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)

ANNOUNCEMENT OF 2017 GROUP FINAL RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Year 2017	Year 2016	% Change
	HK$'M	HK$'M	
Revenue	**2,560.6**	2,617.1	**-2.2%**
Gross profit	**1,167.0**	1,188.4	**-1.8%**
Operating profit before depreciation, finance costs and tax	**1,814.7**	987.1	**+83.8%**
Profit for the year attributable to equity holders of the parent	**982.1**	213.7	**+359.6%**
Basic earnings per ordinary share attributable to equity holders of the parent	**HK$1.08**	HK$0.23	**+369.6%**
Proposed final dividend per ordinary share	**HK11.5 cents**	HK9.0 cents	**+27.8%**
Total dividends for the year per ordinary share	**HK16.0 cents**	HK13.0 cents	**+23.1%**

	As at 31st December,		
	2017	2016	
	(Unaudited)	(Unaudited)	
Net asset value per ordinary share attributable to equity holders of the parent			
Book	**HK$14.07**	HK$12.91	**+9.0%**
***Adjusted**	**HK$22.56**	HK$19.16	**+17.7%**

*compiled, for the purpose of reference, on an adjusted basis to restate the Group's hotel property portfolio in Hong Kong at its market value at 31st December, 2016 and 2017, respectively, with the relevant deferred tax liabilities added back

- **Achieved a consolidated profit attributable to shareholders of HK$982.1 million, an increase of about 3.6 times over the profit of HK$213.7 million recorded in 2016.**

- **Operating profit before depreciation, finance costs and tax for the year amounted to HK$1,814.7 million, as compared to HK$987.1 million in the preceding year.**

- **Total depreciation charges on the Group's hotel portfolio in Hong Kong for the year amounted to HK$463.2 million which, although not affecting cash flow, has nevertheless impacted on the reported profit.**

- **Regal Real Estate Investment Trust, a listed subsidiary of the Group, is one of the major hotel owners in Hong Kong and owns a total of nine operating Regal and iclub Hotels in Hong Kong, with an aggregate of 4,909 guestrooms and suites. Eight of these hotels are under lease to the Group for hotel operation.**

- **The five initial Regal Hotels have achieved during the year positive improvements in their operating results. Total net property income for the year amounted to HK$807.3 million, which represented an excess of HK$74.3 million over the aggregate annual base rent of HK$733.0 million for the year and 50% of such excess was attributable to Regal REIT as variable rent.**

- **All the four iclub Hotels, including the iclub Ma Tau Wai Hotel that commenced business in May 2017, have also performed satisfactorily.**

- **Pending completion and/or sale of the property projects under development by P&R Holdings Limited (a 50% owned joint venture), the Group has also been undertaking through its wholly owned subsidiaries property developments in Hong Kong, including the development properties at Queen's Road West, Hong Kong and the new airport hotel development project at the Hong Kong International Airport through the tender award from the Airport Authority, both acquired in 2017.**

- **Apart from the shopping mall development at Ma On Shan, Sha Tin completed in September 2017, three other ongoing development projects of P&R Holdings are scheduled to be completed within 2018. They are, respectively, a joint venture commercial/residential project in Sham Shui Po, the iclub Mong Kok Hotel project in Tai Kok Tsui and, more importantly, the large scale luxury residential development at Kau To, Sha Tin.**

- **At present, the Group owns a fleet of 13 aircraft (including one aircraft which is 85% owned). To further replenish its aircraft fleet, the Group entered into agreement in February 2018 for the acquisition of two Airbus A320-232 passenger aircraft which are under leases to a major international airline operator and expected to be completed by the end of April this year.**

- **During the course of the next three years, three other hotels under development by P&R Holdings and the Group will be gradually completed and will come on stream. They are, respectively, the iclub Mong Kok Hotel with 288 guestrooms in 2018 and another iclub Hotel in Sheung Wan with 98 guestrooms and suites in 2019, both developed by P&R Holdings, and the new airport hotel with 1,203 guestrooms and suites in 2020 developed by the Group.**

- **While committed to maintaining (together with Regal REIT) its position as one of the market leaders in Hong Kong, the Group is also actively exploring potential acquisition opportunities overseas, with a view to strengthening its hotel network and to enhancing its market positioning globally.**

- **A number of development projects undertaken by P&R Holdings are scheduled to be completed in 2018. As the land prices at which these project were acquired were low as compared to the prevailing property price levels, very substantial profits and cash flow are anticipated to be contributed to the Group after they were completed and/or sold.**

- **Overall, the Directors are confident that the Group as a whole will continue to grow and will bring to shareholders of the Company increasing returns.**

FINANCIAL RESULTS

For the year ended 31st December, 2017, the Group achieved a consolidated profit attributable to shareholders of HK$982.1 million, an increase of about 3.6 times over the profit of HK$213.7 million recorded in 2016.

The increase in the profit attained for the year was mainly attributable to the fair value gains on the Group's financial assets portfolio, the reimbursement of rental expenses (net of hotel operating income) received from P&R Holdings Limited (a 50% owned joint venture of the Group) with regards to the leasing by the Group of the iclub Sheung Wan Hotel and iclub Fortress Hill Hotel for their initial 3-year terms and its share of the fair value gains on the investment properties held by the P&R Holdings group.

Operating profit before depreciation, finance costs and tax for the year amounted to HK$1,814.7 million, as compared to HK$987.1 million in the preceding year. As the Group's hotel properties operating 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$463.2 million which, although not affecting cash flow, has nevertheless impacted on the reported profit.

Having regard to the material difference prevailing between the carrying values of the Group's hotel property portfolio in Hong Kong, which are subject to accumulated depreciation charges, and their fair values as at 31st December, 2017, an Adjusted Net Asset Value Statement is presented in the section headed "Management Discussion and Analysis" in this announcement, which illustrated for the purpose of reference that, if all such properties were to be stated in the Group's financial statements at their independent professional market valuations as at 31st December, 2017, the underlying adjusted net asset value of the Company would amount to HK$22.56 per share.

BUSINESS OVERVIEW

HOTELS
MARKET OVERVIEW

Based on a recent research by the World Bank Group, the growth in advanced economies strengthened in 2017, assisted by recoveries in capital spending and exports. The recoveries were markedly stronger than expected in the Euro Area and, to a lesser degree, in the United

States and Japan. The growth in the Gross Domestic Product (GDP) in China reached 6.9% in 2017, which was higher than the previous forecast of 6.5% by some analysts, reflecting the positive effects of the continued fiscal support and economic reforms, as well as recoveries in exports and contribution from net trade. Hong Kong's economy also continued to grow, with its GDP for the year increased by 3.8% in real terms over 2016, above the forecast by the Hong Kong Government of 2 - 3% in early 2017.

In 2017, visitor arrivals to Hong Kong increased by 3.2% year-on-year to a total of 58.5 million, led by a rebound in the overall number of visitors from Mainland China. During the year, there was a total of 44.4 million visitors from Mainland China, of which 18.5 million were overnight visitors, which was an increase of 6.7% year-on-year. Meanwhile, business from the traditional long haul markets and other short haul markets (excluding Mainland China) remained steady. Total overnight visitors to Hong Kong in 2017 amounted to 27.9 million, representing an increase of 5% year-on-year. Based on a hotel survey published by the Hong Kong Tourism Board (HKTB), the average hotel occupancy rate for all the surveyed hotels in different categories in 2017 was 89.0%, an increase of 2.0 percentage points from 2016, while the industry-wide average room rate recorded an upward adjustment of 0.1%, resulting in a year-on-year increase of 2.3% in the Revenue per Available Room (RevPAR).

HOTEL OWNERSHIP

As reported before, a wholly owned subsidiary of the Company is developing a new hotel within the SKYCITY Project at the Hong Kong International Airport under an agreement for sublease from the Airport Authority. The project is progressing steadily and the new hotel is presently scheduled to be completed in 2020. Further detailed information on this new development project is contained in the section headed "Management Discussion and Analysis" in this announcement.

The Group also wholly owns the 186-room La Mola Hotel & Conference Centre in Barcelona, Spain. This hotel was acquired in 2014 and was formerly managed and operated by the Group. In August 2017, the Group entered into a lease agreement for the leasing of the hotel property to an independent third party for a term till August 2029, of which the lease period to August

2023 is fixed and mandatory on both parties. The lease agreement has formally commenced on 1st September, 2017 and is yielding satisfactory rentals.

REGAL REAL ESTATE INVESTMENT TRUST

As at 31st December, 2017, the Group continued to hold 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, 2017, Regal REIT recorded a consolidated profit before distributions to Unitholders of HK$2,488.3 million, as compared to the profit of HK$564.0 million for the financial year 2016. The consolidated profit recorded for 2017 included a fair value gain of HK$2,044.2 million arising from the increase in the appraised values of the hotel properties in Hong Kong owned by Regal REIT as investment properties, after offsetting the additional capital expenditures for the year, while for the financial year 2016, the corresponding fair value gain was only HK$91.3 million. If the effects of the fair value changes are excluded, the core profit before distributions to Unitholders for the year under review would amount to HK$444.1 million, as compared to HK$472.7 million for the preceding year.

Apart from the five initial Regal Hotels, Regal REIT is gradually building up a separate portfolio of iclub Hotels, a select service hotel brand that is being developed by the Group. Including the latest addition of the iclub Ma Tau Wai Hotel, Regal REIT now owns a total of four iclub Hotels operating in Hong Kong.

With the exception of the iclub Wan Chai Hotel, which is being self-operated by Regal REIT, and the iclub Ma Tau Wai Hotel, which is under a lease to the Group's wholly-owned lessee for a term of 5 years with escalating fixed rentals, all the initial Regal Hotels and the two other iclub Hotels are presently under leases to the same lessee of the Group based on market rental packages to be determined annually. The operating results of these hotels are reported on in further details in the paragraph headed "Hotel Operations" below.

The iclub Wan Chai Hotel was the first iclub Hotel in Hong Kong, which is self-operated by Regal REIT and also managed by a subsidiary of the Group. The iclub Wan Chai Hotel has always enjoyed very high occupancies and additional focus has been placed on yield enhancement. Although the year-round average occupancy of 95.3% maintained by this hotel in 2017 was slightly below the 98.5% attained in 2016, the average room rate has increased by 6.3%, with RevPAR consequently improving by 2.8% year-on-year.

In September 2017, Regal REIT completed the acquisition of the iclub Ma Tau Wai Hotel in Kowloon from P&R Holdings, a joint venture 50-50 owned by each of the Company and Paliburg Holdings Limited, the immediate listed holding company of the Group, at a consideration of HK$1,360 million, following satisfaction of all the requisite conditions precedent. The iclub Ma Tau Wai Hotel is a new hotel with 340 guestrooms which commenced business operations in May 2017 and is the fourth iclub Hotel owned by Regal REIT. The iclub Ma Tau Wai Hotel carries the benefit of a lease to the Group's lessee for a term of 5 years with escalating fixed rentals at an average yield of 4.5% per annum which, in turn, assures Regal REIT with stable returns during the hotel's start up period. The lease will be extendable at the option of Regal REIT up to 31st December, 2027, with rentals to be based on annual market rental reviews.

Regal REIT has recently concluded in March 2018 a bilateral financing arrangement for a 5-year term loan in the principal amount of HK$3.0 billion, which is principally secured by a mortgage over the Regal Kowloon Hotel. This term loan was arranged mainly for the purpose of financing the repayment of the two medium term notes due in March and May, respectively, this year. Based on the interest spread under the new term loan and the current Hong Kong Interbank Offered Rate (HIBOR), as compared to the coupon rates under the two medium term notes, it is expected there will be substantial savings on Regal REIT's future financing costs.

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.

The five initial Regal Hotels have achieved during the year positive improvements in their operating results. Their combined average occupancy rate in 2017 was 87.4%, as compared to 86.0% last year, while their combined average room rate increased by 4.8%, resulting in an enhancement of 6.5% year-on-year in terms of RevPAR, which outperformed the industry average. Total hotel revenue from the five initial Regal Hotels in 2017 amounted to HK$1,967.0 million, as compared to HK$1,864.4 million in 2016. The total net property income generated by these hotels for the year amounted to HK$807.3 million, which was 4.7% higher than the HK$770.9 million in 2016. This represented an excess of HK$74.3 million over the aggregate annual base rent of HK$733.0 million for the year and 50% of such excess was attributable to Regal REIT as variable rent. For the year 2018, the aggregate annual base rent for the five initial Regal Hotels is HK$751.0 million, which represents an increment of HK$18.0 million as compared to 2017, with variable rent continuing to be based on 50% sharing of the excess of the aggregate net property income over the aggregate base rent.

The first three years of the lease terms with escalating fixed annual rentals for the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel ended in February and July 2017, respectively. Their rental packages are now being determined annually by an independent professional property valuer. In accordance with the terms of the agreed arrangements with P&R Holdings (a 50% owned joint venture of the Group) when the leases for these two hotels were entered into by the Group's lessee, the Group received from P&R Holdings during the year an aggregate sum of HK$273.4 million in reimbursement of the rental expenses (net of hotel operating income) for their initial 3-year terms, the impact of which has been reflected in the consolidated financial statements of the Group for 2017. During the year under review, the operating performances of these two iclub Hotels have shown substantial improvement. Their combined annual average occupancy was 91.6%, 2.5 percentage points above the level in 2016, while their combined average room rate was enhanced by 5.9% year-on-year. Under the market rental reviews conducted for the iclub Sheung Wan Hotel and iclub Fortress Hill Hotel, the base rents for 2018 have been determined to be HK$42.0 million and HK$42.4 million, respectively, with variable rent basing on 50% sharing of the excess of the net property income over the base rent.

As mentioned above, the iclub Ma Tau Wai Hotel has also been leased to the Group's lessee for hotel operation. Similar to the previous arrangements with the two other iclub Hotels, P&R Holdings, as the vendor of the iclub Ma Tau Wai Hotel, has agreed to reimburse to the Group's lessee any shortfall of the total cumulative net income from the hotel below the total cumulative payments (including rent) payable by the Group's lessee under the lease for the initial 5-year term with escalating fixed rentals, but in this case, on an annual basis. Although still in its early stage of operation, this hotel has managed to attain satisfactory performance, with average occupancy in 2017, since its acquisition by Regal REIT in September, maintained at 88.1%.

HOTEL MANAGEMENT

Regal Hotels International Limited, the wholly owned management arm of the Group, is the hotel manager providing services to nine operating Regal and iclub Hotels in Hong Kong. The three other hotels in Hong Kong coming on stream, which are intended to be named as the iclub Mong Kok Hotel, the iclub Soho Hotel and the Regala Skycity Hotel, respectively, will also be managed by the Group.

In other China cities outside Hong Kong, the Group is managing a total of nine operating Regal and iclub Hotels, including four in Shanghai, two in Dezhou and one in Xi'an, Foshan and Zhengzhou, respectively. The 186-room iclub Yuhong Hotel in Zhengzhou, opened in February 2016, was the first hotel managed by the Group under the iclub by Regal brand in China. Three other hotels to be managed by the Group are in the pipeline, covering strategic locations in Chengdu, Jiangmen and Kunshan.

The Group believes that the continuing expansion of the hotel management businesses in China will further strengthen the recognition of the Regal brand and promote reciprocal businesses among the Group's different hotels.

PROPERTIES

The property market in Hong Kong as a whole remained buoyant in 2017. During the year, a total of 17 development sites were sold under government tenders. The aggregate land sale premium realised was in excess of HK$120 billion, which was a significant increase of over 50% above that recorded in 2016, and the unit land prices under these tender awards have repeatedly created new records. The residential market was robust, with price and transaction volume reported to have increased by 13% and 24%, respectively, from the 2016 levels. The primary residential market continued to be strong, with property developers offering attractive purchasing terms and financing schemes. In spite of the hefty stamp duties, the secondary market also remained active, as driven by the favourable market sentiment and the pent-up underlying demand. The market for the luxury residential properties was particularly red hot, with the unit prices for strata apartment units continually recording all-time highs. On the other hand, with the support of a rising local consumption power and the gradual recovery in the tourist market, the retail property sector regained momentum after a few years of low period.

Since the establishment of P&R Holdings in 2011, the property development business of the Group has primarily been conducted through this 50:50 joint venture. Pending completion and/or sale of the property projects under development by P&R Holdings, the Group has also been undertaking through its wholly owned subsidiaries property developments in Hong Kong, including the development properties at Queen's Road West, Hong Kong and the new airport hotel development project at the Hong Kong International Airport through the tender award from the Airport Authority, both acquired in 2017.

As mentioned above, P&R Holdings sold the iclub Ma Tau Wai Hotel in Kowloon to Regal REIT in September 2017 for a cash consideration of HK$1,360 million. In the meantime, the occupation permit for the shopping mall development at Ma On Shan, Sha Tin was issued in September 2017. This regional shopping mall has been named as the "We Go Mall" and is intended to be retained by P&R Holdings as an investment property for rental income. Leasing works are progressing satisfactorily and the mall is planned to be opened in May this year.

Three other ongoing development projects of P&R Holdings are scheduled to be completed within 2018. They are, respectively, the joint venture commercial/residential project with the Urban Renewal Authority of Hong Kong in Sham Shui Po, most of the residential units of which have been presold; the iclub Mong Kok Hotel project also with the Urban Renewal

Authority in Tai Kok Tsui; and, more importantly, the large scale luxury residential development at Kau To, Sha Tin.

Considering the increasing challenge in acquiring suitable development sites in Hong Kong to replenish land bank, despite the Hong Kong Government's efforts to increase land supply, the Group as well as P&R Holdings will have no haste in the disposal of their properties, particularly having regard to the optimistic outlook of the Hong Kong property market. At the same time, the Group is also actively reviewing appropriate acquisition opportunities in real estate and hotel projects overseas that can serve to broaden and diversify its overall asset portfolio.

During the year, the Group completed the disposal of one garden house in Regalia Bay, Stanley which was held for sale. The Group still retains a total of 14 garden houses in Regalia Bay, 8 of which are held as investment properties, 3 as held for sale and the other 3 as fixed assets.

Additional information on the Group's development property projects and properties, including those undertaken by P&R Holdings and its subsidiary, Cosmopolitan International Holdings Limited, are contained in the section headed "Management Discussion and Analysis" in this announcement.

OTHER INVESTMENTS

The Group maintains a sizable investment portfolio comprising listed securities, investment funds, bonds as well as treasury and yield enhancement products. The Group also directly held within this portfolio significant investment in the issued shares of Cosmopolitan, which is a listed subsidiary of Paliburg principally engaged in property development businesses in China. Benefiting from the buoyant capital and securities market in Hong Kong and globally, the Group recorded substantial fair value gains on its financial assets portfolio during the year, which have been reflected in the results of the Group under review.

In December 2017, the Group completed the process for the acquisition of a mid-life Airbus 319 model aircraft, which is under an operating lease to an airline operator flying European routes. At present, the Group owns a fleet of 13 aircraft (including one aircraft which is 85% owned), of which 2 aircraft were on operating leases, 6 aircraft on finance leases and 4 aircraft pending re-lease or disposal. The one remaining aircraft, an Airbus A321-200 aircraft, has been repossessed from the lessee in February this year and a letter of intent already entered into for its disposal. In order to further replenish its aircraft fleet, the Group entered into agreement in February 2018 for the acquisition of two Airbus A320-232 passenger aircraft which are under leases to a major international airline operator. These two purchase agreements are expected to be completed by the end of April this year.

The Hong Kong Government has recently promulgated a new tax regime for the aircraft leasing business with an aim to promoting Hong Kong as a base for the aircraft leasing and financing business. Responding to the Government's initiatives, the Group is carefully studying the operative details of the new regime in the context of reviewing the Group's overall holding structure for its aircraft leasing business.

OUTLOOK

For the first two months of 2018, the hotel market in Hong Kong continued to recover steadily but the overall external economic environment is still posing uncertainties, due to increased geopolitical tensions, volatilities in financial markets and the normalisation of interest rates as well as threats on free trade.

In Hong Kong, the two mega infrastructure projects, namely, the Hong Kong-Zhuhai-Macao Bridge (HZMB) and the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Express Rail Link) are expected to be completed in 2018. The connectivity of these two projects will further enhance Hong Kong's position as a trade and logistics hub for goods and services from the Pearl River Delta region and will benefit different business sectors in Hong Kong, including tourism, finance and commerce. The location of the West Kowloon Station for the Express Rail Link is adjacent to the West Kowloon Cultural District, which will create synergies for world-class integrated arts and cultural events as well as tourism related activities. Meanwhile, the two major theme parks in Hong Kong, Ocean Park and Hong Kong Disneyland, are both embarking on expansion plans.

With these favourable factors in the background, the REIT Manager is optimistic that the tourism and hotel markets in Hong Kong will continue to grow and Hong Kong will be able to maintain its position as a preferred tourist destination, for both business and leisure travellers alike.

Presently, the Group owns through Regal REIT a total of nine operating hotels, with an aggregate of 4,909 guestrooms and suites and is one of the major hotel owner and operator groups in Hong Kong. During the course of the next three years, three other hotels under development by P&R Holdings and the Group will be gradually completed and will come on stream. They are, respectively, the iclub Mong Kok Hotel with 288 guestrooms in 2018 and another iclub Hotel in Sheung Wan with 98 guestrooms and suites in 2019, both developed by P&R Holdings, and the new airport hotel with 1,203 guestrooms and suites in 2020 developed by the Group.

While committed to maintaining (together with Regal REIT) its position as one of the market leaders in Hong Kong, the Group is also actively exploring potential acquisition opportunities overseas, with a view to strengthening its hotel network and to enhancing its market positioning globally.

Despite the ongoing normalisation of interest rates and the tapering of market liquidity by some central banks, the process is expected to be very gradual and the negative real interest rate environment in Hong Kong should persist in the near term. Coupling with the rising confidence in economic growth, the effects of increasing private wealth and the continuing inflow of investment capital from Mainland China, the outlook of the property market in Hong Kong in 2018 is expected to remain buoyant.

A number of development projects undertaken by P&R Holdings are scheduled to be completed in 2018. As the land prices at which these project were acquired were low as compared to the prevailing property price levels, very substantial profits and cash flow are anticipated to be contributed to the Group after they were completed and/or sold.

Overall, the Directors are confident that the Group as a whole will continue to grow and will bring to shareholders of the Company increasing returns.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise hotel ownership business undertaken through 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, aircraft ownership and leasing business 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 general market conditions and the potential impact on their operating performances and future prospects are contained in the above sections headed "Financial Results", "Business Overview" and "Outlook" as well as in this sub-section.

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

A brief review on the development projects and properties currently undertaken by the Group in Hong Kong is set out below.

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

A wholly owned subsidiary of Company was awarded by the Airport Authority in Hong Kong in February 2017 the development right for a new hotel project at the Hong Kong International Airport, at a consideration payable in the form of non-refundable rental payment of approximately HK$2,188.9 million.

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 also the first phase of the mega SKYCITY Project by the Airport Authority, which 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 1,203 guestrooms and suites as well as extensive banquet, meeting and food and beverage facilities. The hotel is intended to be named as the Regala Skycity Hotel, which will be operated as a full service hotel targeting at commercial, airline related, leisure and meeting businesses. The foundation works have been commenced and the new hotel is presently scheduled to be completed in 2020.

Nos. 150-158 and 160-162 Queen's Road West, Hong Kong

The properties located at Nos. 150-158 Queen's Road West, Hong Kong were acquired through private treaty in March 2017, which have an aggregate site area of about 480 square metres (5,178 square feet) and are planned for a commercial/residential development. The Group has since further acquired units with more than 85% of the total undivided shares in the adjoining properties at 160-162 Queen's Road West, which have an aggregate site area of about 187 square metres (2,012 square feet). The two properties are intended to be consolidated for development and the combined site will have a total aggregate site area of about 667 square metres (7,190 square feet).

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

During the year, the Group completed the sale of one garden house in Regalia Bay, Stanley which was held for sale. A total of 14 garden houses in Regalia Bay with a total gross area of about 6,320 square metres (68,000 square feet) are still being retained, 8 of which are held as investment properties, 3 as held for sale and 3 as fixed assets. The Group will continue to dispose of some of these houses if the price offered is considered satisfactory.

JOINT VENTURE – P&R HOLDINGS LIMITED

P&R Holdings is a 50:50 owned joint venture established with Paliburg, with capital contributions provided by the Company and Paliburg 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 are being undertaken pursuant to the development contracts awarded by the Urban Renewal Authority of Hong Kong, all of the other ongoing development projects and properties are presently wholly owned by P&R Holdings group.

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 in 2015. 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, 14 houses have been contracted to be sold. While the remaining houses are presently planned to be disposed of on a gradual basis, some of them may in the meantime be retained for rental income.

iclub Ma Tau Wai Hotel, No.8 Ha Heung Road, To Kwa Wan, Kowloon

The project has an aggregate site area of approximately 700 square metres (7,535 square feet) and has been developed into a 22-storey hotel (including 1 basement floor) with 340 guestrooms, having total gross floor area of approximately 6,298 square metres (67,790 square feet) and covered floor area of approximately 9,490 square metres (102,160 square feet). The occupation permit of the hotel was issued in November 2016. The hotel commenced business operations in May 2017.

P&R Holdings re-consolidated a 100% ownership interest in the project in May 2017. The entire equity interests in the group of companies that own this iclub Ma Tau Wai Hotel was sold to Regal REIT at a consideration of HK$1,360 million in September 2017.

Shopping mall named as "We Go Mall" at Sha Tin Town Lot No.482 at Po Tai Street, Ma On Shan, Sha Tin, New Territories

This development site has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site is being developed into a shopping mall with 5 storeys above ground level and 1 storey of basement floor. The occupation permit for the project was issued in September 2017. This completed property has been named as the "We Go Mall" and is intended to be retained for rental income. Leasing works are progressing satisfactorily and the mall is planned to be opened in May 2018.

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 is being 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 carpark. The occupation permit for the project was recently issued in March 2018. The presale of the residential units in this development was launched in July 2016 and, up to date, 155 of the total 157 residential units have been contracted to be sold. The sale programme for the commercial units is planned to be launched shortly.

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

The project has a site area of 17,476 square metres (188,100 square feet) and is being developed into a luxury residential complex comprising 7 mid-rise apartment blocks with 136 units, 24 detached garden houses and 197 carparking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The superstructure works are in progress and scheduled to be completed later this year. The sale programme is planned to be commenced soon after the development is completed and will be launched in phases on a gradual basis.

iclub Mong Kok Hotel at Anchor Street/Fuk Tsun 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, which has a site area of 725.5 square metres (7,809 square feet). The project has 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) and is being developed into a 20-storey hotel building comprising about 288 guestrooms, with ancillary accommodation. The superstructure works are nearing completion and the project is scheduled to be completed in the third quarter of 2018.

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

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and is planned for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet). After extensive periods of delay to resolve the technical difficulties encountered on the sub-structure works, the superstructure works are progressing steadily and the project is presently anticipated to be completed in 2019.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Cosmopolitan is a listed subsidiary of P&R Holdings. Further information relating to the property projects of the Cosmopolitan group in the People's Republic of China, all of which are wholly owned, and its 60% owned logistics business in the PRC (disposed of in June 2017) 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 497,000 square metres (5,350,000 square feet).

The nine residential towers comprising 1,296 residential units in the first and second stages of the Chengdu project have been completed, of which 1,258 units have been sold for aggregate sale proceeds of RMB828 million (HK$1,030 million). Most of the units sold have been handed over to the purchasers before the year end and the profits therefrom accounted for in the results for the year under review.

To cope with the changing market conditions, the business profile of the 317-room hotel has been revised and the corresponding interior design and guestroom mock-up works are in progress. The hotel is scheduled to open in phases from early 2019. The planning approval of the remaining ten residential towers in the third stage of the development has been obtained and the construction works are scheduled to commence shortly. The presale programme of these residential units is planned to be launched before the end of 2018. The planning approval of the other components within the development, comprising primarily commercial and office space, has also been obtained and the associated construction works are expected to commence in early 2019.

Tianjin Project – Regal Renaissance

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres (341,000 square feet), which is planned for 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).

The construction works of the four residential towers, the commercial complex and the associated car parking spaces have recently been completed. Of the total 512 units comprised in the four residential towers, 479 units have been presold to date, securing contracted sales of RMB1,498 million (HK$1,863 million). The presold residential units are being handed over to the individual purchasers. The presale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), and 530 residential car parking spaces is continuing, with contracted sales to date of RMB139 million (HK$173 million). The superstructure works of the two office towers have been suspended due to the tightened government planning controls. The Cosmopolitan group is devising contingent plans and conducting negotiations with the local government with an aim to minimize any adverse impacts on the design and to have the construction works resumed as soon as possible.

Xinjiang Project

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Cosmopolitan group has re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site will be available for real estate development after the requisite inspection, land grant listing and tender procedures are completed.

The Cosmopolitan group has completed the site survey on the parcels of land within the project site which have been illegally occupied by trespassers and has commenced communications with the relevant government authority to initiate appropriate measures to settle the land disputes. 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. The Cosmopolitan group has carried out the required remedial re-forestation works, such that the inspection and measurement of the reforested area by the relevant government authorities can be resumed and the final procedures leading to the land grant listing and tender of the development land may be concluded.

Logistics Business

Shanghai Logistics Project

As mentioned in the 2016 Annual Report, the Cosmopolitan group entered into a framework agreement in January 2016 to acquire 60% effective interests in a group of companies (the "Logistics Group") operating logistics and related business in the PRC and the remaining 40% interests in the Logistics Group was held by an affiliate of the seller (the "JV Partner"). The acquisition was completed in May 2016 and as consideration therefor, the Cosmopolitan group issued convertible bonds in the aggregate principal amount of HK$57.05 million.

Having operated the logistics business for a period of about one year and after undertaking a review of all relevant circumstances including, in particular, the performance and development progress of the Logistics Group and the difference in the management style of the joint venture parties, the Cosmopolitan group has agreed, after amicable negotiations with the JV Partner, to accept his proposal to buy back the Cosmopolitan group's interest in the Logistics Group.

Accordingly, on 30th June, 2017, the Cosmopolitan group entered into a deed of arrangement with the JV Partner for the disposal of its entire interests in the Logistics Group for an aggregate consideration of HK$71.0 million, details of which were disclosed in the circular of the Cosmopolitan dated 18th August, 2017. The Cosmopolitan group received HK$45.6 million in cash upon completion of the disposal on 30th June, 2017. The balance of the consideration in the sum of HK$25.4 million has also been received by the Cosmopolitan group in the second half of 2017. The Cosmopolitan group ceased to have any interest in the Logistics Group after completion of the related transactions. The aforesaid convertible bonds have been converted into ordinary shares of the Cosmopolitan before the year end in 2017.

ASSOCIATE – HANG FOK PROPERTIES LIMITED

Hang Fok is an entity that is 50% beneficially owned by each of the Paliburg group and the Group. Hang Fok holds equity interests in a joint venture project company involved in a development project in the Central Business District in Beijing, the PRC. As previously reported, Hang Fok was engaged in a series of legal actions in the PRC with the other joint venture parties in the Beijing project, some of which were initiated by Hang Fok to protect its equity interests in the Beijing project. As also reported before, in the process of the legal actions taken, Hang Fok has recovered in February 2016 about RMB195 million (equivalent to approximately HK$228.4 million) from the joint venture project company, as repayment of certain of the shareholder's loans owing to Hang Fok, plus accrued contractual interest thereon. As at 31st December, 2016, the interest held by the Group in the project was carried in the consolidated financial statements at an insignificant amount. In March 2017, Hang Fok further recovered an additional amount of about RMB34 million (equivalent to approximately HK$37.8 million) from the joint venture project company, which principally represents late payment interest as required by the relevant court rules in the PRC. The Group will continue to exercise strenuous efforts with a view to salvaging the value of the Group's interest in this investment.

FINANCIAL REVIEW

ASSETS VALUE

The Group's hotel properties in Hong Kong are owned by Regal REIT and, 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 its market value as at 31st December, 2017, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK$22.56 per share, as follows:

	As at 31st December, 2017	
	HK$'M	HK$ per ordinary share
Book net assets attributable to equity holders of the parent	**12,646.9**	**14.07**
Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	**7,631.6**	**8.49**
Unaudited adjusted net assets attributable to equity holders of the parent	**20,278.5**	**22.56**

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 and Hong Kong dollar with fixed coupon interest rates. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Group's management from time to time. As the 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 used in operating activities of HK$319.1 million (2016 – net cash flows generated from operating activities of HK$2,200.6 million). Net interest payment for the year amounted to HK$194.3 million (2016 – HK$135.4 million).

Borrowings and Gearing

As at 31st December, 2017, the Group had cash and bank balances and deposits of HK$3,457.9 million (2016 – HK$4,029.3 million) and the Group's borrowings net of cash and bank balances and deposits amounted to HK$10,925.2 million (2016 – HK$9,232.4 million).

As at 31st December, 2017, the gearing ratio of the Group was 35.0% (2016 – 33.2%), representing the Group's borrowings net of cash and bank balances and deposits of HK$10,925.2 million (2016 – HK$9,232.4 million) as compared to the total assets of the Group of HK$31,248.5 million (2016 – HK$27,799.4 million).

On the basis of the adjusted total assets as at 31st December, 2017 of HK$41,034.7 million (2016 – HK$34,998.6 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 26.6% (2016 – 26.4%).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2017 are shown in the consolidated financial statements ("Financial Statements") contained in the annual report of the Company for the year ended 31st December, 2017 (the "2017 Annual Report") to be published on or before 30th April, 2018.

Pledge of Assets

As at 31st December, 2017, certain of the Group's property, plant and equipment, investment properties, properties held for sale, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, time deposits and bank balances in the total amount of HK$17,839.9 million (2016 – HK$12,686.2 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.

Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2017 are shown in the Financial Statements.

Contingent Liabilities

As at 31st December, 2017, the Group had contingent liabilities not provided for in the financial statements for corporate guarantees provided in respect of attributable share of banking facilities granted to subsidiaries of a joint venture in the amount of HK$2,446.8 million (2016 – HK$2,579.4 million), of which HK$1,841.0 million (2016 – HK$1,566.8 million) was utilised.

In addition, 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 (2016 – Nil).

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK11.5 cents (2016 – HK9.0 cents) per ordinary share for the year ended 31st December, 2017. This proposed final dividend will absorb an amount of approximately HK$103.4 million (2016 – HK$82.4 million) and will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 12th June, 2018.

Together with the interim dividend of HK4.5 cents (2016 – HK4.0 cents) per ordinary share paid in October 2017, total dividends per ordinary share for the year ended 31st December, 2017 will amount to HK16.0 cents (2016 – HK13.0 cents).

ANNUAL GENERAL MEETING

An Annual General Meeting of the Company will be convened to be held on Monday, 4th June, 2018. The Notice of the Annual General Meeting will be published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company and sent to the shareholders of the Company, together with the Company's 2017 Annual Report, in due course.

CLOSURE OF REGISTER

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

(i) from Wednesday, 30th May, 2018 to Monday, 4th June, 2018, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2018 Annual General Meeting. In order to be entitled to attend and vote at the 2018 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 Tuesday, 29th May, 2018; and

(ii) from Friday, 8th June, 2018 to Tuesday, 12th June, 2018, 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 Thursday, 7th June, 2018.

The relevant dividend warrants for the aforesaid final dividend are expected to be despatched on or about 27th June, 2018.

YEAR END RESULTS

Consolidated Statement of Profit or Loss

	Year ended 31st December, 2017 HK$'M	Year ended 31st December, 2016 HK$'M
REVENUE (Notes 2 & 3)	**2,560.6**	2,617.1
Cost of sales	**(1,393.6)**	(1,428.7)
Gross profit	**1,167.0**	1,188.4
Other income and gain, net (Note 3)	**530.2**	112.9
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	**376.4**	(46.8)
Fair value gains/(losses) on investment properties, net	**53.9**	(41.4)
Fair value gain upon reclassification of a property held for sale to an investment property	**–**	58.5
Impairment loss on items of property, plant and equipment	**(50.5)**	–
Property selling and marketing expenses	**(5.2)**	(7.6)
Administrative expenses	**(257.1)**	(276.9)
OPERATING PROFIT BEFORE DEPRECIATION	**1,814.7**	987.1
Depreciation	**(503.5)**	(530.3)
OPERATING PROFIT (Notes 2 & 4)	**1,311.2**	456.8
Finance costs (Note 5)	**(368.6)**	(395.4)
Share of profits and losses of:		
Joint ventures	**146.4**	233.1
Associates	**(3.3)**	(12.4)
PROFIT BEFORE TAX	**1,085.7**	282.1
Income tax (Note 6)	**(87.4)**	(41.3)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**998.3**	240.8

Consolidated Statement of Profit or Loss (Cont'd)

	Year ended 31st December, 2017	Year ended 31st December, 2016
	HK$'M	**HK$'M**
Attributable to:		
Equity holders of the parent	**982.1**	213.7
Non-controlling interests	**16.2**	27.1
	998.3	240.8
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic and diluted	**HK$1.08***	HK$0.23

* Excluding the distribution related to perpetual securities of HK$80.5 million for the year ended 31st December, 2017, the basic and diluted earnings per share are HK$0.99 and HK$0.99, respectively.

Consolidated Statement of Comprehensive Income

	Year ended 31st December, 2017 HK$'M	Year ended 31st December, 2016 HK$'M
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**998.3**	240.8
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	**28.3**	(4.8)
Exchange differences on translating foreign operations	**27.4**	(16.2)
Share of other comprehensive income/(loss) of:		
A joint venture	**68.1**	(85.8)
An associate	**0.2**	(0.1)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**124.0**	(106.9)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gain on revaluation of property	**10.6**	–
Income tax effect	**(2.5)**	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**8.1**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**132.1**	(106.9)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,130.4**	133.9
Attributable to:		
Equity holders of the parent	**1,114.2**	106.8
Non-controlling interests	**16.2**	27.1
	1,130.4	133.9

Consolidated Statement of Financial Position

	31st December, 2017 HK$'M	31st December, 2016 HK$'M
NON-CURRENT ASSETS		
Property, plant and equipment	**18,566.9**	15,330.7
Investment properties	**1,144.7**	1,026.0
Properties under development	**762.8**	–
Investments in joint ventures	**3,030.8**	3,146.8
Investments in associates	**15.8**	6.5
Available-for-sale investments	**294.1**	236.6
Financial asset at fair value through profit or loss	**1.9**	1.9
Other loan	**1,062.0**	1,350.0
Finance lease receivables	**–**	36.8
Debtors and deposits (Note 9)	**10.5**	5.4
Deferred tax assets	**51.7**	94.0
Total non-current assets	**24,941.2**	21,234.7
CURRENT ASSETS		
Properties held for sale	**231.5**	264.6
Inventories	**28.9**	33.0
Aircraft held for sale	**18.4**	–
Debtors, deposits and prepayments (Note 9)	**263.4**	303.4
Finance lease receivables	**37.1**	36.3
Held-to-maturity investments	**167.9**	466.7
Financial assets at fair value through profit or loss	**2,030.5**	918.4
Other loan	**60.0**	500.0
Derivative financial instruments	**–**	12.8
Tax recoverable	**11.7**	0.2
Restricted cash	**67.7**	63.5
Pledged time deposits and bank balances	**550.4**	265.1
Time deposits	**1,681.4**	2,595.1
Cash and bank balances	**1,158.4**	1,105.6
Total current assets	**6,307.3**	6,564.7

Consolidated Statement of Financial Position (Cont'd)

	31st December, 2017	**31st December, 2016**
	HK$'M	**HK$'M**
CURRENT LIABILITIES		
Creditors, deposits received and accruals (Note 10)	**(491.1)**	(498.8)
Interest bearing bank borrowings	**(1,347.5)**	(188.0)
Other borrowings	**(1,945.8)**	(2,281.7)
Derivative financial instruments	**(3.0)**	(5.7)
Tax payable	**(23.6)**	(60.8)
Total current liabilities	**(3,811.0)**	(3,035.0)
NET CURRENT ASSETS	**2,496.3**	3,529.7
TOTAL ASSETS LESS CURRENT LIABILITIES	**27,437.5**	24,764.4
NON-CURRENT LIABILITIES		
Creditors and deposits received (Note 10)	**(104.0)**	(135.6)
Interest bearing bank borrowings	**(8,376.1)**	(6,170.7)
Other borrowings	**(2,713.7)**	(4,621.3)
Deferred tax liabilities	**(921.4)**	(954.6)
Total non-current liabilities	**(12,115.2)**	(11,882.2)
Net assets	**15,322.3**	12,882.2
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**89.9**	91.6
Reserves	**12,557.0**	11,736.8
	12,646.9	11,828.4
Perpetual securities	**1,732.9**	–
Non-controlling interests	**942.5**	1,053.8
Total equity	**15,322.3**	12,882.2

Notes:

1. Basis of Preparation and Accounting Policies

The financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain available-for-sale investments, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except when otherwise indicated.

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

Other than as explained below regarding the impact of HKAS 7, the adoption of the above revised standards has had no significant financial effect on the Group's financial statements.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in the Group's financial statements.

2. 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 travel agency services, sale of food products, operation of restaurants, operation of security storage lounge, the provision of housekeeping 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, 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, 2017 and 2016:

	Hotel operation and management and hotel ownership		**Asset management**		**Property development and investment**		**Financial assets investments**		**Aircraft ownership and leasing**		**Others**		**Eliminations**		**Consolidated**	
	2017 HK$'M	**2016 HK$'M**	**2017 HK$'M**	**2016 HK$'M**	**2017 HK$'M**	**2016 HK$'M**	**2017 HK$'M**	**2016 HK$'M**	**2017 HK$'M**	**2016 HK$'M**	**2017 HK$'M**	**2016 HK$'M**	**2017 HK$'M**	**2016 HK$'M**	**2017 HK$'M**	**2016 HK$'M**
Segment revenue:																
Sales to external customers	2,274.3	2,153.9	-	-	122.7	215.9	103.6	135.4	39.7	99.0	20.3	12.9	-	-	2,560.6	2,617.1
Intersegment sales	8.2	3.0	119.9	96.2	4.9	3.9	-	-	-	-	76.2	24.9	(209.2)	(128.0)	-	-
Total	2,282.5	2,156.9	119.9	96.2	127.6	219.8	103.6	135.4	39.7	99.0	96.5	37.8	(209.2)	(128.0)	2,560.6	2,617.1
Segment results before depreciation	1,120.2	792.3	(13.3)	(11.9)	244.6	112.7	494.1	97.7	31.8	106.3	(1.7)	(7.3)	-	-	1,875.7	1,089.8
Depreciation	(470.3)	(466.5)	(0.4)	(0.4)	(6.0)	(5.9)	-	-	(22.4)	(54.3)	(4.4)	(3.2)	-	-	(503.5)	(530.3)
Segment operating results	649.9	325.8	(13.7)	(12.3)	238.6	106.8	494.1	97.7	9.4	52.0	(6.1)	(10.5)	-	-	1,372.2	559.5
Unallocated interest income and unallocated non-operating and corporate gains															34.0	16.4
Unallocated non-operating and corporate expenses, net															(95.0)	(119.1)
Operating profit															1,311.2	456.8
Finance costs															(368.6)	(395.4)
Share of profits and losses of:																
Joint ventures	-	-	-	-	146.4	233.1	-	-	-	-	-	-	-	-	146.4	233.1
Associates	-	1.8	-	-	15.0	(2.3)	-	-	-	-	(18.3)	(11.9)	-	-	(3.3)	(12.4)
Profit before tax															1,085.7	282.1
Income tax															(87.4)	(41.3)
Profit for the year before allocation between equity holders of the parent and non-controlling interests															998.3	240.8
Attributable to:																
Equity holders of the parent															982.1	213.7
Non-controlling interests															16.2	27.1
															998.3	240.8

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2017 HK$'M	**2016 HK$'M**	**2017 HK$'M**	**2016 HK$'M**	**2017 HK$'M**	**2016 HK$'M**	**2017 HK$'M**	**2016 HK$'M**	**2017 HK$'M**	**2016 HK$'M**	**2017 HK$'M**	**2016 HK$'M**	**2017 HK$'M**	**2016 HK$'M**	**2017 HK$'M**	**2016 HK$'M**
Segment assets	18,690.8	15,362.1	52.1	42.6	3,165.2	3,144.9	2,524.8	1,656.0	277.3	317.4	16.7	16.6	(50.5)	(40.7)	24,676.4	20,498.9
Investments in joint ventures	-	-	-	-	3,030.8	3,146.8	-	-	-	-	-	-	-	-	3,030.8	3,146.8
Investments in associates	-	-	-	-	10.2	(4.1)	-	-	-	-	5.6	10.6	-	-	15.8	6.5
Cash and unallocated assets															3,525.5	4,147.2
Total assets															31,248.5	27,799.4
Segment liabilities	(416.5)	(391.6)	(2.3)	(2.4)	(53.0)	(40.6)	(3.6)	(10.5)	(86.1)	(138.4)	(5.0)	(2.7)	50.5	40.7	(516.0)	(545.5)
Bank borrowings and unallocated liabilities															(15,410.2)	(14,371.7)
Total liabilities															(15,926.2)	(14,917.2)
Other segment information:																
Interest income	-	-	-	-	(109.7)	(90.4)	(54.6)	(35.6)	(4.8)	(1.0)	-	-				
Reimbursement of lease payments in connection with undertaking provided by a joint venture	(273.4)	-	-	-	-	-	-	-	-	-	-	-				
Impairment of trade debtors	0.1	-	-	-	-	-	-	-	-	-	-	-				
Impairment loss on items of property, plant and equipment	-	-	-	-	-	-	-	-	50.5	-	-	-				
Maintenance reserves released	-	-	-	-	-	-	-	-	(54.7)	-	-	-				
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	-	-	-	-	-	-	(376.4)	46.8	-	-	-	-				
Fair value losses/(gains) on investment properties, net	(2.0)	(9.0)	-	-	(51.9)	50.4	-	-	-	-	-	-				
Fair value gain upon reclassification of a property held for sale to an investment property	-	-	-	-	-	(58.5)	-	-	-	-	-	-				
Loss/(gain) on disposal of items of property, plant and equipment, net	0.8	-	-	-	(35.7)	-	-	-	(5.2)	(19.6)	-	-				
Capital expenditure	3,692.2	73.6	0.3	0.1	4.2	3.2	-	-	145.4	2.6	3.2	3.1				

Geographical information

(a) Revenue from external customers

	2017	2016
	HK$'M	HK$'M
Hong Kong	**2,457.0**	2,433.6
Mainland China	**17.5**	23.0
Other	**86.1**	160.5
	2,560.6	2,617.1

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

	2017	2016
	HK$'M	HK$'M
Hong Kong	**21,512.9**	17,810.7
Mainland China	**1,674.4**	1,380.5
Other	**333.7**	318.8
	23,521.0	19,510.0

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.

3. Revenue, other income and gain, net are analysed as follows:

	2017	**2016**
	HK$'M	**HK$'M**
Revenue		
Hotel operations and management services	**2,223.8**	2,102.9
Rental income:		
Hotel properties	**41.8**	44.1
Investment properties	**16.6**	15.1
Aircraft	**34.9**	98.0
Others	**2.6**	2.6
Net gain from sale of financial assets at fair value through profit or loss	**40.5**	99.5
Net gain on settlement of derivative financial instruments	**12.0**	3.4
Interest income from financial assets at fair value through profit or loss	**41.8**	26.0
Interest income from finance leases	**4.8**	1.0
Dividend income from listed investments	**9.3**	6.5
Sale of properties	**110.0**	203.4
Other operations	**22.5**	14.6
	2,560.6	2,617.1
Other income and gain, net		
Bank interest income	**31.6**	14.8
Other interest income	**123.0**	100.8
Loss on disposal of an investment property	**–**	(23.7)
Gain on disposal of items of property, plant and equipment, net	**40.1**	19.6
Maintenance reserves released	**54.7**	–
Reimbursement of lease payments in connection with undertaking provided by a joint venture	**273.4**	–
Others	**7.4**	1.4
	530.2	112.9

4. An analysis of profit on sale of properties of the Group included in the operating profit is as follows:

	2017	2016
	HK$'M	**HK$'M**
Profit on disposal of properties	**84.3**	21.6

5. Finance costs of the Group are as follows:

	2017	2016
	HK$'M	**HK$'M**
Interest on bank loans	**135.7**	113.6
Interest on other borrowings	**269.5**	231.4
Amortisation of debt establishment costs	**25.6**	46.9
Total interest expenses on financial liabilities not at fair value through profit or loss	**430.8**	391.9
Other loan costs	**6.7**	3.5
	437.5	395.4
Less: Finance costs capitalised	**(68.9)**	–
	368.6	395.4

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

	2017	2016
	HK$'M	**HK$'M**
Current – Hong Kong		
Charge for the year	**85.1**	97.7
Underprovision/(overprovision) in prior years	**(3.5)**	7.4
Current – Overseas		
Charge for the year	**1.2**	0.8
Deferred	**4.6**	(64.6)
Total tax charge for the year	**87.4**	41.3

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2016 – 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

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

The share of tax charge attributable to a joint venture and an associate amounting to HK$12.3 million and HK$1.9 million, respectively (2016 – share of tax credit of HK$0.1 million and Nil, respectively), is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

7. Dividends:

	2017	**2016**
	HK$'M	**HK$'M**
Interim – HK4.5 cents (2016 – HK4.0 cents) per ordinary share	**40.4**	37.0
Proposed final – HK11.5 cents (2016 – HK9.0 cents) per ordinary share	**103.4**	82.4
	143.8	119.4

8. 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$982.1 million (2016 – HK$213.7 million) and on the weighted average of 907.3 million (2016 – 921.6 million) ordinary shares of the Company in issue during the year.

No adjustment has been made to the basic earnings per ordinary share amount presented for the years ended 31st December, 2017 and 2016 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the years.

9. Included in debtors, deposits and prepayments is an amount of HK$140.3 million (2016 – HK$138.6 million) representing the trade debtors of the Group. The ageing analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

	2017	**2016**
	HK$'M	**HK$'M**
Outstanding balances with ages:		
Within 3 months	**115.7**	118.4
Between 4 to 6 months	**3.5**	3.2
Between 7 to 12 months	**7.2**	5.2
Over 1 year	**15.7**	13.5
	142.1	140.3
Impairment	**(1.8)**	(1.7)
	140.3	138.6

Credit terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amounts less impairment which is made when collection of the full amounts is no longer probable. Bad debts are written off as incurred.

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

10. Included in creditors, deposits received and accruals is an amount of HK$76.1 million (2016 – HK$79.0 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:

	2017	**2016**
	HK$'M	**HK$'M**
Outstanding balances with ages:		
Within 3 months	**75.9**	78.7
Between 4 to 6 months	**0.1**	0.2
Between 7 to 12 months	**0.1**	–
Over 1 year	**–**	0.1
	76.1	79.0

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

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

During the year ended 31st December, 2017, the Company repurchased a total of 17,274,000 ordinary shares of the Company at aggregate purchase prices of HK$116,758,920 on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest (HK$)	Lowest (HK$)	Aggregate purchase price (HK$)
June 2017	10,612,000	7.130	6.450	73,016,640
July 2017	6,662,000	6.840	6.400	43,742,280
Total	17,274,000			116,758,920
		Total expenses on shares repurchased		329,237
			Total	117,088,157

All the above 17,274,000 repurchased ordinary shares were cancelled during the year. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company.

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

REVIEW OF RESULTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31st December, 2017, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the year ended 31st December, 2017, 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.

BOARD OF DIRECTORS

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

Executive Directors:
Mr. LO Yuk Sui
(Chairman and Chief Executive Officer)
Miss LO Po Man
(Vice Chairman and Managing Director)
Ms. Belinda YEUNG Bik Yiu
(Chief Operating Officer)
Mr. Donald FAN Tung
Mr. Jimmy LO Chun To
Mr. Kenneth NG Kwai Kai
Mr. Allen WAN Tze Wai

Non-Executive Director:
Dr. Francis CHOI Chee Ming, GBS, JP
(Vice Chairman)

Independent Non-Executive Directors:
Ms. Alice KAN Lai Kuen
Professor Japhet Sebastian LAW
Ms. Winnie NG, JP
Mr. WONG Chi Keung

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 26th March, 2018