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 2019 GROUP FINAL RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Year 2019	Year 2018	% Change
	HK$'M	HK$'M	
Revenue	**2,226.2**	2,614.1	**-14.8%**
Gross profit	**1,015.7**	1,213.7	**-16.3%**
Operating profit before depreciation, finance costs and tax	**1,318.9**	1,327.4	**-0.6%**
Profit for the year attributable to equity holders of the parent	**454.6**	547.7	**-17.0%**
Basic earnings per ordinary share attributable to equity holders of the parent	**HK$0.38**	HK$0.48	**-20.8%**
Proposed final dividend per ordinary share	**HK6.0 cents**	HK14.0 cents	**-57.1%**
Total dividends for the year per ordinary share	**HK10.5 cents**	HK19.0 cents	**-44.7%**

	As at 31st December,		
	2019	2018	
	(Unaudited)	(Unaudited)	
Net asset value per ordinary share attributable to equity holders of the parent			
Book	**HK$14.46**	HK$14.31	**+1.0%**
★Adjusted	**HK$22.96**	HK$24.64	**-6.8%**

★ 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, 2018 and 2019, respectively, with the relevant deferred tax liabilities added back

- **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 2019 has dropped by approximately 17% as compared with the results in 2018.**

- **Operating profit before depreciation, finance costs and tax for the year amounted to HK$1,318.9 million (2018 – HK$1,327.4 million).**

- **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.**

- **Regal Real Estate Investment Trust, a listed subsidiary of the Group, owns a total of nine operating Regal and iclub Hotels in Hong Kong, with an aggregate of 4,909 guestrooms and suites. Except for the iclub Wan Chai Hotel which is self-operated by Regal REIT, the five initial Regal Hotels and the other 3 iclub Hotels are under lease to the Group for hotel operation.**

- **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. The businesses of the iclub Hotels in the second half of 2019 have likewise met with intense pressure.**

- **For the year 2019 as a whole, the combined average Revenue per Available Room of the five Regal Hotels in Hong Kong declined by 20.3% year-on-year, although still slightly better than the market average.**

- **The building superstructure works of the Group's second hotel at the Hong Kong International Airport have been completed as scheduled and the new hotel is expected to be opened for business in the first half of 2021.**

- **The Group has a 50% joint venture interest in P&R Holdings Limited which owns, among other developments and properties, the Mount Regalia, a major residential development in Kau To, Sha Tin. 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.**

- **The Group is developing a commercial/residential project at Queen's Road West in Hong Kong, which 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.**

- **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.**

- **The Group believes that 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.**

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 announcement, 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 announcement.

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.

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 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 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 of the Group, which (except for the property project in Portugal) are all wholly owned by the Group, and those undertaken by P&R Holdings (including those undertaken by Cosmopolitan International Holdings Limited, the listed subsidiary of P&R Holdings) as well as on the Group's financial assets and other investment 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, 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 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 carparks. 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 carparking 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 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$’M	**HK$ 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 the consolidated financial statements ("Financial Statements") contained in the annual report of the Company for the year ended 31st December, 2019 (the "2019 Annual Report") to be published on or before 30th April, 2020.

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 the Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 31st December, 2019 are shown in the Financial Statements.

DIVIDEND

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 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

An Annual General Meeting of the Company will be convened to be held on Tuesday, 9th June, 2020. 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 2019 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 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.

YEAR END RESULTS

Consolidated Statement of Profit or Loss

	Year ended 31st December, 2019 HK$'M	Year ended 31st December, 2018 HK$'M
REVENUE (Notes 2 & 3)	**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 (Note 3)	**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	**(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 (Note 4)	**788.7**	814.5
Finance costs (Note 5)	**(412.5)**	(381.4)
Share of profits of:		
Joint ventures	**57.5**	174.1
Associates	**36.4**	0.4
PROFIT BEFORE TAX	**470.1**	607.6
Income tax (Note 6)	**(10.5)**	(40.8)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**459.6**	566.8

Consolidated Statement of Profit or Loss (Cont'd)

	Year ended 31st December, 2019 HK$'M	Year ended 31st December, 2018 HK$'M
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 (Note 8)		
Basic and diluted	**HK$0.38**	HK$0.48

Consolidated Statement of Comprehensive Income

	Year ended 31st December, 2019	Year ended 31st December, 2018
	HK$'M	**HK$'M**
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	**(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

	31st December, 2019	31st December, 2018
	HK$'M	HK$'M
NON-CURRENT ASSETS		
Property, plant and equipment	**7,962.4**	18,529.9
Investment properties	**1,052.1**	1,147.2
Right-of-use assets	**11,197.7**	–
Properties under development	**443.2**	897.9
Investments in joint ventures	**3,967.2**	3,539.9
Investments in associates	**52.9**	16.5
Financial assets at fair value through profit or loss	**755.8**	550.1
Other loan	**1,062.0**	1,062.0
Debtors and deposits (Note 9)	**78.4**	5.7
Deferred tax assets	**47.5**	42.9
Total non-current assets	**26,619.2**	25,792.1
CURRENT ASSETS		
Properties under development	**868.7**	–
Properties held for sale	**237.7**	223.1
Inventories	**29.6**	27.8
Aircraft held for sale	**–**	5.9
Debtors, deposits and prepayments (Note 9)	**226.6**	308.2
Financial assets at amortised cost	**–**	481.3
Financial assets at fair value through profit or loss	**2,455.7**	2,721.8
Other loans	**390.8**	267.3
Derivative financial instruments	**3.1**	28.4
Tax recoverable	**4.5**	7.2
Restricted cash	**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

Consolidated Statement of Financial Position (Cont'd)

	31st December, 2019 HK$'M	31st December, 2018 HK$'M
CURRENT LIABILITIES		
Creditors, deposits received and accruals (Note 10)	**(332.1)**	(425.8)
Contract liabilities	**(43.3)**	(42.6)
Lease liabilities	**(16.6)**	–
Interest bearing bank borrowings	**(1,747.0)**	(1,174.8)
Derivative financial instruments	–	(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
NON-CURRENT LIABILITIES		
Creditors and deposits received (Note 10)	**(145.0)**	(97.0)
Lease liabilities	**(36.5)**	–
Interest bearing bank borrowings	**(11,309.5)**	(10,925.8)
Other borrowing	**(2,716.7)**	(2,725.9)
Deferred tax liabilities	**(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	**89.9**	89.9
Reserves	**12,908.8**	12,774.2
	12,998.7	12,864.1
Perpetual securities	**1,732.9**	1,732.9
Non-controlling interests	**724.2**	838.6
Total equity	**15,455.8**	15,435.6

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, 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. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except when otherwise indicated.

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

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.

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$'M
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$'M
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. 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 3):																
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 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 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 undertaking 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	2018
	HK$'M	**HK$'M**
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	2018
	HK$'M	**HK$'M**
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.

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

	2019	2018
	HK$'M	HK$'M
<u>Revenue</u>		
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
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

	2019	2018
	HK$'M	**HK$'M**
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 undertaking provided by a joint venture	**28.3**	21.2
Others	**22.2**	21.2
	268.7	311.7

4. An analysis of profit on sale of a property and depreciation of the Group included in the operating profit is as follows:

	2019	2018
	HK$'M	**HK$'M**
Profit on disposal of a property	**9.0**	**–**
Depreciation of property, plant and equipment	**294.9**	512.9
Depreciation of right-of-use assets	**235.3**	–
	530.2	512.9

5. Finance costs of the Group are as follows:

	2019 HK$'M	2018 HK$'M
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

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

	2019 HK$'M	2018 HK$'M
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
Underprovision in prior years	**0.2**	–
Deferred	**(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.

The share of tax 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.

7. Dividends:

	2019	2018
	HK$'M	HK$'M
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

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$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.

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.

9. Included in debtors, deposits and prepayments is an amount of HK$81.0 million (2018 – HK$140.6 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:

	2019	2018
	HK$'M	HK$'M
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

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

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$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	2018
	HK$'M	HK$'M
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.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31st December, 2019.

REVIEW OF RESULTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31st December, 2019, 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, 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.

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, 2020