	566.8
Other comprehensive loss for the year:												
Exchange differences on translating foreign operations		–	–	–	–	–	(15.9)	–	(15.9)	–	–	(15.9)
Share of other comprehensive loss of												
A joint venture		–	–	–	(8.5)	–	(45.8)	–	(54.3)	–	–	(54.3)
An associate		–	–	–	–	–	(0.1)	–	(0.1)	–	–	(0.1)
Total comprehensive income/(loss) for the year		–	–	–	(8.5)	–	(61.8)	547.7	477.4	–	19.1	496.5
Elimination of reciprocal interests		–	–	–	–	–	–	1.5	1.5	–	–	1.5
Final 2017 dividend declared		–	–	–	–	–	–	(103.4)	(103.4)	–	–	(103.4)
Interim 2018 dividend	11	–	–	–	–	–	–	(44.9)	(44.9)	–	–	(44.9)
Distributions to non-controlling interests of a listed subsidiary		–	–	–	–	–	–	–	–	–	(120.0)	(120.0)
Disposal of interests in a subsidiary		–	–	–	–	–	–	1.4	1.4	–	0.6	2.0
Distribution to holders of perpetual securities		–	–	–	–	–	–	(114.8)	(114.8)	–	–	(114.8)
Contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	6.2	6.2
Distribution to non-controlling interests		–	–	–	–	–	–	–	–	–	(9.8)	(9.8)
At 31st December, 2018		89.9	404.7	17.7	7.3	8.1	(73.1)	12,409.5	12,864.1	1,732.9	838.6	15,435.6

For the year ended 31st December, 2019

	Notes	Issued capital HK$'m	Share premium account HK$'m	Capital redemption reserve HK$'m	Capital reserve HK$'m	Property revaluation reserve HK$'m	Fair value reserve HK$'m	Exchange equalisation reserve HK$'m	Retained profits HK$'m	Total HK$'m	Perpetual securities HK$'m	Non-controlling interests HK$'m	Total equity HK$'m
		Attributable to equity holders of the parent											
At 1st January, 2019		89.9	404.7	17.7	7.3	8.1	–	(73.1)	12,409.5	12,864.1	1,732.9	838.6	15,435.6
Profit for the year		–	–	–	–	–	–	–	454.6	454.6	–	5.0	459.6
Other comprehensive income/(loss) for the year:													
Exchange differences on translating foreign operations		–	–	–	–	–	–	(23.5)	–	(23.5)	–	(0.2)	(23.7)
Share of other comprehensive income/(loss) of													
A joint venture		–	–	–	224.0	–	–	(12.1)	–	211.9	–	–	211.9
An associate		–	–	–	–	–	–	(0.1)	–	(0.1)	–	–	(0.1)
Fair value loss on an equity investment designated at fair value through other comprehensive income	17	–	–	–	–	–	(228.9)	–	–	(228.9)	–	–	(228.9)
Total comprehensive income/(loss) for the year		–	–	–	224.0	–	(228.9)	(35.7)	454.6	414.0	–	4.8	418.8
Transfer of fair value reserve upon the disposal of equity investment designated at fair value through other comprehensive income	17	–	–	–	–	–	228.9	–	(228.9)	–	–	–	–
Elimination of reciprocal interests		–	–	–	–	–	–	–	1.3	1.3	–	–	1.3
Final 2018 dividend declared		–	–	–	–	–	–	–	(125.8)	(125.8)	–	–	(125.8)
Interim 2019 dividend	11	–	–	–	–	–	–	–	(40.4)	(40.4)	–	–	(40.4)
Distributions to non-controlling interests of a listed subsidiary		–	–	–	–	–	–	–	–	–	–	(119.2)	(119.2)
Distribution to holders of perpetual securities		–	–	–	–	–	–	–	(114.5)	(114.5)	–	–	(114.5)
At 31st December, 2019		89.9	404.7	17.7	231.3	8.1	–	(108.8)	12,355.8	12,998.7	1,732.9	724.2	15,455.8

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2019

	Notes	2019 HK$'million	2018 HK$'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**470.1**	607.6
Adjustments for:			
Finance costs	7	**412.5**	381.4
Share of profits of joint ventures and associates		**(93.9)**	(174.5)
Interest income	5	**(292.3)**	(337.9)
Depreciation		**530.2**	512.9
Dividend income from listed investments	5	**(16.4)**	(12.8)
Dividend income from unlisted investments		**(8.3)**	(6.0)
Fair value gains on financial assets at fair value through profit or loss, net		**(300.0)**	(75.5)
Fair value losses/(gains) on investment properties		**5.2**	(5.6)
Unrealised interest income from a joint venture		**–**	15.8
Gain on disposal of unlisted investments included in financial assets at fair value through profit or loss	5	**(6.0)**	–
Loss on disposal of items of property, plant and equipment, net	5	**–**	1.2
Gain on disposal of an investment property	5	**(9.0)**	–
Impairment of trade debtors	6	**3.5**	2.9
Write-off of other receivables	6	**–**	0.2
Write-off of items of property, plant and equipment	6	**0.6**	1.2
		696.2	910.9
Additions to properties under development		**(413.0)**	(135.1)
Decrease/(increase) in inventories		**(1.8)**	1.1
Decrease/(increase) in properties held for sale		**(14.6)**	8.4
Decrease in aircraft held for sale		**5.9**	70.9
Increase in debtors, deposits and prepayments		**(6.9)**	(34.7)
Receipt from finance lease receivables		**–**	37.2
Decrease/(increase) in financial assets at fair value through profit or loss		**504.4**	(641.3)
Increase in derivative financial instruments		**–**	(3.0)
Decrease in creditors, deposits received and accruals		**(73.8)**	(25.4)
Increase/(decrease) in contract liabilities		**0.8**	(9.8)
Cash generated from operations		**697.2**	179.2
Interest received		**101.4**	86.1
Interest received from finance leases		**–**	1.9
Dividends received from listed investments		**16.4**	12.8
Hong Kong profits tax paid		**(1.4)**	(60.9)
Overseas taxes paid		**(20.3)**	(1.5)
Net cash flows from operating activities		**793.3**	217.6

For the year ended 31st December, 2019

	Note	2019 HK$'million	2018 HK$'million
Net cash flows from operating activities		**793.3**	217.6
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to investment properties		**(6.7)**	(2.7)
Purchases of items of property, plant and equipment		**(1,019.6)**	(456.0)
Proceeds from disposal of items of property, plant and equipment		**–**	6.3
Proceeds from disposal of an investment property		**128.0**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**12.0**	–
Purchases of financial assets at fair value through profit or loss		**(126.1)**	(255.9)
Purchases of financial assets at amortised cost		**(540.7)**	(1,116.5)
Proceeds from redemption of financial assets at amortised cost		**1,022.0**	803.2
Advances to joint ventures		**(971.0)**	(1,009.9)
Repayment from a joint venture		**655.2**	705.7
Advances to associates		**(0.3)**	(0.4)
Repayment from an associate		**36.9**	–
Interest received		**133.5**	134.3
Dividends received from unlisted investments		**8.3**	5.9
Increase in other loans		**(123.5)**	(207.3)
Decrease/(increase) in pledged time deposits and bank balances		**(333.1)**	526.4
Decrease/(increase) in restricted cash		**1.1**	(0.8)
Decrease/(increase) in time deposits with an original maturity of more than three months when acquired		**10.0**	(10.0)
Net cash flows used in investing activities		**(1,114.0)**	(877.7)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in other borrowings		**–**	(1,952.3)
Drawdown of new bank loans		**2,708.4**	5,343.1
Repayment of bank loans		**(1,773.9)**	(2,954.5)
Interest paid		**(477.0)**	(405.6)
Payment of loan and other costs		**(16.6)**	(47.0)
Principal portion of lease payments		**(17.8)**	–
Dividends paid		**(166.1)**	(148.1)
Dividends paid to non-controlling interests		**(119.2)**	(120.1)
Distribution to non-controlling interests		**–**	(9.8)
Contribution from non-controlling interests		**–**	6.2
Proceeds from disposal of interests in a subsidiary		**–**	2.0
Distribution relating to perpetual securities		**(114.7)**	(114.8)
Increase in restricted cash		**(8.6)**	–
Net cash flows from/(used in) financing activities		**14.5**	(400.9)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(306.2)**	(1,061.0)
Cash and cash equivalents at beginning of year		**1,772.3**	2,839.8
Effect of foreign exchange rate changes, net		**(33.0)**	(6.5)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,433.1**	1,772.3
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalent as stated in the consolidated statement of financial position	37(a)	**1,433.1**	1,782.3
Non-pledged time deposit with an original maturity of more than three months when acquired	37(a)	**–**	(10.0)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,433.1**	1,772.3

1. CORPORATE AND GROUP 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, aircraft ownership and leasing business, and other investments including financial assets investments.

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").

Information about subsidiaries

Particulars of the Company's 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
			2019	2018	
Alpha Season Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Ascent Human Resources Holdings Limited	Hong Kong	HK$2	100	100	Provision of housekeeping services and investment holding
Ascent Property Services Limited	Hong Kong	HK$1	100	100	Provision of security and guarding services
Camomile Investments Limited	Hong Kong	HK$2	100	100	Property investment
Capital Charm Holdings Limited	Hong Kong	HK$1	100	100	Property development
Cheerview Limited	Hong Kong	HK$1	100	100	Food and beverage operation
Chest Gain Development Limited	Hong Kong	HK$10,000	100	100	Investment holding
Come On Investment Company Limited	Hong Kong	HK$10,000	100	100	Securities trading and investment

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2019	2018	Principal activities
Complete Success Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Eminent Idea Holdings Limited	Hong Kong	HK$1	100	100	Property investment
Eminent Result Limited	British Virgin Islands	US$1	100	100	Investment holding
Favour Link International Limited	Hong Kong	HK$1	100	100	Hotel operations
Favourite Stock Limited	British Virgin Islands	US$1	100	100	Securities investment
Forever Venus Limited	British Virgin Islands	US$1	100	100	Investment holding
Fortune Build Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Fortune Trove Limited	Hong Kong	HK$1	100	100	Property investment
Frequentspirit Investimentos Imobiliários Unipessoal Lda.	Portugal	EUR100	90	90	Property development
Full Leader Development Limited	Hong Kong	HK$1	100	100	Property development
Full Season International Limited	British Virgin Islands	US$1	100	100	Investment holding
Gain Union Limited	Hong Kong	HK$1	100	–	Property development
Gallant Glory Limited	British Virgin Islands	US$1	100	100	Investment holding
Gaud Limited	Hong Kong	HK$2	100	100	Securities trading and investment
Gestiones E Inversiones Cosmoland, S.L.	Spain	EUR3,000	100	100	Hotel ownership
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

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2019	2018	Principal activities
Greatlead Investments Limited	Hong Kong	HK$1	100	100	Property investment
Harvest Charm Investment Limited	Hong Kong	HK$2	100	100	Financing
Hill Treasure Limited	British Virgin Islands	US$1	100	100	Aircraft ownership and leasing
Honormate Nominees Limited	Hong Kong	HK$2	100	100	Securities investment and nominee services
Honrich Investment Limited	Hong Kong	HK$2	100	100	Financing
Impressive Galaxy Limited	British Virgin Islands	US$1	100	100	Investment holding
Intellect Aquarius Limited	British Virgin Islands	US$1	100	100	Investment holding
Jubilee Ace Holdings Limited	Hong Kong	HK$1	100	100	Property investment
Kaybro Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Long Profits Investments Limited	British Virgin Islands	US$1	100	100	Financing
Loraine Developments, S.L.	Spain	EUR3,000	100	100	Hotel ownership
Maximum Good Limited	Hong Kong	HK$1	100	100	Property investment
Metropolitan Central Kitchen Limited	Hong Kong	HK$1	100	100	Sale of food products
Metropolitan F&B Management Limited	Hong Kong	HK$1	100	100	Provision of management services for food and beverage operations
Metropolitan Umami (Tsim Sha Tsui East) Limited	Hong Kong	HK$1	100	100	Food and beverage operation
Million Sharp International Limited	Hong Kong	HK$1	100	100	Property investment
Ministerium Capital S.A.	Luxembourg	EUR32,000	100	–	Property investment

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2019	2018	Principal activities
Navigation Force Limited	British Virgin Islands	US$1	100	100	Aircraft ownership and leasing
New Blossom International Limited	British Virgin Islands	US$1	100	100	Investment holding
Rainbow Petal Limited	British Virgin Islands	US$1	100	100	Investment holding
Regal Concord Limited	Hong Kong	HK$1	100	100	Investment holding and financing
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 F&B Management Limited	Hong Kong	HK$1	100	100	Provision of management services for food and beverage operations
Regal F&B (ROH) Limited	Hong Kong	HK$1	100	100	Food and beverage operations
Regal F&B (RRH) Limited	Hong Kong	HK$1	100	100	Food and beverage operations
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

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2019	2018	Principal activities
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
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
Rich Capital Investment Limited	Hong Kong	HK$100	100	100	Property development
Solution Key Investments Limited	Hong Kong	HK$1	100	100	Property investment
Speedy Track Limited (3)	Hong Kong	HK$1	–	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
Total Wisdom Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Treasure Dealer Limited	Hong Kong	HK$1	100	100	Property investment
Treasure Wagon Company Limited	Hong Kong	HK$2	100	100	Operation of security storage lounge
Total Blessing Limited	British Virgin Islands	US$1	100	100	Investment holding

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2019	2018	Principal activities
Triumphant Sky Investments Limited	British Virgin Islands	US$1	100	100	Aircraft ownership and leasing
Unicorn Star Limited	British Virgin Islands	US$1	100	100	Securities investment
Unique Sky Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
Vast Charm International Limited	Hong Kong	HK$1	100	100	Property investment
Vivid Merit Limited	British Virgin Islands	US$1	100	100	Investment holding
Waterman House Investments Limited	England and Wales	GBP300	100	–	Property investment
Wealth Virtue Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Wealthy Path Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Wealthy Smart Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Wing Bright Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
Will Smart Investments Limited	Hong Kong	HK$1	100	100	Property investment
Wise Ahead Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
廣州市富堡訂房服務有限公司[(1)]	The People's Republic of China ("PRC")/ Mainland China	RMB100,000	100	100	Room reservation services
富豪酒店投資管理 (上海) 有限公司[(1)]	PRC/ Mainland China	US$140,000	100	100	Hotel management
深圳市豪家匯企業諮詢有限公司[(1)]	PRC/ Mainland China	RMB1,000,000	100	–	Investment holding

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2019	2018	Principal activities
Regal Real Estate Investment Trust	Hong Kong	3,257,431,189 units	74.58	74.58	Property investment
Bauhinia Hotels Limited(2)	Hong Kong	HK$2	74.58	74.58	Hotel ownership
Cityability Limited(2)	Hong Kong	HK$10,000	74.58	74.58	Hotel ownership
Gala Hotels Limited(2)	Hong Kong	HK$2	74.58	74.58	Hotel ownership
Land Crown International Limited(2)	Hong Kong	HK$1	74.58	74.58	Hotel ownership
Regal Asset Holdings Limited(2)	Bermuda/ Hong Kong	US$12,000	74.58	74.58	Investment holding
Regal Riverside Hotel Limited(2)	Hong Kong	HK$2	74.58	74.58	Hotel ownership
Rich Day Investments Limited(2)	Hong Kong	HK$1	74.58	74.58	Financing
Ricobem Limited(2)	Hong Kong	HK$100,000	74.58	74.58	Hotel ownership
Sonnix Limited(2)	Hong Kong	HK$2	74.58	74.58	Property ownership and hotel operation
R-REIT International Finance Limited(2)	British Virgin Islands	US$1	74.58	74.58	Financing
Tristan Limited(2)	Hong Kong	HK$20	74.58	74.58	Hotel ownership
Wise Decade Investments Limited(2)	Hong Kong	HK$1	74.58	74.58	Hotel ownership

Notes:

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

(2) These companies are subsidiaries of Regal REIT.

(3) This subsidiary was disposed of during the year.

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.

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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments which have been measured at fair value. Aircraft held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. 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, 2019. 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:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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 above. 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 and Amendments to HKAS 28, the adoption of the above new and revised standards has had no significant financial effect on the Group's consolidated financial statements.

The nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1st January, 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1st January, 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1st January, 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for certain offices, warehouse premises, staff quarters, shop units and office equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1st January, 2019, the Group recognises depreciation of the right-of-use assets and interest accrued on the outstanding lease liabilities as finance costs.

Impact on transition

Lease liabilities at 1st January, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1st January, 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1st January, 2019.

The right-of-use assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets and lease liabilities separately in the statement of financial position. This includes the leasehold land with an aggregate amount of HK$11,387.7 million that was reclassified from property, plant and equipment.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1st January, 2019. They continue to be measured at fair value applying HKAS 40. For the leases previously accounted for as operating leases and entered into for earning sublease rental income, the related right-of-use assets of the head leases amounting to HK$8.3 million were measured at fair value at 1st January, 2019, and have been accounted for and classified as investment properties applying HKAS 40 from that date.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1st January, 2019:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1st January, 2019

The impact arising from the adoption of HKFRS 16 as at 1st January, 2019 was as follows:

	Increase/(Decrease) HK$'million
Assets	
Property, plant and equipment	(11,387.7)
Investment properties	8.3
Right-of-use assets	11,421.8
Total assets	42.4
Liabilities	
Lease liabilities	42.4

The lease liabilities as at 1st January, 2019 reconciled to the operating lease commitments as at 31st December, 2018 were as follows:

	HK$'million
Operating lease commitments as at 31st December, 2018	28.3
Weighted average incremental borrowing rate as at 1st January, 2019	2.82%
Discounted operating lease commitments as at 1st January, 2019	27.5
Add: Payments for optional extension period not recognised as at 31st December, 2018	15.1
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31st December, 2019	(0.2)
Lease liabilities as at 1st January, 2019	42.4

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1st January, 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1st January, 2020
2 Effective for annual periods beginning on or after 1st January, 2021
3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1st January, 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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 previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1st January, 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 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 is measured at fair value with changes in fair value recognised in profit or loss. 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.

(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 the statement of profit or loss.

(c) Fair value measurement

The Group measures its investment properties, derivative financial instruments and certain 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.

(d) 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 sale, deferred tax assets, financial assets, investment properties and aircraft held for sale), 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) 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.

(e) Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress and properties under construction, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets held for sale". 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 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 buildings	Over the shorter of 40 years and the remaining lease terms
Leasehold properties	Over the shorter of 40 years and the remaining lease terms
Leasehold improvements	Over the shorter of the remaining lease terms and 10% to 20%
Furniture, fixtures and equipment	10% to 25%
Motor vehicles	25%
Aircraft	Over the remaining lease terms

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 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.

Properties under construction are stated at cost less any impairment losses and are not depreciated. Cost comprises land costs, direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Properties under construction are reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(f) Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018 - leasehold property under an operating lease) 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.

(g) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for sale are not depreciated.

(h) Investments and other financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade debtors that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debtors that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured 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 amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. 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.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(i) Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECLs).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade debtors which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach
For trade debtors that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(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, or loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, 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.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. 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 at amortised cost (loans and borrowings)
After initial recognition, interest bearing loans and borrowings and payables 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.

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECLs allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

(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 the liabilities simultaneously.

(n) Derivative financial instruments

Initial recognition and subsequent measurement

The Group purchased derivative financial instruments, such as foreign currency forward contracts and put options, for trading purpose. 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.

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).

(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) Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, direct costs of construction, applicable borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to properties held for sale.

(r) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Hotel operations and management services

Revenue from the provision of hotel operations and management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from food and beverage operations of hotels is recognised at the point in time when the control of food and beverage products is transferred to the customer, generally upon purchase of the food and beverage items by the customer.

Loyalty point programmes

The Group's hotel operation segment operates loyalty point programmes which allow customers to accumulate points when they patronise the Group's hotels. The points can be redeemed for future spending in the hotels or other gifts. The loyalty point programmes give rise to a separate performance obligation because they provide a material right to the customers. Contract liabilities are recognised on the loyalty point programmes.

(ii) Sale of properties/aircraft

Revenue from the sale of properties/aircraft is recognised at the point in time when the control of the assets is transferred to the buyer, generally on the delivery of the properties/aircraft.

(iii) Revenue from other operations

- Revenue from the sale of food products is recognised at the point in time when the control of the food products is transferred to the customers, generally on the delivery of the food products.
- Revenue from restaurant operation is recognised at the point in time when the control of the food and beverage products is transferred to the customer, generally upon purchase of the food and beverage items by the customer.
- Revenue from housekeeping services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.
- Revenue from the provision of estate management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources
Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly 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.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Net gain or loss from the sale of investments at fair value through profit or loss is recognised on the transaction dates when the relevant contract notes are exchanged.

Other income
Income from maintenance reserves released is recognised when the Group's obligation to make any further reimbursements in relation to the aircraft maintenance is extinguished.

Income from reimbursement of lease payments is recognised when the right to receive payment has been established.

(s) Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

(t) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional 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 measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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 Hong Kong dollars 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.

(u) 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/jurisdictions 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, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future 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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(v) Leases (applicable from 1st January, 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets, which include leasehold land, leased properties and other equipment, are depreciated on a straight-line basis over the underlying lease terms.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as properties held for sale, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties held for sale". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(ii) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of other equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

(w) Lease (applicable before 1st January, 2019)

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.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 operating leases net of any incentives received from the lessor 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.

(x) Employee benefits

Staff retirement schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong 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' relevant income 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, part or all of which are refunded to the Group when the employee leaves employment prior to the contributions vesting with the employee partly or 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 a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the relevant central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

(y) 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);

(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); and

(8) the entity, or any member of a group which it is a part, provides key management personnel services to the Group or to the parent of the Group.

(z) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that 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.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

(aa) Borrowing costs

Borrowing costs directly attributable to the acquisition and construction 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. Interest is capitalised at the interest rates related to specific development project borrowings. 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.

(ab) Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to financial statements.

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.

(ac) 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.

(ad) Perpetual securities

Perpetual securities with no contracted obligation to repay their principal or to pay any distribution are classified as part of equity.

(ae) Maintenance reserves

The cost of aircraft maintenance, repairs, overhauls and compliance with return conditions for aircraft on operating leases are paid for by the lessee. For major airframe, engine and other maintenance events, the lessee will be required to make a maintenance contribution payment to the lessor. Certain lease agreements require the lessee to make the maintenance contribution payments on a monthly basis while other leases require the lessee to make the maintenance contribution payment in the form of a return compensation payment at the end of the lease. Upon receipt by the Group, these monthly and end of lease maintenance payments are accounted for as maintenance reserve liabilities because the Group generally reimburses the lessee or a subsequent lessee out of the payments the Group received when the Group is satisfied that the qualifying major maintenance event has been performed. At termination or expiry of a lease, maintenance reserve liabilities for the aircraft which have not been reimbursed to the lessee will typically continue to remain as maintenance reserve liabilities. Any shortfall that is identified in the maintenance reserve liabilities for an aircraft as compared to the expected future reimbursement obligations to a lessee, or any surplus, will be charged or released to the statement of profit or loss. Upon sale of an aircraft, the maintenance reserve liability for that aircraft which is not transferred to the buyer will be released to the statement of profit or loss.

If a lease requires the lessee to pay return compensation payments at the end of the lease, certain lessees are required to secure all or a portion of that obligation by a cash deposit or letter of credit. In some cases, the monthly maintenance payments or end of lease return compensation payments may be replaced by commitments from a third party, typically the original equipment manufacturer or an affiliate, which provides flight hour-based support to the lessee.

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:

Property lease classification - Group as lessor
The Group has entered into commercial property/aircraft leases on its investment property/aircraft portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties/aircraft which are leased out and accounts for the contracts as operating leases.

Significant judgement in determining the lease term of contracts with renewal options
The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group includes the renewal period as part of the lease term for leases of leased properties.

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.

Income taxes

The Group has exposure to income taxes in different jurisdictions. Significant judgement is involved in determining the provision for income taxes. Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation, interpretations and practices in respect thereof.

(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, 2019 was HK$1,052.1 million (2018 - HK$1,147.2 million). Further details, including the key assumptions used for fair value measurements are given in note 14 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which the carryforward of unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. 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, 2019 was HK$56.3 million (2018 - HK$52.7 million). The amount of unrecognised deferred tax assets in respect of tax losses at 31st December, 2019 was HK$513.1 million (2018 - HK$505.5 million). Further details are contained in note 32 to the financial statements.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its 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 asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade debtors

The Group uses a provision matrix to calculate ECLs for trade debtors. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product/service type and customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., GDP) are expected to deteriorate over the next year which can lead to an increased number of defaults in the hotel sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade debtors is disclosed in note 21 to the financial statements.

Provision for expected credit losses on other financial assets at amortised cost

The measurement of impairment losses under HKFRS 9 on other financial assets at amortised cost requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also forward-looking analysis.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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, 2019 was HK$388.6 million (2018 - HK$405.7 million).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six 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;

(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;

(e) the aircraft ownership and leasing segment engages in the aircraft ownership and leasing for rental and interest income; and

(f) the others segment mainly comprises sale of food products, operation and management of restaurants, operation of security storage lounge, the provision of housekeeping and related services 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, non-lease-related finance costs, head office and corporate gains and expenses are excluded from such measurement.

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

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

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31st December, 2019 and 2018:

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2019 HK$'m	2018 HK$'m	2019 HK$'m	2018 HK$'m	2019 HK$'m	2018 HK$'m	2019 HK$'m	2018 HK$'m	2019 HK$'m	2018 HK$'m	2019 HK$'m	2018 HK$'m	2019 HK$'m	2018 HK$'m	2019 HK$'m	2018 HK$'m
Segment revenue (Note 5)																
Sales to external customers	1,945.6	2,377.9	–	–	13.8	28.7	201.8	71.5	44.2	119.1	20.8	16.9	–	–	2,226.2	2,614.1
Intersegment sales	5.5	7.1	104.9	114.1	4.9	4.9	–	–	–	–	106.8	103.1	(222.1)	(229.2)	–	–
Total	**1,951.1**	**2,385.0**	**104.9**	**114.1**	**18.7**	**33.6**	**201.8**	**71.5**	**44.2**	**119.1**	**127.6**	**120.0**	**(222.1)**	**(229.2)**	**2,226.2**	**2,614.1**
Segment results before depreciation	662.0	995.4	(14.5)	(13.1)	187.7	211.5	517.0	155.8	33.9	61.9	(9.5)	(2.6)	–	–	1,376.6	1,408.9
Depreciation	(502.8)	(484.6)	(2.2)	(0.4)	(6.6)	(5.8)	–	–	(15.0)	(18.2)	(3.6)	(3.9)	–	–	(530.2)	(512.9)
Segment operating results	159.2	510.8	(16.7)	(13.5)	181.1	205.7	517.0	155.8	18.9	43.7	(13.1)	(6.5)	–	–	846.4	896.0
Unallocated interest income and unallocated non-operating and corporate gains															22.4	30.0
Unallocated non-operating and corporate expenses, net															(81.5)	(111.5)
Finance costs (other than interest on lease liabilities)															(411.1)	(381.4)
Share of profits of:																
Joint ventures	–	–	–	–	57.5	174.1	–	–	–	–	–	–	–	–	57.5	174.1
Associates	–	–	–	–	35.7	0.3	–	–	–	–	0.7	0.1	–	–	36.4	0.4
Profit before tax															**470.1**	**607.6**
Income tax															**(10.5)**	**(40.8)**
Profit for the year before allocation between equity holders of the parent and non-controlling interests															**459.6**	**566.8**
Attributable to:																
Equity holders of the parent															**454.6**	**547.7**
Non-controlling interests															**5.0**	**19.1**
															459.6	**566.8**

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	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	HK$'m	HK$'m
Segment assets	18,874.6	18,469.7	36.7	51.0	4,226.3	3,498.1	3,240.7	3,839.0	391.0	414.6	25.5	23.8	(40.7)	(51.3)	26,754.1	26,244.9
Investments in joint ventures	–	–	–	–	3,967.2	3,539.9	–	–	–	–	–	–	–	–	3,967.2	3,539.9
Investments in associates	–	–	–	–	46.1	10.5	–	–	–	–	6.8	6.0	–	–	52.9	16.5
Cash and unallocated assets															1,927.8	1,936.6
Total assets															32,702.0	31,737.9
Segment liabilities	(382.6)	(430.4)	(3.5)	(2.1)	(85.6)	(46.9)	(1.4)	(3.5)	(67.6)	(67.7)	(14.6)	(6.3)	40.7	51.3	(514.6)	(505.6)
Interest bearing bank borrowings and unallocated liabilities															(16,731.6)	(15,796.7)
Total liabilities															(17,246.2)	(16,302.3)
Other segment information:																
Interest income	–	–	–	–	(177.0)	(197.6)	(95.3)	(110.0)	–	(1.9)	–	–				
Reimbursement of lease payments in connection with undertakings provided by a joint venture	(28.3)	(21.2)	–	–	–	–	–	–	–	–	–	–				
Impairment of trade debtors	0.5	2.6	–	–	–	–	–	–	–	–	3.0	0.3				
Maintenance reserves released	–	–	–	–	–	–	–	–	–	(34.4)	–	–				
Fair value gains on financial assets at fair value through profit or loss, net	–	–	–	–	–	–	(300.0)	(75.5)	–	–	–	–				
Fair value losses/(gains) on investment properties	5.2	(5.6)	–	–	–	–	–	–	–	–	–	–				
Gain on disposal of an investment property	–	–	–	–	(9.0)	–	–	–	–	–	–	–				
Loss on disposal of items of property, plant and equipment, net	–	–	–	–	–	–	–	–	–	1.2	–	–				
Capital expenditure	1,019.2	173.9	–	–	–	0.1	–	–	0.1	282.1	2.7	2.8				

Geographical information

(a) Revenue from external customers

	2019 HK$'million	2018 HK$'million
Hong Kong	**2,156.5**	2,471.6
Mainland China	**10.2**	11.9
Other	**59.5**	130.6
	2,226.2	2,614.1

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

	2019 HK$'million	2018 HK$'million
Hong Kong	**21,954.9**	21,696.9
Mainland China	**1,955.1**	1,845.1
Other	**765.5**	589.4
	24,675.5	24,131.4

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

Information about major customer

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

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, other income and gains, net are analysed as follows:

	2019 HK$'million	2018 HK$'million
Revenue		
Revenue from contracts with customers		
Hotel operations and management services	**1,867.8**	2,312.8
Sale of properties	**–**	15.0
Sale of aircraft	**5.9**	80.4
Other operations	**22.6**	17.0
	1,896.3	2,425.2
Revenue from other sources		
Rental income:		
Hotel properties	**57.0**	48.2
Investment properties	**27.1**	23.7
Aircraft	**38.3**	36.8
Others	**2.9**	2.6
Gain/(loss) from sale of financial assets at fair value through profit or loss, net	**95.7**	(34.8)
Gain/(loss) on settlement of derivative financial instruments, net	**0.6**	(6.4)
Interest income from financial assets at fair value through profit or loss	**89.1**	99.9
Interest income from finance leases	**–**	1.9
Dividend income from listed investments	**16.4**	12.8
Other operations	**2.8**	4.2
	2,226.2	2,614.1

Revenue from contracts with customers

(i) Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers and the reconciliation with the operating segment information:

	For the year ended 31st December, 2019				
Segments	Hotel operation and management and hotel ownership	Property development and investment	Aircraft ownership and leasing	Others	Total
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Type of goods or services					
Hotel operations and management services					
Hotel operations	1,857.0	–	–	–	1,857.0
Management services	10.8	–	–	–	10.8
Sale of aircraft	–	–	5.9	–	5.9
Other operations	–	4.6	–	18.0	22.6
Total revenue from contracts with customers	1,867.8	4.6	5.9	18.0	1,896.3
Geographical markets					
Hong Kong	1,857.6	4.6	–	18.0	1,880.2
Mainland China	10.2	–	–	–	10.2
Other	–	–	5.9	–	5.9
Total revenue from contracts with customers	1,867.8	4.6	5.9	18.0	1,896.3
Timing of revenue recognition					
At a point in time	539.0	0.3	5.9	6.3	551.5
Over time	1,328.8	4.3	–	11.7	1,344.8
Total revenue from contracts with customers	1,867.8	4.6	5.9	18.0	1,896.3

Segments	Hotel operation and management and hotel ownership	Property development and investment	Aircraft ownership and leasing	Others	Total
	For the year ended 31st December, 2018				
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Type of goods or services					
Hotel operations and management services					
Hotel operations	2,300.8	–	–	–	2,300.8
Management services	12.0	–	–	–	12.0
Sale of a property	–	15.0	–	–	15.0
Sale of aircraft	–	–	80.4	–	80.4
Other operations	–	4.3	–	12.7	17.0
Total revenue from contracts with customers	2,312.8	19.3	80.4	12.7	2,425.2
Geographical markets					
Hong Kong	2,300.8	19.3	–	12.7	2,332.8
Mainland China	12.0	–	–	–	12.0
Other	–	–	80.4	–	80.4
Total revenue from contracts with customers	2,312.8	19.3	80.4	12.7	2,425.2
Timing of revenue recognition					
At a point in time	627.6	15.0	80.4	10.6	733.6
Over time	1,685.2	4.3	–	2.1	1,691.6
Total revenue from contracts with customers	2,312.8	19.3	80.4	12.7	2,425.2

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

Segments	Hotel operation and management and hotel ownership	Property development and investment	Aircraft ownership and leasing	Others	Total
	For the year ended 31st December, 2019				
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Revenue from contracts with customers					
External customers	**1,867.8**	**4.6**	**5.9**	**18.0**	**1,896.3**
Intersegment sales	**–**	**–**	**–**	**106.8**	**106.8**
	1,867.8	**4.6**	**5.9**	**124.8**	**2,003.1**
Intersegment adjustments and eliminations	**–**	**–**	**–**	**(106.8)**	**(106.8)**
Total revenue from contracts with customers	**1,867.8**	**4.6**	**5.9**	**18.0**	**1,896.3**

Segments	Hotel operation and management and hotel ownership	Property development and investment	Aircraft ownership and leasing	Others	Total
	For the year ended 31st December, 2018				
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Revenue from contracts with customers					
External customers	2,312.8	19.3	80.4	12.7	2,425.2
Intersegment sales	–	–	–	103.1	103.1
	2,312.8	19.3	80.4	115.8	2,528.3
Intersegment adjustments and eliminations	–	–	–	(103.1)	(103.1)
Total revenue from contracts with customers	2,312.8	19.3	80.4	12.7	2,425.2

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2019 HK$'million	2018 HK$'million
Hotel operations and management services	**42.6**	52.4

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Hotel operations and management services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Hotel management service contracts are for periods of one year or less, or are billed based on the time incurred.

The performance obligation of food and beverage operations of hotels is satisfied when the control of the food and beverage products is transferred, being at the point when the customer purchases the food and beverage items at the food and beverage operations. Payment of the transaction is due immediately at the point when the customer purchases the food and beverage.

Sales of properties/aircraft

The performance obligation is satisfied upon delivery of the properties/aircraft. Customers generally purchased and paid the customer deposit according to terms and conditions of the relevant sale and purchase agreements before delivery of the properties/aircraft. The transaction prices were adjusted to reflect the effects of the time value of money and the significant benefit of financing.

Sale of food products

The performance obligation is satisfied upon delivery of the food products and payment is generally due within 30 to 90 days from delivery.

Revenue from restaurant operation

The performance obligation is satisfied when the control of the food and beverage products is transferred, being at the point when the customer purchases the food and beverage items at the restaurants. Payment of the transaction is due immediately at the point when the customer purchases the food and beverage.

Revenue from housekeeping services

The performance obligation is satisfied over time as services are rendered. Housekeeping service contracts are for periods of one year or less, or are billed based on the time incurred.

Revenue from provision of estate management services

The performance obligation is satisfied over time as services are rendered. Estate management services contracts are for periods of one year or less, or are billed based on the time incurred.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31st December are as follows:

	2019 HK$'million	2018 HK$'million
Within one year	**43.3**	42.6

All performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2019 HK$'million	2018 HK$'million
Other income and gains, net		
Bank interest income	**19.8**	28.4
Other interest income	**183.4**	207.7
Loss on disposal of items of property, plant and equipment, net	**–**	(1.2)
Gain on disposal of an investment property	**9.0**	–
Gain on disposal of unlisted investments included in financial assets at fair value through profit or loss	**6.0**	–
Maintenance reserves released	**–**	34.4
Reimbursement of lease payments in connection with undertakings provided by a joint venture	**28.3**	21.2
Others	**22.2**	21.2
	268.7	311.7

6. PROFIT BEFORE TAX

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

	2019 HK$'million	2018 HK$'million
Cost of inventories sold and services provided	**931.6**	1,064.2
Depreciation of property, plant and equipment	**294.9**	512.9
Depreciation of right-of-use assets	**235.3**	–
Foreign exchange differences, net	**(6.2)**	23.1
Impairment of trade debtors	**3.5**	2.9
Write-off of other receivables	**–**	0.2
Write-off of items of property, plant and equipment	**0.6**	1.2
Employee benefit expense# (exclusive of directors' remuneration disclosed in note 8):		
Salaries, wages and allowances	**694.3**	702.1
Staff retirement scheme contributions	**30.7**	30.7
Less: Forfeited contributions	**(1.3)**	(1.1)
Net staff retirement scheme contributions	**29.4**	29.6
	723.7	731.7
Fair value losses/(gains) on financial assets at fair value through profit or loss, net		
– mandatorily classified as such, including those held for trading	**(324.3)**	(48.1)
– derivative instruments – transactions not qualifying as hedges	**24.3**	(27.4)
	(300.0)	(75.5)
Minimum lease payments under operating leases	**–**	23.3
Lease payment not included in the measurement of lease liabilities	**0.2**	–
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**2.5**	7.9
Auditor's remuneration	**7.6**	7.2

Inclusive of an amount of HK$610.3 million (2018 - HK$622.0 million) classified under cost of inventories sold and services provided.

7. FINANCE COSTS

	2019 HK$'million	2018 HK$'million
Interest on bank loans	**365.5**	292.6
Interest on other borrowings	**108.2**	134.3
Interest on lease liabilities	**1.4**	–
Amortisation of debt establishment costs	**31.3**	32.7
Total interest expenses on financial liabilities not at fair value through profit or loss	**506.4**	459.6
Other loan costs	**10.2**	7.9
	516.6	467.5
Less: Finance costs capitalised	**(104.1)**	(86.1)
	412.5	381.4

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 HK$'million	2018 HK$'million
Fees	**3.6**	3.6
Other emoluments:		
Salaries, allowances and benefits in kind	**21.7**	20.7
Performance related/discretionary bonuses	**1.8**	3.0
Staff retirement scheme contributions	**1.5**	1.4
	28.6	28.7

(a) Non-executive directors

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

	2019 HK$'million	2018 HK$'million
Non-executive director:		
Dr. Francis Choi Chee Ming, GBS, JP	**0.25**	0.25
Independent non-executive directors:		
Ms. Alice Kan Lai Kuen	**0.35**	0.35
Professor Japhet Sebastian Law	**0.25**	0.25
Ms. Winnie Ng, JP	**0.35**	0.35
Mr. Wong Chi Keung	**0.40**	0.40
	1.60	1.60

– For the year ended 31st December, 2019, Directors' fees entitled by the non-executive director and the independent non-executive directors of the Company also included a fee for serving as a member of each of the Audit Committee (HK$0.15 million per annum and HK$0.1 million per annum as its chairman and a member, respectively), the Nomination Committee (HK$0.05 million per annum) and the Remuneration Committee (HK$0.05 million per annum) of the Company, where applicable, amounting to HK$1.60 million (2018 - HK$1.60 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 (2018 - Nil).

(b) Executive directors

	Fees HK$'million (Notes)	Salaries, allowances and benefits in kind HK$'million	Performance related/ discretionary bonuses HK$'million	Staff retirement scheme contributions HK$'million	Total remuneration HK$'million
2019					
Mr. Lo Yuk Sui	0.40	9.12	0.63	0.54	10.69
Miss Lo Po Man	0.30	4.26	0.21	0.19	4.96
Ms. Belinda Yeung Bik Yiu	0.15	2.94	0.37	0.29	3.75
Mr. Donald Fan Tung	0.30	1.16	0.14	0.12	1.72
Mr. Jimmy Lo Chun To	0.30	1.10	0.06	0.06	1.52
Mr. Kenneth Ng Kwai Kai	0.40	1.88	0.22	0.16	2.66
Mr. Allen Wan Tze Wai	0.15	1.24	0.14	0.12	1.65
	2.00	21.70	1.77	1.48	26.95
2018					
Mr. Lo Yuk Sui	0.40	8.78	1.06	0.50	10.74
Miss Lo Po Man	0.30	4.13	0.37	0.17	4.97
Ms. Belinda Yeung Bik Yiu	0.15	2.76	0.62	0.28	3.81
Mr. Donald Fan Tung	0.30	1.09	0.25	0.11	1.75
Mr. Jimmy Lo Chun To	0.30	1.06	0.11	0.05	1.52
Mr. Kenneth Ng Kwai Kai	0.40	1.78	0.33	0.15	2.66
Mr. Allen Wan Tze Wai	0.15	1.16	0.24	0.12	1.67
	2.00	20.76	2.98	1.38	27.12

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2018 - Nil).

Notes:

For the years ended 31st December, 2019 and 2018, the fees entitled by:

– Mr. Lo Yuk Sui also included (i) a fee of HK$0.05 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$0.15 million per annum 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$0.15 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$0.15 million per annum for serving as a non-executive director of RPML and a fee of HK$0.1 million per annum for serving as a member of the audit committee of RPML.

9. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid individuals during the year included four (2018 - four) Directors, details of whose remuneration are disclosed in note 8 to the financial statements. Details of the remuneration for the year of the remaining one (2018 - one) highest paid individual, who was not a Director, are as follows:

	2019 HK$'million	**2018 HK$'million**
Salaries, allowances and benefits in kind	**1.8**	1.8
Performance related/discretionary bonuses	**0.2**	0.3
Staff retirement scheme contributions	**0.1**	0.1
	2.1	2.2

The emoluments of the remaining one (2018 - one) highest paid individual fell within the band of HK$2,000,001 to HK$2,500,000 (2018 - HK$2,000,001 to HK$2,500,000).

10. INCOME TAX

	2019 HK$'million	2018 HK$'million
Current – Hong Kong		
Charge for the year	**57.9**	67.6
Overprovision in prior years	**(0.3)**	–
Current – Overseas		
Charge for the year	**0.9**	1.3
Underpovision in prior years	**0.2**	–
Deferred (note 32)	**(48.2)**	(28.1)
Total tax charge for the year	**10.5**	40.8

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2018 - 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

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

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

	2019 HK$'million	2018 HK$'million
Profit before tax	**470.1**	607.6
Tax at the Hong Kong statutory tax rate of 16.5% (2018 - 16.5%)	**77.6**	100.3
Adjustments in respect of current tax of previous years	**(0.1)**	–
Profits and losses attributable to joint ventures and associates	**(15.5)**	(28.8)
Higher tax rates of other jurisdictions	**0.4**	0.3
Income not subject to tax	**(119.2)**	(103.8)
Expenses not deductible for tax	**29.2**	61.8
Tax losses utilised from previous years	**(14.3)**	(7.9)
Tax losses not recognised during the year	**54.0**	19.1
Others	**(1.6)**	(0.2)
Tax charge at the Group's effective rate	**10.5**	40.8

The share of tax charge attributable to a joint venture amounting to HK$19.8 million (2018 - HK$58.5 million) is included in "Share of profits of joint ventures and associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

	2019 HK$'million	2018 HK$'million
Interim - HK4.5 cents (2018 - HK5.0 cents) per ordinary share	**40.4**	44.9
Proposed final - HK6.0 cents (2018 - HK14.0 cents) per ordinary share	**53.9**	125.8
	94.3	170.7

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

12. 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$454.6 million (2018 - HK$547.7 million), adjusted for the distribution related to perpetual securities of HK$114.5 million (2018 - HK$114.8 million), and on the weighted average of 898.8 million (2018 - 898.8 million) ordinary shares of the Company in issue during the year.

(b) Diluted earnings per ordinary share

No adjustment was made to the basic earnings per ordinary share for the years ended 31st December, 2019 and 2018 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the years.

13. PROPERTY, PLANT AND EQUIPMENT

	Hotel land and buildings HK$'million	Leasehold properties HK$'million	Property under construction 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
31st December, 2019									
At 1st January, 2019 (restated):									
Cost	5,266.6	51.6	2,488.5	530.8	366.9	4.5	421.2	11.2	9,141.3
Accumulated depreciation	(1,450.0)	(6.0)	–	(257.2)	(267.9)	(2.5)	(15.5)	–	(1,999.1)
Net carrying amount	3,816.6	45.6	2,488.5	273.6	99.0	2.0	405.7	11.2	7,142.2
At 31st December, 2018, net of accumulated depreciation	15,085.8	164.1	2,488.5	273.6	99.0	2.0	405.7	11.2	18,529.9
Effect of adoption of HKFRS 16	(11,269.2)	(118.5)	–	–	–	–	–	–	(11,387.7)
At 1st January, 2019 (restated)	3,816.6	45.6	2,488.5	273.6	99.0	2.0	405.7	11.2	7,142.2
Additions	–	–	1,038.9	9.1	46.6	0.6	0.1	22.6	1,117.9
Write-off/disposals	–	–	–	(0.6)	(0.8)	–	–	–	(1.4)
Write-back of depreciation upon write-off/disposals	–	–	–	0.5	0.3	–	–	–	0.8
Depreciation provided during the year	(188.2)	(1.6)	–	(49.8)	(39.4)	(0.9)	(15.0)	–	(294.9)
Exchange realignment	–	–	–	–	–	–	(2.2)	–	(2.2)
At 31st December, 2019, net of accumulated depreciation	3,628.4	44.0	3,527.4	232.8	105.7	1.7	388.6	33.8	7,962.4
At 31st December, 2019:									
Cost	5,266.6	51.6	3,527.4	539.3	412.7	5.1	418.9	33.8	10,255.4
Accumulated depreciation	(1,638.2)	(7.6)	–	(306.5)	(307.0)	(3.4)	(30.3)	–	(2,293.0)
Net carrying amount	3,628.4	44.0	3,527.4	232.8	105.7	1.7	388.6	33.8	7,962.4

	Hotel land and buildings HK$'million	Leasehold properties HK$'million	Property under construction 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
31st December, 2018									
At 1st January, 2018:									
Cost	18,181.7	185.2	2,314.7	505.1	331.6	3.0	311.6	2.5	21,835.4
Accumulated depreciation and impairment	(2,692.1)	(15.3)	–	(214.8)	(239.3)	(2.4)	(104.6)	–	(3,268.5)
Net carrying amount	15,489.6	169.9	2,314.7	290.3	92.3	0.6	207.0	2.5	18,566.9
At 1st January, 2018, net of accumulated depreciation and impairment	15,489.6	169.9	2,314.7	290.3	92.3	0.6	207.0	2.5	18,566.9
Additions	–	–	173.8	29.7	44.9	2.0	282.1	9.8	542.3
Reclassification	–	–	–	–	1.1	–	–	(1.1)	–
Transfer to aircraft held for sale	–	–	–	–	–	–	(58.3)	–	(58.3)
Write-off/disposals	–	–	–	(4.0)	(10.7)	(0.5)	(25.4)	–	(40.6)
Write-back of depreciation upon write-off/disposals/transfer	–	–	–	3.1	10.4	0.5	18.0	–	32.0
Depreciation provided during the year	(403.8)	(5.8)	–	(45.5)	(39.0)	(0.6)	(18.2)	–	(512.9)
Exchange realignment	–	–	–	–	–	–	0.5	–	0.5
At 31st December, 2018, net of accumulated depreciation	15,085.8	164.1	2,488.5	273.6	99.0	2.0	405.7	11.2	18,529.9
At 31st December, 2018:									
Cost	18,181.7	185.2	2,488.5	530.8	366.9	4.5	421.2	11.2	22,190.0
Accumulated depreciation	(3,095.9)	(21.1)	–	(257.2)	(267.9)	(2.5)	(15.5)	–	(3,660.1)
Net carrying amount	15,085.8	164.1	2,488.5	273.6	99.0	2.0	405.7	11.2	18,529.9

At 31st December, 2019, the Group's property, plant and equipment and right-of-use assets with net carrying amounts of HK$7,299.0 million (2018 - HK$18,096.6 million) and HK$11,168.6 million (2018 - Nil) (note 15), respectively, were pledged to secure banking facilities granted to the Group.

During the year ended 31st December, 2018, certain aircraft with a total carrying amount of HK$58.3 million were transferred to aircraft held for sale in accordance with HKFRS 5.

14. INVESTMENT PROPERTIES

	2019 HK$'million	2018 HK$'million
Carrying amount at 1st January	**1,147.2**	1,144.7
Effect of adoption of HKFRS 16	**8.3**	–
Carrying amount at 1st January (restated)	**1,155.5**	1,144.7
Capital expenditure for the year	**6.7**	2.7
Lease modification	**17.5**	–
Disposal	**(119.0)**	–
Gain/(loss) from fair value adjustments	**(5.2)**	5.6
Exchange realignment	**(3.4)**	(5.8)
Carrying amount at 31st December	**1,052.1**	1,147.2

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 properties included in investment properties were revalued on 31st December, 2019 based on valuations performed by Savills Valuation and Professional Services Limited, CBRE Limited and Colliers International Spain, three independent professionally qualified valuers, at an aggregate valuation amount of HK$1,027.2 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 valuations are performed for interim and annual financial reporting. Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

At 31st December, 2019, the Group's investment properties with a carrying value of HK$899.0 million (2018 - HK$1,020.0 million) were pledged to secure banking facilities granted to the Group.

Further particulars of the Group's investment properties are included on pages 200 to 202.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31st December, 2019 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	–	–	**745.0**	**745.0**
Commercial properties	–	–	**154.0**	**154.0**
Hotel properties	–	–	**128.2**	**128.2**
Right-of-use assets	–	–	**24.9**	**24.9**
	–	–	**1,052.1**	**1,052.1**

	Fair value measurement as at 31st December, 2018 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	–	–	864.0	864.0
Commercial properties	–	–	156.0	156.0
Hotel properties	–	–	127.2	127.2
	–	–	1,147.2	1,147.2

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 (2018 - Nil).

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

	Residential properties HK$'million	Commercial properties HK$'million	Hotel properties HK$'million	Right-of-use assets HK$'million
Carrying amount at 1st January, 2018	864.0	154.0	126.7	–
Capital expenditure for the year	–	–	2.7	–
Gain from fair value adjustments	–	2.0	3.6	–
Exchange realignment	–	–	(5.8)	–
Carrying amount at 31st December, 2018	864.0	156.0	127.2	–
Effect of adoption of HKFRS 16	–	–	–	8.3
Carrying amount at 1st January, 2019 (restated)	864.0	156.0	127.2	8.3
Capital expenditure for the year	–	–	6.7	–
Lease modification	–	–	–	17.5
Disposal	(119.0)	–	–	–
Loss from fair value adjustments	–	(2.0)	(2.5)	(0.7)
Exchange realignment	–	–	(3.2)	(0.2)
Carrying amount at 31st December, 2019	745.0	154.0	128.2	24.9

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 2019	Range 2018
Residential properties	Sales comparison approach	Estimated market price per square foot	HK$23,873 to HK$33,315	HK$23,873 to HK$33,315
Commercial properties	Discounted cash flow method	Capitalisation rate	3.00%	3.00%
		Discount rate	6.00%	6.00%
		Estimated rental value per square metre per month	HK$579 to HK$782	HK$579 to HK$721
Hotel properties	Discounted cash flow method	Capitalisation rate	7.75%	8.5%
		Discount rate	9.25%	11.25%
		Estimated rental value per square metre per month	Euro 6.26 to Euro 6.48	Euro 5.91 to Euro 6.37
Right-of-use assets	Discounted cash flow method	Discount rate	0.44%	–
		Estimated rental value per month (approximately)	Euro 21,859 to Euro 22,143	–

Under the sales comparison approach, fair value is estimated with reference 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 for commercial and hotel properties, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. 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 exit yield is normally separately determined and differs from the discount rate.

Under the discounted cash flow method for right-for-use assets, fair value is estimated using assumptions regarding the benefits of right-of-use assets over the lease period with the landlord. This method involves the projection of a series of cash flows on the right-of-use assets. A discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the right-of-use assets.

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. The periodic cash flow is estimated as gross rental income less expenses. The series of periodic net rental income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase/(decrease) in the estimated price per square foot and estimated rental value in isolation would result in a significant increase/(decrease) in the fair value of the residential, commercial and hotel properties and right-of-use assets, 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 and hotel properties and right-of-use assets.

15. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

(a) The Group as a lessee

The Group has lease contracts for various items of leasehold land, leased properties and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners and no ongoing payments will be made under the terms of these land leases. Leases of leased properties generally have lease terms between 1 and 12 years, while other equipment generally has lease terms between 2 and 5 years. Certain equipment has lease terms of 12 months or less and/or is individually of low value. There are several lease contracts that include extension and termination options and variable lease payments.

(i) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land HK$'million	Leased properties HK$'million	Other equipment HK$'million	Total HK$'million
As at 1st January, 2019	11,387.7	33.4	0.7	11,421.8
Additions/modification	–	11.2	–	11.2
Depreciation charge	(219.1)	(15.9)	(0.3)	(235.3)
As at 31st December, 2019	11,168.6	28.7	0.4	11,197.7

At 31st December, 2019, the Group's leasehold land was pledged to secure banking facilities granted to the Group.

(ii) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 HK$'million
Carrying amount at 1st January	**42.4**
New leases/modification	**28.7**
Interest expenses	**1.4**
Payments	**(19.2)**
Exchange realignment	**(0.2)**
Carrying amount at 31st December	**53.1**
Analysed into:	
Current portion	**16.6**
Non-current portion	**36.5**

The maturity analysis of lease liabilities is disclosed in note 44 to the financial statements.

(iii) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 HK$'million
Interest on lease liabilities	**1.4**
Depreciation charge of right-of-use assets	**235.3**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31st December, 2019 (included in cost of sales and administrative expenses)	**0.2**
Total amount recognised in profit or loss	**236.9**

(iv) The total cash outflow for leases is disclosed in note 37(d) to the financial statements.

(b) The Group as a lessor

The Group leases its investment properties (note 14) consisting of residential, commercial and hotel properties in Hong Kong and overseas under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

The Group also leases certain retail space and areas of its hotel properties and aircraft under operating lease arrangements. 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.

Rental income recognised by the Group during the year was HK$125.3 million (2018 – HK$111.3 million), details of which are included in note 5 to the financial statements.

As at the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 HK$'million	**2018 HK$'million**
Within one year	**97.3**	103.3
After one year but within two years	**58.5**	64.6
After two years but within three years	**40.5**	28.0
After three years but within four years	**32.1**	13.4
After four years but within five years	**5.0**	9.2
	233.4	218.5

16. PROPERTIES UNDER DEVELOPMENT

Properties under development are analysed as follows:

	2019 HK$'million	2018 HK$'million
Balance at 1st January	**897.9**	762.8
Additions	**414.0**	135.1
Balance at 31st December	**1,311.9**	897.9
Portion included in current assets	**(868.7)**	–
Non-current portion	**443.2**	897.9

	2019 HK$'million	2018 HK$'million
Properties under development included under current assets expected to be completed within normal operating cycle and recovered:		
After one year	**868.7**	–

At 31st December, 2019, the Group's properties under development with a carrying amount of HK$810.0 million (2018 - Nil) were pledged to secure a banking facility granted to the Group.

17. INVESTMENTS IN JOINT VENTURES

	2019 HK$'million	2018 HK$'million
Share of net assets	**1,270.1**	1,269.1
Unrealised income and gain eliminated	**(156.6)**	(174.5)
Loans to a joint venture	**2,725.6**	2,375.8
Amount due from a joint venture	**128.1**	69.5
	3,967.2	3,539.9

The loans to a joint venture are unsecured, interest-free and repayable on demand except for (i) an amount of HK$662.6 million (2018 - HK$662.6 million) which is interest bearing at 4% per annum and (ii) an amount of HK$1,561.6 million (2018 - HK$1,201.1 million) which is interest bearing at 5% - 5.125% per annum. In the opinion of the Directors, these loans are considered as part of the Group's net investments in the joint ventures. There was no recent history of default and past due amounts for loans to a joint venture and an amount due from a joint venture. As at 31st December, 2019 and 2018, the loss allowance was assessed to be minimal.

Particulars of the Group's joint ventures are as follows:

Name	Place of incorporation and business	Particulars of issued shares held	Percentage of equity interest attributable to the Group 2019	2018	Principal activities
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	50	Investment holding

The above investments are indirectly held by the Company.

* 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 of P&R Holdings.

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

During the year, the Group received dividend distribution from P&R Holdings amounted to HK$262.5 million settled through certain equity shares of a listed company (the "Listed Shares"). The Group designated the Listed Shares as financial asset at fair value through other comprehensive income. In the same year, the Group transferred the Listed Shares to P&R Holdings at market value with a corresponding increase in loans to a joint venture. The market value of the Listed Shares at the time of transfer amounted to HK$33.6 million and accordingly, the Group recognised a fair value loss on an equity investment at fair value through other comprehensive income of HK$228.9 million.

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:

	2019 HK$'million	2018 HK$'million
Faith Crown		
Non-current assets	**45.5**	45.5
Current liabilities	**(40.6)**	(40.6)
Net assets	**4.9**	4.9
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 and carrying amount of the investment	**2.4**	2.4

	2019 HK$'million	2018 HK$'million
P&R Holdings and its subsidiaries		
Non-current assets	**6,290.3**	6,302.9
Cash and cash equivalents	**813.6**	633.2
Other current assets	**9,778.8**	8,310.5
Current assets	**10,592.4**	8,943.7
Financial liabilities, excluding trade and other payables	**(969.5)**	(3,161.2)
Other current liabilities	**(1,928.5)**	(1,154.1)
Current liabilities	**(2,898.0)**	(4,315.3)
Non-current financial liabilities, excluding trade and other payables	**(10,595.7)**	(7,622.7)
Other non-current liabilities	**(614.3)**	(492.5)
Non-current liabilities	**(11,210.0)**	(8,115.2)
Net assets	**2,774.7**	2,816.1
Net assets attributable to equity holders of the parent	**2,535.3**	2,533.4
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	**1,267.7**	1,266.7
Unrealised interest income eliminated	**(157.4)**	(167.9)
Unrealised fair value loss/(gain) eliminated	**0.8**	(6.6)
Loans to the joint venture	**2,725.6**	2,375.8
Amount due from the joint venture	**128.1**	69.5
Carrying amount of the investment	**3,964.8**	3,537.5
Revenue	**668.3**	3,278.7
Interest income	**74.1**	33.1
Depreciation	**(31.8)**	(9.3)
Interest expenses	**(413.4)**	(212.3)
Income tax	**(39.7)**	(117.0)
Profit for the year	**61.9**	374.5
Other comprehensive loss for the year	**(38.4)**	(116.2)
Total comprehensive income for the year	**23.5**	258.3

At 31st December, 2019, the Group's share of maximum capital commitment as agreed for P&R Holdings in respect of its property development projects amounted to HK$3,700.0 million (2018 - HK$3,700.0 million) (the "P&R Capital Commitment"). At 31st December, 2019, shareholder's loans in an aggregate amount of HK$513.0 million (2018 - HK$501.4 million) have been contributed, of which HK$11.6 million (2018 - Nil) has been provided under the P&R Capital Commitment and bear interest at 5% per annum. In addition, a total amount of HK$2,530.6 million (2018 - HK$2,537.8 million) has been provided as guarantees, on a several basis, for banking facilities granted to certain subsidiaries and an associate of P&R Holdings, of which HK$2,352.0 million (2018 - HK$2,537.8 million) and HK$178.6 million (2018 - Nil), respectively, has been provided under the P&R Capital Commitment.

In addition, three (2018 - three) loan facilities totalling HK$2,212.6 million (2018 - HK$2,212.6 million) have been granted to P&R Holdings, of which HK$2,212.6 million (2018 - HK$1,874.4 million) has been utilised, which bear interest at fixed rates of 4% to 5.125% per annum (2018 - 4% to 5.125% 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:

	2019 HK$'million	2018 HK$'million
Contracted, but not provided for	**454.6**	416.7

18. INVESTMENTS IN ASSOCIATES

	2019 HK$'million	2018 HK$'million
Share of net liabilities	**(30.3)**	(66.7)
Amounts due from associates	**83.2**	83.2
	52.9	16.5

The amounts due from associates are unsecured, interest-free and repayable on demand. In the opinion of the Directors, these amounts are considered as part of the Group's net investments in the associates. There was no recent history of default and past due amounts for amounts due from associates. As at 31st December, 2019 and 2018, the loss allowance was assessed to be minimal.

Particulars of the Group's 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
			2019	2018	
8D International (BVI) Limited	British Virgin Islands	HK$1,000	30.0	30.0	Investment holding
8D Matrix Limited ("8D Matrix")	British Virgin Islands	HK$2,000,000	36.0(1)	36.0(1)	Investment holding
8D International Limited#	Hong Kong	HK$500,000	36.0(1)	36.0(1)	Advertising and promotion
Century Innovative Technology Limited#	Hong Kong	HK$1	36.0(1)	36.0(1)	Development and distribution of edutainment products
深圳市世紀創意科技有限公司#*	PRC/ Mainland China	RMB63,000,000	36.0(1)	36.0(1)	Development and distribution of edutainment products
Yieldtop Holdings Limited ("Yieldtop")	British Virgin Islands	US$100	50.0	50.0	Investment holding
Hang Fok Properties Limited^	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.

^ This is a wholly owned subsidiary of Yieldtop.

(1) The percentage of equity interest includes a 6% attributable interest held through 8D International (BVI) Limited, a 30% owned associate of the Group.

The above associates are indirectly held by the Company.

8D Matrix is considered a material associate of the Group and is 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 is also considered a material associate for the year ended 31st December, 2019. Yieldtop and its subsidiaries are mainly engaged in investment holding activities.

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

	2019 HK$'million	2018 HK$'million
8D Matrix and its subsidiaries		
Non-current assets	**0.3**	0.7
Current assets	**17.1**	19.8
Current liabilities	**(2.1)**	(7.2)
Non-current liabilities	**(229.5)**	(229.5)
	(214.2)	(216.2)
Non-controlling interests	**(0.2)**	(0.2)
Net liabilities attributable to equity holders of the parent	**(214.4)**	(216.4)
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	**(64.3)**	(64.9)
Amount due from the associate	**68.8**	68.8
Carrying amount of the investment	**4.5**	3.9
Revenue	**20.2**	22.8
Profit for the year	**2.1**	0.3
Other comprehensive loss for the year	**(0.2)**	(0.3)
Total comprehensive income for the year	**1.9**	–

	2019 HK$'million
Yieldtop and its subsidiaries	
Non-current assets	**108.5**
Current assets	**0.1**
Current liabilities	**(16.4)**
Net assets	**92.2**
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	**50%**
Carrying amount of the investment	**46.1**
Profit and total comprehensive income for the year	**71.3**

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

	2019 HK$'million	2018 HK$'million
Share of the associates' profits and total comprehensive income for the year	**0.2**	0.3
Aggregate carrying amount of the Group's investments in the associates	**2.3**	12.6

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'million	2018 HK$'million
Non-current assets:		
Unlisted equity investments, at fair value	**173.0**	107.6
Unlisted fund investments, at fair value	**582.8**	442.5
	755.8	550.1
Current assets:		
Listed equity investments, at fair value	**1,280.4**	1,162.5
Listed debt investments, at fair value	**1,175.3**	1,557.4
Structured deposit, at fair value	**–**	1.9
	2,455.7	2,721.8
	3,211.5	3,271.9

The unlisted equity and fund investments and structured deposit were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The listed equity investments and listed debt investments included under current assets were classified as held for trading.

At 31st December, 2019, certain of the Group's financial assets at fair value through profit or loss with a carrying value of HK$1,078.4 million (2018 - HK$1,426.2 million) were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

The fair value of the Group's listed equity investments at the date of approval of these financial statements was approximately HK$779.2 million.

20. OTHER LOANS

The other loans are analysed as follows:

	Notes	2019 HK$'million	2018 HK$'million
Loan to Cosmopolitan group	(a)	**1,363.5**	1,329.3
Other short term loan	(b)	**89.3**	–
		1,452.8	1,329.3
Portion included in current assets		**(390.8)**	(267.3)
Non-current portion		**1,062.0**	1,062.0

(a) The loan to Cosmopolitan group comprises a term loan of HK$1,062.0 million (2018 - HK$1,062.0 million) and a revolving loan of HK$301.5 million (2018 - HK$267.3 million), which bear interest at 5% per annum. The loan facilities mature in 2021. They are secured by a pledge in over the equity interests of the holding companies of certain property development projects owned by the Cosmopolitan group in the PRC.

(b) The other short term loan represented a loan to a third party property developer in Canada which bore interest at 12% per annum for a term of 7 months, and was secured by a legal charge over the relevant property. Subsequent to the reporting date, the loan was fully repaid.

The balances above have no recent history of default and past due amounts. As at 31st December, 2019 and 2018, the loss allowance was assessed to be minimal.

21. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK$81.0 million (2018 - HK$140.6 million) representing the trade debtors of the Group.

	2019 HK$'million	2018 HK$'million
Trade debtors	**89.2**	145.3
Impairment	**(8.2)**	(4.7)
	81.0	140.6

The financial assets included in the balance, other than trade debtors, relate to receivables for which there was no recent history of default and past due amounts. As at 31st December, 2019 and 2018, the loss allowance was assessed to be minimal.

Credit terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amounts less impairment. Bad debts are written off as incurred.

Included in the Group's debtors, deposits and prepayments are amounts due from fellow subsidiaries of HK$23.6 million (2018 - HK$28.4 million).

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances.

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

	2019 HK$'million	2018 HK$'million
Outstanding balances with ages:		
Within 3 months	**62.5**	119.7
Between 4 to 6 months	**3.6**	3.3
Between 7 to 12 months	**7.0**	5.5
Over 1 year	**16.1**	16.8
	89.2	145.3
Impairment	**(8.2)**	(4.7)
	81.0	140.6

The movements in the loss allowance for impairment of trade debtors are as follows:

	2019 HK$'million	2018 HK$'million
At 1st January	**4.7**	1.8
Impairment loss recognised (note 6)	**3.5**	2.9
At 31st December	**8.2**	4.7

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product/service type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade debtors are written off if past due for more than one year and not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade debtors using a provision matrix:

As at 31st December, 2019

		Past due				
	Current	Within 3 months	4 to 6 months	7 to 12 months	Over 1 year	Total
Expected credit loss rate	**–**	**–**	**5.6%**	**2.9%**	**48.4%**	**9.2%**
Gross carrying amount (HK$'million)	**51.2**	**11.3**	**3.6**	**7.0**	**16.1**	**89.2**
Expected credit losses (HK$'million)	**–**	**–**	**0.2**	**0.2**	**7.8**	**8.2**

As at 31st December, 2018

		Past due				
	Current	Within 3 months	4 to 6 months	7 to 12 months	Over 1 year	Total
Expected credit loss rate	–	–	1.7%	3.5%	26.2%	3.2%
Gross carrying amount (HK$'million)	96.4	23.3	3.3	5.5	16.8	145.3
Expected credit losses (HK$'million)	–	–	0.1	0.2	4.4	4.7

22. PROPERTIES HELD FOR SALE

At 31st December, 2019, the Group's properties held for sale with a carrying value of HK$237.7 million (2018 - HK$223.1 million) were pledged to secure a banking facility granted to the Group.

23. INVENTORIES

	2019 HK$'million	2018 HK$'million
Hotel and other merchandise	**29.6**	27.8

24. AIRCRAFT HELD FOR SALE

At 31st December, 2019 and 2018, the Group's aircraft which met the criteria to be classified as held for sale is as follows:

	2019 HK$'million	2018 HK$'million
Balance at 1st January	**5.9**	18.4
Transfer from property, plant and equipment	**–**	58.3
Disposals	**(5.9)**	(70.9)
Exchange realignment	**–**	0.1
Balance at 31st December	**–**	5.9

25. FINANCIAL ASSETS AT AMORTISED COST

At 31st December, 2018, the amount represented unlisted certificates of deposit with fixed maturity dates. All unlisted certificates of deposit were denominated in Renminbi with fixed interest rates ranging from 3.5% to 4.05% per annum, except for an amount of HK$208.0 million which was denominated in Hong Kong dollars with fixed interest rate of 2.0% per annum.

At 31st December, 2018, the Group's financial assets at amortised cost with a carrying amount of HK$344.6 million were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

26. RESTRICTED CASH

At 31st December, 2019, the Group had approximately HK$76.0 million (2018 - HK$68.5 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.

27. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

Included in the balance is an amount of HK$52.9 million (2018 - HK$65.4 million) representing the trade creditors of the Group. The ageing analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	2019 HK$'million	2018 HK$'million
Outstanding balances with ages:		
Within 3 months	**52.6**	65.1
Between 4 to 6 months	**0.3**	0.2
Between 7 to 12 months	**–**	0.1
	52.9	65.4

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

Included in the creditors, deposits received and accruals are amounts due to associates, a joint venture and fellow subsidiaries of HK$55.0 million (2018 - HK$18.5 million), HK$22.7 million (2018 - HK$22.8 million) and HK$5.3 million (2018 - HK$8.6 million), respectively, which are unsecured, non-interest bearing and repayable on demand.

28. CONTRACT LIABILITIES

	2019 HK$'million	2018 HK$'million
Contract liabilities arising from:		
Hotel operations	**39.2**	36.5
Loyalty point programmes	**4.1**	6.1
	43.3	42.6

Contract liabilities include consideration received from customers in advance for hotel services and liabilities on the loyalty point programmes operated by the Group's hotels which allow customers to accumulate points when they patronise the Group's hotels and redeem the points for future spending in the hotels or other gifts.

29. INTEREST BEARING BANK BORROWINGS

	2019		2018	
	Maturity	**HK$'million**	**Maturity**	**HK$'million**
Current				
Bank loans – secured	**2020**	**1,747.0**	2019	1,174.8
Non-current				
Bank loans – secured	**2021 - 2024**	**11,309.5**	2020 - 2023	10,925.8
		13,056.5		12,100.6

	2019	2018
	HK$'million	**HK$'million**
Analysed into:		
Bank loans repayable:		
Within one year	**1,747.0**	1,174.8
In the second year	**6,304.3**	984.7
In the third to fifth years, inclusive	**5,005.2**	9,941.1
	13,056.5	12,100.6

On 12th September, 2016, Regal REIT group, through its wholly owned subsidiaries, Bauhinia Hotels Limited and Rich Day Investments Limited, entered into a facility agreement for a term loan facility of HK$4,500.0 million and a revolving loan facility of up to HK$1,000.0 million (the "2016 IH Facilities"), for a term of five years to September 2021. The 2016 IH Facilities are secured by four of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and Regal Riverside Hotel. As at 31st December, 2019, the 2016 IH Facilities had an outstanding term loan facility of HK$4,500.0 million and the full amount of the revolving loan facility had not been utilised.

On 8th March, 2018, Regal REIT group, through its wholly owned subsidiary, Ricobem Limited, arranged a bilateral term loan facility of HK$3,000.0 million (the "2018 RKH Facility"), secured by a mortgage over the Regal Kowloon Hotel. This facility has a term of five years to March 2023. As at 31st December, 2019, the outstanding amount of the 2018 RKH Facility was HK$3,000.0 million, representing the full amount of the term loan facility.

A term loan facility agreement for a principal amount of HK$440.0 million (the "2014 WC Facility"), with a term of five years to December 2019, was entered into by Sonnix Limited, a wholly owned subsidiary of Regal REIT group on 22nd December, 2014. On 19th July, 2019, a new term loan facility of HK$440.0 million (the "2019 WC Facility"), with a term of five years in July 2024, was granted by the same bank to early refinance the 2014 WC Facility. Most of the key terms remain unchanged while the new loan facility bears a lower interest margin. The 2019 WC Facility is secured by the iclub Wan Chai Hotel. As at 31st December, 2019, the outstanding amount on the 2019 WC Facility was HK$440.0 million, representing the full amount of the term loan facility.

On 19th October, 2018, Regal REIT group, through its wholly owned subsidiary, Tristan Limited, arranged a bilateral loan facility of up to HK$790.0 million, comprised of a term loan facility of HK$632.0 million and a revolving loan facility of up to HK$158.0 million (the "2018 SW Facilities"), secured by the iclub Sheung Wan Hotel. The 2018 SW Facilities have a term of five years to October 2023. As at 31st December, 2019, the utilised amount of the 2018 SW Facilities was HK$632.0 million, representing the full amount of the term loan facility.

On 29th November, 2018, Regal REIT group, through its wholly owned subsidiary, Wise Decade Investments Limited, arranged 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 loan facility of up to HK$165.0 million (the "2018 FH Facilities"), secured by the iclub Fortress Hill Hotel. The 2018 FH Facilities have a term of five years to November 2023. As at 31st December, 2019, the outstanding amount of the 2018 FH Facilities was HK$660.0 million, representing the full amount of the term loan facility.

On 4th September, 2017, Regal REIT group, through its wholly owned subsidiary, Land Crown International Limited, arranged a term loan facility of HK$748.0 million (the "2017 MTW Facility"), secured by the iclub Ma Tau Wai Hotel. The 2017 MTW Facility has a term of three years to September 2020. As at 31st December, 2019, the outstanding amount of the 2017 MTW Facility was HK$748.0 million, representing the full amount of the term loan facility.

As at 31st December, 2019, the outstanding loan facilities of Regal REIT group bore interest at the Hong Kong Interbank Offered Rate ("HIBOR") plus an interest margin ranging from 0.92% per annum to 1.15% per annum (2018 - ranging from 0.92% per annum to 1.45% per annum).

Bank borrowings under the 2016 IH Facilities, the 2018 RKH Facility, the 2014 WC Facility, the 2019 WC Facility, the 2018 SW Facilities, the 2018 FH Facilities and the 2017 MTW Facility are guaranteed by Regal REIT and/or 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.

As at 31st December, 2019, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.98% per annum to 1.25% per annum except for a bank loan of HK$2.2 million, which bore interest at London Interbank Offered Rates plus an interest margin of 1% per annum and bank loans of HK$574.5 million, which bore interest at the bank's cost of fund plus an interest margin ranging from 0.75% per annum to 0.8% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK$38.0 million which were denominated in United States dollars and bank loans of HK$43.5 million which were denominated in Euro.

As at 31st December, 2018, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.75% per annum to 1.25% per annum except for bank loans of HK$21.0 million, which bore interest at London Interbank Offered Rates plus an interest margin of 0.75% per annum and bank loans of HK$714.3 million which bore interest at the bank's cost of fund plus an interest margin ranging from 0.75% per annum to 0.8% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK$557.0 million which were denominated in United States dollars and a bank loan of HK$21.6 million which was denominated in Euro.

The Group's bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 39 to the financial statements.

30. OTHER BORROWING

	2019 HK$'million	2018 HK$'million
Non-current		
Other borrowing – unsecured	**2,716.7**	2,725.9

	2019 HK$'million	2018 HK$'million
Analysed into:		
Other borrowing repayable:		
In the second year	**2,716.7**	–
In the third to fifth years, inclusive	**–**	2,725.9
	2,716.7	2,725.9

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 20th July, 2016, 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$350.0 million at a coupon interest rate of 3.875% per annum. The notes were issued at a discount at 99.663% of the principal amount.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	ASSETS	
	2019 **HK$'million**	**2018** **HK$'million**
Put options	**2.0**	28.4
Foreign currency forward contracts	**1.1**	–
	3.1	28.4

	LIABILITIES	
	2019 **HK$'million**	**2018** **HK$'million**
Foreign currency forward contracts	**–**	1.0

At the end of the reporting period, the Group had outstanding foreign currency forward contracts and put options in relation to certain financial assets acquired by the Group, which were not designated for hedge purposes and were measured at fair value through profit or loss. A net fair value loss of HK$24.3 million (2018 – net fair value gain of HK$27.4 million) was charged (2018 – credited) to the statement of profit or loss during the year.

32. DEFERRED TAX

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

	Fair value adjustments arising from revaluation of property, plant and equipment HK$'million	Depreciation allowances in excess of related depreciation HK$'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
Gross deferred tax assets/(liabilities) at 1st January, 2018	(2.7)	(919.3)	1.8	64.7	(14.2)	(869.7)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	–	40.9	(0.2)	(12.0)	(0.6)	28.1
Exchange differences	0.1	–	–	–	0.6	0.7
Gross deferred tax assets/(liabilities) at 31st December, 2018 and 1st January, 2019	(2.6)	(878.4)	1.6	52.7	(14.2)	(840.9)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	–	45.1	0.2	3.6	(0.7)	48.2
Exchange differences	0.1	–	–	–	0.4	0.5
Gross deferred tax assets/(liabilities) at 31st December, 2019	(2.5)	(833.3)	1.8	56.3	(14.5)	(792.2)

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

	2019 HK$'million	2018 HK$'million
Net deferred tax assets recognised in the consolidated statement of financial position	**47.5**	42.9
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(839.7)**	(883.8)
	(792.2)	(840.9)

The Group has unrecognised tax losses arising in Hong Kong amounting to HK$3,109.5 million (2018 - HK$3,063.7 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$513.1 million (2018 - HK$505.5 million) have not been recognised on account of the unpredictability of future profit streams.

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, 2019, 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$323.7 million at 31st December, 2019 (2018 - HK$337.1 million).

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

33. SHARE CAPITAL AND SHARE PREMIUM

	2019 HK$'million	2018 HK$'million
Shares		
Authorised:		
2,000.0 million ordinary shares of HK$0.10 each	**200.0**	200.0
0.1 million 5¼% convertible cumulative redeemable preference shares of US$10 each	**1.3**	1.3
	201.3	201.3
Issued and fully paid:		
898.8 million ordinary shares of HK$0.10 each	**89.9**	89.9
Share premium		
Ordinary shares	**404.7**	404.7

There is no movement in the Company's share capital and share premium account during the years ended 31st December, 2019 and 2018.

34. RESERVES

The amounts of the Group's reserves and the movement therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 83 and 84.

35. PERPETUAL SECURITIES

On 13th April, 2017, RH International Finance Limited, a wholly owned subsidiary of the Company, issued a series of United States dollar denominated guaranteed senior perpetual securities in an aggregate nominal principal amount of US$225.0 million (equivalent to HK$1,750.0 million) at a coupon interest rate of 6.5% per annum.

There was no movement in the number of perpetual securities during the years ended 31st December, 2019 and 2018.

The perpetual securities are guaranteed by the Company. There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the issuers of the perpetual securities.

36. PARTLY OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2019	2018
Percentage of equity interest held by non-controlling interests of Regal REIT	**25.42%**	25.42%

	2019 HK$'million	2018 HK$'million
Profit for the year allocated to non-controlling interests of the Regal REIT group	**5.1**	18.2
Dividends paid to non-controlling interests of the Regal REIT group	**119.2**	120.0
Accumulated balances of non-controlling interests of the Regal REIT group at the reporting date	**717.0**	831.1

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

	2019 HK$'million	2018 HK$'million
Revenue	**975.6**	1,021.9
Profit for the year, before distributions to unitholders	**20.1**	71.5
Total comprehensive income for the year, before distributions to unitholders	**20.1**	71.5
Non-current assets	**15,179.6**	15,598.5
Current assets	**217.5**	278.8
Current liabilities	**(883.9)**	(590.5)
Non-current liabilities	**(10,018.8)**	(10,343.5)
Net cash flows from operating activities	**524.8**	503.7
Net cash flows used in investing activities	**(35.3)**	(81.4)
Net cash flows used in financing activities	**(489.7)**	(336.7)
Net increase/(decrease) in cash and cash equivalents	**(0.2)**	85.6

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalent balances

	2019 HK$'million	2018 HK$'million
Cash and bank balances	**801.6**	888.8
Non-pledged time deposits with an original maturity of less than three months when acquired	**631.5**	883.5
Non-pledged time deposit with an original maturity of more than three months when acquired	**–**	10.0
Cash and cash equivalents	**1,433.1**	1,782.3

In addition, at the end of the reporting period, the cash and bank balances of the Group amounting to HK$436.4 million (2018 - HK$42.0 million) were held by certain subsidiaries operating in Mainland China where exchange controls apply.

(b) Major non-cash transactions

During the year ended 31st December, 2019, the Group had the following major non-cash transactions:

(i) the Group had non-cash additions/modification to right-of-use assets (included those in investment properties) and lease liabilities of HK$28.7 million and HK$28.7 million, respectively, in respect of lease arrangements for leased properties (2018 - Nil);

(ii) the Group received dividend income from a joint venture through settlement of an equity investment at fair value through other comprehensive income amounted to HK$262.5 million, details of which are disclosed in note 17 to the financial statements; and

(iii) the Group transferred an equity investment at fair value through other comprehensive income amounted to HK$33.6 million settled through loans to a joint venture, details of which are disclosed in note 17 to the financial statements.

(c) Changes in liabilities arising from financing activities

2019

	Interest bearing bank borrowings HK$'million	Other borrowing HK$'million	Lease liabilities HK$'million	Interest payable on interest bearing bank borrowings and other borrowing HK$'million
At 31st December, 2018	**12,100.6**	**2,725.9**	**–**	**70.1**
Effect of adoption of HKFRS 16	**–**	**–**	**42.4**	**–**
At 1st January, 2019 (restated)	**12,100.6**	**2,725.9**	**42.4**	**70.1**
Changes from financing cash flows	**928.1**	**–**	**(19.2)**	**(485.8)**
New lease/lease modification	**–**	**–**	**28.7**	**–**
Foreign exchange movement	**0.4**	**(15.0)**	**(0.2)**	**(0.2)**
Finance costs	**27.4**	**5.8**	**1.4**	**482.0**
At 31st December, 2019	**13,056.5**	**2,716.7**	**53.1**	**66.1**

2018

	Interest bearing bank borrowings HK$'million	Other borrowings HK$'million	Interest payable on interest bearing bank borrowings and other borrowings HK$'million
At 1st January, 2018	9,723.6	4,659.5	56.4
Changes from financing cash flows	2,349.5	(1,952.3)	(413.5)
Foreign exchange movement	(0.8)	11.9	(5.2)
Finance costs	28.3	6.8	432.4
At 31st December, 2018	12,100.6	2,725.9	70.1

(d) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 HK$'million
Within operating activities	**0.2**
Within financing activities	**19.2**
	19.4

38. 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	2019 HK$'million	2018 HK$'million
Fellow subsidiaries:			
Management fees	(i)	**45.9**	46.5
Development consultancy fees	(ii)	**12.8**	14.4
Service fees in respect of security systems and products and other software	(iii)	**0.6**	1.2
Repairs and maintenance fees and construction fees	(iv)	**7.6**	1.4
An associate:			
Advertising and promotion fees (including cost reimbursements)	(v)	**5.0**	4.4
A joint venture:			
Gross interest income	(vi)	**160.2**	134.4
Estate management fee income	(vii)	**2.5**	2.6

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.

(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 property development projects 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 fee 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 interest income earned by the Group with respect to interest bearing loans to P&R Holdings at fixed rates of 4% to 5.125% per annum (2018 - 4% to 5.125% per annum) and interest income earned by the Group on the loan facilities granted to the Cosmopolitan group at 5% per annum as detailed in note 20 to the financial statements.

(vii) The estate management fee income earned by the Group was charged at an agreed percentage of total operating expenses of the shopping mall owned by P&R Holdings for estate management services rendered.

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	2019 HK$'million	2018 HK$'million
Due from fellow subsidiaries	(i)	**23.6**	28.4
Due to a joint venture	(ii)	**(22.7)**	(22.8)
Due to associates	(ii)	**(55.0)**	(18.5)
Due to fellow subsidiaries	(ii)	**(5.3)**	(8.6)
Loans to a joint venture	(iii)	**2,725.6**	2,375.8
Due from a joint venture	(iii)	**128.1**	69.5
Due from associates	(iv)	**83.2**	83.2
Other loan	(v)	**1,363.5**	1,329.3

Notes:

(i) Details of the amounts due from fellow subsidiaries are included in "Debtors, deposits and prepayments" in note 21 to the financial statements.

(ii) Details of the amounts due to a joint venture, associates and fellow subsidiaries are included in "Creditors, deposits received and accruals" in note 27 to the financial statements.

(iii) Details of the loans to a joint venture and the amount due from a joint venture are included in "Investments in joint ventures" in note 17 to the financial statements.

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

(v) Details of the other loan are included in note 20 to the financial statements.

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

	2019 HK$'million	2018 HK$'million
Short term employee benefits	**31.2**	31.6
Staff retirement scheme contributions	**1.9**	1.8
Total compensation paid to key management personnel	**33.1**	33.4

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

The related party transaction set out in note 38(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.98 of the Listing Rules.

A related party transaction set out in note 38(a)(ii) above also constituted a connected transaction as defined in Chapter 14A of the Listing Rules to the Company and is subject to relevant disclosure requirement under the Relevant Requirements, but is exempted from the other Relevant Requirements pursuant to rule 14A.76(2)(a) of the Listing Rules. The disclosure requirement with respect to such transaction has been complied with. The other related party transactions set out in note 38(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.76(1)(a) of the Listing Rules.

Certain of the related party transactions set out in note 38(a)(iii) above also constituted connected transactions to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.76(1)(a). The other related party transactions set out in note 38(a)(iii) above also constituted continuing connected transactions to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.76(1)(a) of the Listing Rules.

Certain of the related party transactions set out in note 38(a)(iv) above also constituted connected transactions to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.76(1)(a). The remaining related party transactions set out in note 38(a)(iv) above also constituted continuing connected transactions to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.76(1)(a).

The related party transactions set out in notes 38(a)(v) and (vii) above also constituted continuing connected transactions to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.76(1)(a).

The related party transactions set out in note 38(a)(vi) 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 or continuing connected transactions during the prior year set out in note 38(a) had been made or met or otherwise exempted.

39. PLEDGE OF ASSETS

As at 31st December, 2019, the Group's properties held for sale and certain of the Group's property, plant and equipment, investment properties, right-of-use assets, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK$21,849.7 million were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

As at 31st December, 2018, the Group's properties held for sale and certain of the Group's property, plant and equipment, investment properties, financial assets at fair value through profit or loss, financial assets at amortised cost, time deposits and bank balances in the total amount of HK$21,134.5 million were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

40. CONTINGENT LIABILITIES

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

	2019 **HK$'million**	**2018** **HK$'million**
Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture	**2,352.0**	2,537.8
Corporate guarantee provided in respect of a banking facility granted to an associate of a joint venture	**178.6**	–

At 31st December, 2019, the banking facilities granted to certain subsidiaries and an associate of a joint venture subject to corporate guarantees given on a several basis to banks by the Group were utilised to the extent of HK$2,352.0 million (2018 - HK$2,334.1 million) and HK$178.6 million (2018 – Nil), respectively.

At 31st December, 2019, a corporate guarantee in respect of attributable share of a demand bond issued by a bank to Urban Renewal Authority amounting to HK$4.0 million in relation to a hotel project of a joint venture has been provided by the Group.

In addition, corporate guarantee has been given to a bank by the Group for a performance bond issued by the bank in relation to a property development contract undertaken by the Group amounting to HK$15.0 million (2018 – HK$15.0 million).

41. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 HK$'million	2018 HK$'million
Contracted, but not provided for:		
Property development projects	**897.8**	1,142.9

(b) Operating lease commitments as at 31st December, 2018

The Group leased certain office and shop units and office equipment under operating lease arrangements. Leases for properties were negotiated for terms ranging from 1 to 12 years. Leases for office equipment were negotiated for terms ranging from 1 to 5 years.

At 31st December, 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'million
Land and buildings:	
Within one year	14.3
In the second to fifth years, inclusive	13.1
	27.4
Other equipment:	
Within one year	0.5
In the second to fifth years, inclusive	0.4
	0.9
	28.3

42. 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:

2019

Financial assets

	Financial assets at fair value through profit or loss - mandatorily designated as such HK$'million	Financial assets at amortised cost HK$'million	Total HK$'million
Other loans	–	1,452.8	1,452.8
Trade debtors (note 21)	–	81.0	81.0
Other financial assets included in debtors, deposits and prepayments	–	206.9	206.9
Financial assets at fair value through profit or loss	3,211.5	–	3,211.5
Derivative financial instruments	3.1	–	3.1
Loans to a joint venture	–	2,725.6	2,725.6
Amount due from a joint venture (note 17)	–	128.1	128.1
Amounts due from associates	–	83.2	83.2
Restricted cash	–	76.0	76.0
Pledged time deposits and bank balances	–	357.0	357.0
Time deposits	–	631.5	631.5
Cash and bank balances	–	801.6	801.6
	3,214.6	6,543.7	9,758.3

Financial liabilities

	Financial liabilities at amortised cost HK$'million
Trade creditors (note 27)	52.9
Other financial liabilities included in creditors, deposits received and accruals	291.8
Amount due to a joint venture	22.7
Amount due to associates	55.0
Interest bearing bank borrowings	13,056.5
Other borrowing	2,716.7
Lease liabilities	53.1
	16,248.7

2018

Financial assets

	Financial assets at fair value through profit or loss - mandatorily designated as such HK$'million	Financial assets at amortised cost HK$'million	Total HK$'million
Other loan	–	1,329.3	1,329.3
Trade debtors (note 21)	–	140.6	140.6
Other financial assets included in debtors, deposits and prepayments	–	159.5	159.5
Financial assets at fair value through profit or loss	3,271.9	–	3,271.9
Derivative financial instruments	28.4	–	28.4
Financial assets at amortised cost	–	481.3	481.3
Loans to a joint venture	–	2,375.8	2,375.8
Amount due from a joint venture (note 17)	–	69.5	69.5
Amounts due from associates	–	83.2	83.2
Restricted cash	–	68.5	68.5
Pledged time deposits and bank balances	–	24.0	24.0
Time deposits	–	893.5	893.5
Cash and bank balances	–	888.8	888.8
	3,300.3	6,514.0	9,814.3

Financial liabilities

	Financial liabilities at fair value through profit or loss - held for trading HK$'million	Financial liabilities at amortised cost HK$'million	Total HK$'million
Trade creditors (note 27)	–	65.4	65.4
Other financial liabilities included in creditors, deposits received and accruals	–	334.5	334.5
Amount due to a joint venture	–	22.8	22.8
Amount due to associates	–	18.5	18.5
Derivative financial instruments	1.0	–	1.0
Interest bearing bank borrowings	–	12,100.6	12,100.6
Other borrowing	–	2,725.9	2,725.9
	1.0	15,267.7	15,268.7

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, 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, 2019

	Fair value measurement 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**
Financial assets at fair value through profit or loss:				
Listed equity investments	**1,280.4**	**–**	**–**	**1,280.4**
Listed debt investments	**–**	**1,175.3**	**–**	**1,175.3**
Unlisted equity investments	**–**	**–**	**173.0**	**173.0**
Unlisted fund investments	**–**	**–**	**582.8**	**582.8**
Derivative financial instruments	**–**	**3.1**	**–**	**3.1**
	1,280.4	**1,178.4**	**755.8**	**3,214.6**

Assets measured at fair value as at 31st December, 2018

	Fair value measurement 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**
Financial assets at fair value through profit or loss:				
Listed equity investments	1,147.4	15.1	–	1,162.5
Listed debt investments	–	1,557.4	–	1,557.4
Unlisted equity investments	–	–	107.6	107.6
Unlisted fund investments	–	–	442.5	442.5
Structured deposit	–	1.9	–	1.9
Derivative financial instruments	–	28.4	–	28.4
	1,147.4	1,602.8	550.1	3,300.3

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

	2019 HK$'million	2018 HK$'million
Financial assets at fair value through profit or loss – unlisted investments:		
At 1st January	**550.1**	294.1
Purchases	**144.6**	282.7
Distributions	**(18.5)**	(26.8)
Total gains recognised in profit or loss	**84.1**	0.1
Disposal	**(4.5)**	–
At 31st December	**755.8**	550.1

Liabilities measured at fair value as at 31st December, 2019

The Group did not have any financial liabilities measured at fair value as at 31st December, 2019.

Liabilities measured at fair value as at 31st December, 2018

	Fair value measurement 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
Derivative financial instruments	–	1.0	–	1.0

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 for both financial assets and financial liabilities (2018 - Nil).

Valuation techniques

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

The fair values of certain listed equity investments, listed debt investments and a structured deposit are determined based on the market values provided by financial institutions.

The fair value of unlisted equity investments and certain unlisted fund investments are determined by reference to recent transaction price of the investment or carried at valuations provided by financial institutions or related administrators.

The fair values of certain unlisted fund investments are assessed to approximate the net asset values indicated on the net asset value statements issued by the investment fund managers, which take into consideration the fair values of the underlying assets held under the investments. For unlisted investment funds classified under Level 3 of the fair value measurement hierarchy, when the net asset value increases/decreases, the fair value will increase/decrease accordingly.

The fair values of the derivative financial instruments, including foreign currency forward contracts and put options, are determined based on market values provided by financial institutions.

44. 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 financial assets at fair value through profit or loss, financial assets at amortised cost, other loans, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The Directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group adopts prudent strategies on its risk management. The Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with floating interest rates. The interest rates and terms of repayment of the Group's interest bearing bank borrowings are disclosed in note 29 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.

For Hong Kong dollar borrowings, assuming the amount of bank borrowings 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$106.4 million (2018 - HK$105.7 million) and increased the finance cost capitalised by HK$18.6 million (2018 - HK$8.8 million). A 10 basis point decrease in interest rates would have increased the Group's profit before tax for the current year by HK$10.6 million (2018 - HK$10.6 million) and decreased the finance cost capitalised by HK$1.9 million (2018 - HK$0.9 million).

The sensitivity to the interest rates used above is considered reasonable with the other variables held constant.

Credit risk

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.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31st December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31st December, 2019	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'million	Stage 2 HK$'million	Stage 3 HK$'million	Simplified approach HK$'million	Total HK$'million
Other loans	1,452.8	–	–	–	1,452.8
Trade debtors*	–	–	–	89.2	89.2
Other financial assets included in debtors, deposits and prepayments					
- Normal#	206.9	–	–	–	206.9
Restricted cash					
- Not yet past due	76.0	–	–	–	76.0
Pledged time deposits and bank balances					
- Not yet past due	357.0	–	–	–	357.0
Time deposits					
- Not yet past due	631.5	–	–	–	631.5
Cash and bank balances					
- Not yet past due	801.6	–	–	–	801.6
Loans to a joint venture	2,752.6	–	–	–	2,752.6
Amount due from a joint venture					
- Not yet past due	128.1	–	–	–	128.1
Amounts due from associates					
- Not yet past due	83.2	-	-	-	83.2
Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture					
- Facilities drawn					
- Not yet past due	2,352.0	-	-	-	2,352.0
Corporate guarantee provided in respect of a banking facility granted to an associate of a joint venture					
- Facility drawn					
- Not past due	178.6	-	-	-	178.6
	9,020.3	–	–	89.2	9,109.5

As at 31st December, 2018	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'million	Stage 2 HK$'million	Stage 3 HK$'million	Simplified approach HK$'million	Total HK$'million
Other loan	1,329.3	–	–	–	1,329.3
Trade debtors*	–	–	–	145.3	145.3
Other financial assets included in debtors, deposits and prepayments					
- Normal#	159.5	–	–	–	159.5
Financial assets at amortised cost					
- Normal#	481.3	–	–	–	481.3
Restricted cash					
- Not yet past due	68.5	–	–	–	68.5
Pledged time deposits and bank balances					
- Not yet past due	24.0	–	–	–	24.0
Time deposits					
- Not yet past due	893.5	–	–	–	893.5
Cash and bank balances					
- Not yet past due	888.8	–	–	–	888.8
Loans to a joint venture	2,375.8	–	–	–	2,375.8
Amount due from a joint venture					
- Not yet past due	69.5	–	–	–	69.5
Amounts due from associates					
- Not yet past due	83.2	–	–	–	83.2
Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture					
- Facilities not yet drawn	203.7	–	–	–	203.7
- Facilities drawn					
- Not yet past due	2,334.1	–	–	–	2,334.1
	8,911.2	–	–	145.3	9,056.5

* For trade debtors to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements.

\# The credit quality of the financial assets included in debtors, deposits and prepayments and financial assets at amortised cost is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Furth quantitative data in respect of the Group's exposure to credit risk arising from trade debtors are disclosed in note 21 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 and other borrowings. 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, is as follows:

	2019			
	Within 1 year or on demand HK$'million	1 to 5 years HK$'million	Over 5 years HK$'million	Total HK$'million
Interest bearing bank borrowings	2,186.4	11,982.0	–	14,168.4
Other borrowing	58.1	2,831.9	–	2,890.0
Trade creditors	52.9	–	–	52.9
Other financial liabilities included in creditors, deposits received and accruals	224.6	144.9	–	369.5
Lease Liabilities	17.5	24.5	13.9	55.9
Corporate guarantees provided in respect of attributable share of banking facilities drawdown by certain subsidiaries of a joint venture	2,352.0	–	–	2,352.0
Corporate guarantee provided in respect of a banking facility drawdown by an associate of an joint venture	178.6	–	–	178.6
	5,070.1	14,983.3	13.9	20,067.3

	2018		
	Within 1 year or on demand HK$'million	1 to 5 years HK$'million	Total HK$'million
Interest bearing bank borrowings	1,541.7	11,786.9	13,328.6
Other borrowing	58.4	2,953.7	3,012.1
Trade creditors	65.4	–	65.4
Other financial liabilities included in creditors, deposits received and accruals	278.8	97.0	375.8
Derivative financial instruments	1.0	–	1.0
Corporate guarantees provided in respect of attributable share of banking facilities drawdown by certain subsidiaries of a joint venture	2,334.1	–	2,334.1
	4,279.4	14,837.6	19,117.0

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 and unlisted equity investments classified as financial assets at fair value through profit or loss (note 19) at the end of the reporting period.

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments that are carried at fair value, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments HK$'million	Change in profit before tax HK$'million
2019		
Listed investments:		
– Financial assets at fair value through profit or loss	**1,280.4**	**64.0**
Unlisted investments at fair value:		
– Financial assets at fair value through profit or loss	**173.0**	**8.7**
2018		
Listed investments:		
– Financial assets at fair value through profit or loss	1,162.5	58.1
Unlisted investments at fair value:		
– Financial assets at fair value through profit or loss	107.6	5.4

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 given by the Company in connection with the leasing of certain hotel properties from Regal REIT and the undertakings under corporate guarantees given by the Company for banking facilities granted to certain subsidiaries and certain subsidiaries and an associate 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, 2019 and 31st December, 2018.

The Group monitors capital using a net 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 net debt to total assets ratios as at the end of the reporting periods were as follows:

	31st December, 2019 HK$'million	**31st December, 2018 HK$'million**
Interest bearing bank borrowings and other borrowing	**15,773.2**	14,826.5
Less: Cash, bank balances and deposits	**(1,866.1)**	(1,874.8)
Net debt	**13,907.1**	12,951.7
Total assets	**32,702.0**	31,737.9
Net debt to total assets ratio	**42.5%**	40.8%

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 HK$'million	2018 HK$'million
NON-CURRENT ASSETS		
Investments in subsidiaries	**5,511.3**	5,683.0
CURRENT ASSETS		
Prepayments	**0.3**	0.3
Cash and bank balances	**1.9**	1.7
Total current assets	**2.2**	2.0
CURRENT LIABILITIES		
Creditors and accruals	**(5.3)**	(4.8)
NET CURRENT LIABILITIES	**(3.1)**	(2.8)
Net assets	**5,508.2**	5,680.2
EQUITY		
Issued capital	**89.9**	89.9
Reserves (note)	**5,418.3**	5,590.3
Total equity	**5,508.2**	5,680.2

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'million	Capital redemption reserve HK$'million	Retained profits HK$'million	Total HK$'million
At 1st January, 2018	404.7	17.7	5,323.1	5,745.5
Loss for the year	–	–	(6.9)	(6.9)
Final 2017 dividend declared	–	–	(103.4)	(103.4)
Interim 2018 dividend	–	–	(44.9)	(44.9)
At 31st December, 2018 and at 1st January, 2019	404.7	17.7	5,167.9	5,590.3
Loss for the year	–	–	(5.8)	(5.8)
Final 2018 dividend declared	–	–	(125.8)	(125.8)
Interim 2019 dividend	–	–	(40.4)	(40.4)
At 31st December, 2019	404.7	17.7	4,995.9	5,418.3

46. EVENT AFTER THE REPORTING PERIOD

The global outbreak of the novel coronavirus in recent months has had a significant impact on the tourism and hospitality sectors, which had also adversely impacted the Group's hotel operating performance. The Group has taken prompt measures to streamline its operating structure and to contain operating costs. Unless the further spread of the coronavirus can be promptly contained, business outlook for the year of 2020 would not be optimistic. Given the dynamic nature of these circumstances, the related impact to the Group's performance could not be reasonably estimated at this stage and will be reflected in the Group's results in 2020.

47. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, the Group adopted HKFRS 16 on 1st January, 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26th March, 2020.

EY安永

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

Opinion

We have audited the consolidated financial statements of Regal Hotels International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 189, which comprise the consolidated statement of financial position as at 31st December, 2019, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Impairment assessment of investments in joint ventures	
As at 31st December, 2019, the carrying amount of the investments in joint ventures of HK$3,967.2 million represented approximately 26% of the Group's net assets. The joint ventures were stated at the Group's share of net assets under the equity method of accounting, less any impairment losses, at each of the reporting dates. The impairment assessment of investments in joint ventures is significant to our audit due to (i) the significance of the carrying amount of the joint ventures as at 31st December, 2019; and (ii) the determination of the recoverable amounts of the joint ventures is dependent on a range of estimates of the recoverable amounts of their underlying property development projects, such as estimated market prices, estimated costs to completion, estimated rental values, estimated future cash flows, discount rates and capitalisation rates. Related disclosures are included in notes 2.4, 3 and 17 to the consolidated financial statements.	Our audit procedures included, among others, an evaluation of the management's impairment assessment of the joint ventures including the underlying property development projects, which were mainly based on discounted cash flow projections prepared by management of the joint ventures or valuations prepared by external valuers. We involved our internal valuation specialists to evaluate the assumptions, valuation methodologies and parameters adopted in the valuation of the property development projects, among others, estimated market prices, estimated rental values, estimated future cash flows, discount rates and capitalisation rates, taking into consideration the selling prices and rental value of comparable properties, market conditions and trends, reliability of previous projections and historical evidence supporting underlying assumptions. In addition, we assessed the independence, objectivity and competence of the external valuers.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of certain non-financial assets	
The Group holds several property development projects, hotel properties and aircraft in Hong Kong and overseas. As at 31st December, 2019, the carrying amount of properties under development/construction, hotel properties (included in property, plant and equipment and right-of-use assets) and aircraft amounted to HK$4,839.3 million, HK$15,004.2 million and HK$388.6 million, respectively. The impairment assessment of these non-financial assets is significant to our audit due to (i) the significance of the carrying amounts as at 31st December, 2019; and (ii) the determination of the recoverable amounts is dependent on a range of estimates, such as estimated selling prices and budgeted costs to complete property development projects, estimated room rates, estimated occupancy rates, estimated future cash flows, discount rates, capitalisation rates and estimated economic useful lives and residual values of aircraft. Related disclosures are included in notes 2.4, 3, 13, 15 and 16 to the consolidated financial statements.	We discussed the progress of property development projects and business plans for hotel properties and aircraft with management. With the assistance from our internal valuation specialists, we also assessed the assumptions and estimates adopted in the discounted cash flow projections prepared by management or valuations performed by external valuers, such as estimated selling prices and budgeted costs to complete the property development projects, estimated room rates, estimated occupancy rates, estimated future cash flows, discount rates, capitalisation rates and estimated economic useful lives and residual values of aircraft, taking into consideration the selling prices and rental value of comparable properties/aircraft, market conditions and trends, reliability of previous projections and historical evidence supporting underlying assumptions. In addition, we assessed the independence, objectivity and competence of the external valuers.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yen, Kai Shun, Catherine.

Ernst & Young
Certified Public Accountants

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

26th March, 2020

As at 31st December, 2019

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 3 remaining houses held - approx. 1,433 sq. m. (15,420 sq. ft.)	Completed in March 2004	100
(2)	Site A1a of SKYCITY (Chek Lap Kok Lot No.3) Hong Kong International Airport, Chek Lap Kok, New Territories, Hong Kong	Hotel	Site area - approx. 6,650 sq. m. (71,580 sq. ft.) Gross floor area - approx. 33,700 sq. m. (362,750 sq. ft.) (1,208 guestrooms and suites)	Superstructure works completed (anticipated to be opened for business in the first half of 2021)	100
(3)	Nos.150-162 Queen's Road West, Hong Kong	Commercial/ residential	Site area - approx. 682 sq. m. (7,342 sq. ft.) Gross floor area - approx. 5,842 sq. m. (62,883 sq. ft.)	General building plans approved; demolition works of the existing buildings completed; foundation works commenced in July 2019 (expected to be completed by 2022)	100
(4)	Domus and Casa Regalia Nos.65-89 Tan Kwai Tsuen Road, Yuen Long, New Territories, Hong Kong	Residential	Site area for the whole development at Nos.65-89 Tan Kwai Tsuen Road - approx. 11,192 sq. m. (120,470 sq. ft.) Gross floor area of remaining 1 residential unit and 12 houses held - approx. 2,918.541 sq. m. (31,415.175 sq. ft.)	Occupation permit issued in November 2015 Certificate of compliance obtained in April 2016	50

As at 31st December, 2019

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(5)	Mount Regalia 23 Lai Ping Road, Kau To, Sha Tin, New Territories, Hong Kong	Residential	Site area - approx. 17,476 sq. m. (188,100 sq. ft.) Gross floor area of remaining 134 units, 23 garden houses and 188 car parking spaces held - approx. 31,923.207 sq. m. (343,621.4 sq. ft.)	Occupation permit issued in September 2018 Certificate of compliance obtained in February 2019	50
(6)	The Ascent No.83 Shun Ning Road, Sham Shui Po, Kowloon, Hong Kong	Commercial/ residential	Site area - approx. 824.9 sq. m. (8,879 sq. ft.) 4 commercial units (gross floor area - approx. 998 sq. m. (10,738 sq. ft.)) and 13 car parking spaces and motorcycle parking spaces held	Occupation permit issued in March 2018 Certificate of compliance obtained in July 2018	50
(7)	Nos.291-293 (interests in 80% undivided shares) and Nos.301-303 (100% ownership interests) Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong	Commercial/ residential	Site area - approx. 488 sq. m. (5,260 sq. ft.) Gross floor area of the proposed new development - approx. 4,395 sq. m. (47,304 sq. ft.)	In planning stage	50
(8)	Nos.9-19 Kam Wa Street, Shau Kei Wan, Hong Kong	Commercial/ residential	Site area - approx. 518 sq. m. (5,580 sq. ft.) Gross floor area of the proposed new development - approx. 4,144 sq. m. (44,606 sq. ft.)	In planning stage	50

As at 31st December, 2019

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(9)	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.) and covered floor area - approx. 6,420 sq. m. (69,120 sq. ft.) (98 guestrooms and suites (totally 162 room bays))	Occupation permit issued in November 2019	25
(10)	Fabrik Rua Dos Fanqueiros 156, Lisbon, Portugal	Commercial/ residential	Gross development area - approx. 1,836 sq. m. (19,768 sq. ft.)	Design for the renovation programme approved and renovation works commenced at the end of 2019 (renovation works expected to be completed in 2020)	90
(11)	41 Kingsway, London WC2B 6TP, the United Kingdom	Hotel	Gross floor area - approx. 2,150 sq. m. (23,140 sq. ft.) (73 guest rooms)	Planning works commenced	100

As at 31st December, 2019

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(12)	Regal Cosmopolitan City at south of Xindu Main Road and both sides of Xingle Road, Banqiao Village, Xindu County, Xindu District, Chengdu, Sichuan Province, PRC	Hotel/office and commercial complex/ residential	Site area for the whole development - approx. 111,869 sq. m. (1,204,148 sq. ft.) Stages one and two • a 298-room hotel • remaining 24 residential units, 33 commercial units and 554 car parking spaces (Total gross floor area - approx. 8,005 sq. m. (86,134 sq. ft.)) (Casa Regalia (Phase 1)) Stage three • a six-storey commercial complex with gross floor area of approx. 48,000 sq. m. (516,700 sq. ft.) and five towers of office accommodations with gross floor area of approx. 90,500 sq. m. (974,100 sq. ft.) • 10 residential towers having 1,555 units with total gross floor area of approx. 175,478 sq. m. (1,888,850 sq. ft.), 1,941 car parking spaces, and commercial accommodations of approx. 4,100 sq.m. (44,100 sq.ft.) (Casa Regalia (Phase 2))	Stages one and two • Construction works for 9 residential towers having 1,296 residential units completed in 2017 • Hotel portion scheduled to open in phases from 3rd quarter of 2021 Stage three • Updated scheme design of commercial and office accommodations approved Basement excavation works have commenced and substructure works planned to be started in mid-2020 • Superstructure and fitting-out works for 10 residential towers, car parking spaces and commercial accomodations in steady progress (expected to be completed around mid-2021)	33.76

As at 31st December, 2019

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(13)	Regal Renaissance 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. (341,000 sq. ft.) • remaining 17 residential units, 530 commercial and office units, and 1,219 car parking spaces (Total gross floor area - approx. 78,348 sq. m. (843,024 sq. ft.))	Residential towers, commercial complex and residential car parking spaces completed in 1st quarter of 2018 Superstructure works of two office towers have resumed since June 2019 (expected to be completed in 2022)	33.76

As at 31st December, 2019

PROPERTIES FOR INVESTMENT

	Description	Use	Lease	Percentage of interest attributable to the Company
(1)	10 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

As at 31st December, 2019

	Description	Use	Lease	Percentage of interest attributable to the Company
(6)	Regal Riverside Hotel 34-36 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong	Hotel	Medium term	74.58
(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 138 Bonham Strand, Sheung Wan, Hong Kong	Hotel	Long term	74.58
(9)	iclub Fortress Hill Hotel 18 Merlin Street, North Point, Hong Kong	Hotel	Long term	74.58
(10)	iclub Ma Tau Wai Hotel 8 Ha Heung Road, To Kwa Wan, Kowloon, Hong Kong	Hotel	Long term	74.58

As at 31st December, 2019

	Description	Use	Lease	Percentage of interest attributable to the Company
(11)	iclub Mong Kok Hotel 2 Anchor Street, Tai Kok Tsui, Kowloon, Hong Kong	Hotel	Long term	50
(12)	Campus La Mola Cami dels Plans de Can Bonvilar s/n, 08227 - Terrassa, Barcelona, Spain	Hotel	Freehold land	100
(13)	We Go MALL No.16 Po Tai Street, Ma On Shan, Sha Tin, New Territories, Hong Kong	Commercial	Medium term	50
(14)	Certain commercial units of Phases 1 and 2 of Regal Renaissance, Intersection of Xinkai Road and Weiguo Road, Hedong District, Tianjin, PRC	Commercial	Medium term	33.76

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

RESULTS

	Year ended 31st December,				
	2019 HK$'million	**2018 HK$'million**	**2017 HK$'million**	**2016 HK$'million**	**2015 HK$'million**
Revenue	**2,226.2**	2,614.1	2,560.6	2,617.1	2,471.8
Operating profit before depreciation	**1,318.9**	1,327.4	1,814.7	987.1	1,046.3
Depreciation	**(530.2)**	(512.9)	(503.5)	(530.3)	(511.2)
Finance costs	**(412.5)**	(381.4)	(368.6)	(395.4)	(330.3)
Share of profits and losses of:					
Joint ventures	**57.5**	174.1	146.4	233.1	14.2
Associates	**36.4**	0.4	(3.3)	(12.4)	(22.2)
Profit before tax	**470.1**	607.6	1,085.7	282.1	196.8
Income tax	**(10.5)**	(40.8)	(87.4)	(41.3)	(36.9)
Profit for the year before allocation between equity holders of the parent and non-controlling interests	**459.6**	566.8	998.3	240.8	159.9
Attributable to:					
Equity holders of the parent	**454.6**	547.7	982.1	213.7	119.0
Non-controlling interests	**5.0**	19.1	16.2	27.1	40.9
	459.6	566.8	998.3	240.8	159.9

ASSETS, LIABILITIES, PERPETUAL SECURITIES AND NON-CONTROLLING INTERESTS

	31st December,				
	2019	**2018**	**2017**	**2016**	**2015**
	HK$'million	**HK$'million**	**HK$'million**	**HK$'million**	**HK$'million**
Property, plant and equipment	**7,962.4**	18,529.9	18,566.9	15,330.7	15,875.6
Investment properties	**1,052.1**	1,147.2	1,144.7	1,026.0	1,070.0
Right-of-use assets	**11,197.7**	–	–	–	–
Properties under development	**443.2**	897.9	762.8	–	–
Investments in joint ventures	**3,967.2**	3,539.9	3,030.8	3,146.8	3,327.6
Investments in associates	**52.9**	16.5	15.8	6.5	125.1
Available-for-sale investments	**–**	–	294.1	236.6	133.4
Financial assets at fair value through profit or loss	**755.8**	550.1	1.9	1.9	1.9
Other loan	**1,062.0**	1,062.0	1,062.0	1,350.0	–
Finance lease receivables	**–**	–	–	36.8	–
Debtors and deposits	**78.4**	5.7	10.5	5.4	5.4
Deferred tax assets	**47.5**	42.9	51.7	94.0	79.1
Current assets	**6,082.8**	5,945.8	6,307.3	6,564.7	4,724.5
Total assets	**32,702.0**	31,737.9	31,248.5	27,799.4	25,342.6
Current liabilities	**(2,198.8)**	(1,669.8)	(3,811.0)	(3,035.0)	(740.3)
Creditors and deposits received	**(145.0)**	(97.0)	(104.0)	(135.6)	(147.0)
Lease liabilities	**(36.5)**	–	–	–	–
Interest bearing bank borrowings	**(11,309.5)**	(10,925.8)	(8,376.1)	(6,170.7)	(6,187.0)
Other borrowings	**(2,716.7)**	(2,725.9)	(2,713.7)	(4,621.3)	(4,241.9)
Deferred tax liabilities	**(839.7)**	(883.8)	(921.4)	(954.6)	(1,004.8)
Total liabilities	**(17,246.2)**	(16,302.3)	(15,926.2)	(14,917.2)	(12,321.0)
Perpetual securities	**(1,732.9)**	(1,732.9)	(1,732.9)	–	–
Non-controlling interests	**(724.2)**	(838.6)	(942.5)	(1,053.8)	(1,158.6)

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